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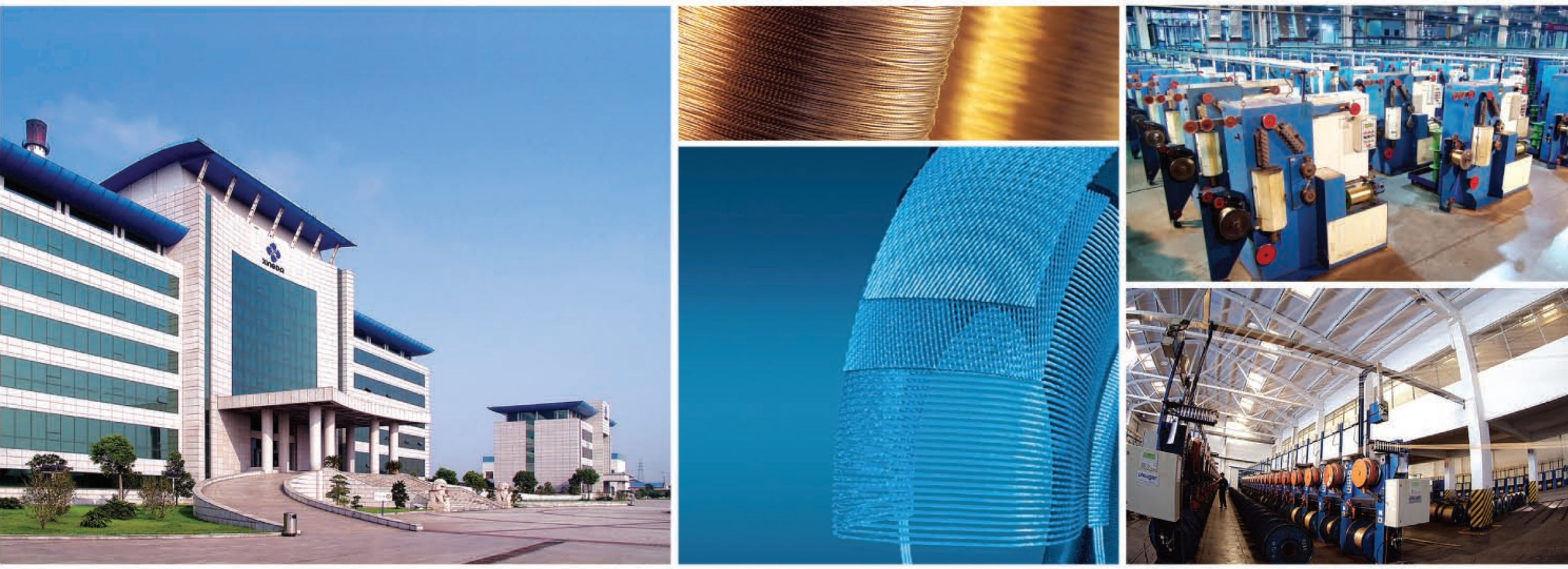
XINGDA INTERNATIONAL HOLDINGS LIMITED

興達國際控股有限公司

(incorporated in the Cayman Islands with limited liability)



GLOBAL OFFERING

Global Coordinator, Sponsor, Bookrunner and Lead Manager

Goldman Sachs




IMPORTANT

If you are in any doubt about this prospectus, you should obtain independent professional advice.

XINGDA

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GLOBAL OFFERING

Number of Offer Shares	:	**386,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**38,600,000 Shares (subject to adjustment)**
Number of International Offering Shares	:	**347,400,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	:	**Not more than HK$3.08 per Offer Share and expected to be not less than HK$2.45 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%)**
Nominal value per Share	:	**HK$0.10**
Stock code	:	**1899**

Global Coordinator, Sponsor, Bookrunner and Lead Manager

Goldman Sachs

Co-Lead Managers

交通證券有限公司 BCOM SECURITIES COMPANY LIMITED

CHINA EVERBRIGHT CAPITAL LIMITED

Guotai Junan Securities (Hong Kong) Limited

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraphs headed "Documents delivered to the Registrar of Companies in Hong Kong" and "Documents available for inspection" in Appendix VII to this prospectus, has been registered by the Companies Registry in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company (on behalf of ourselves and the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) by the Price Determination Time. The Price Determination Time is expected to be at 4:00 p.m. (Hong Kong time) on Thursday, December 14, 2006 (or any other time not later than 5:00 p.m. (Hong Kong time) on Monday, December 18, 2006 as agreed among the Global Coordinator (on behalf of the Underwriters) and our Company (on behalf of ourselves and the Selling Shareholders). The Offer Price will be not more than HK$3.08 per Offer Share and is expected to be not less than HK$2.45 per Offer Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.08 for each Hong Kong Offer Share together with a brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. The Global Coordinator (on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the indicative Offer Price range will be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between our Company (on behalf of ourselves and the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) at or before the Price Determination Time, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Pursuant to the force majeure provisions contained in the Hong Kong Underwriting Agreement, the Global Coordinator (on behalf of the Hong Kong Underwriters), has the right in certain circumstances and in its sole discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (currently expected to be December 21, 2006 (Hong Kong time)). Further details of the terms of the force majeure provisions are set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus.

December 8, 2006

Application lists open[2]	11:45 a.m. on Wednesday, December 13, 2006[1]
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application** instructions to HKSCC	12:00 noon on Wednesday, December 13, 2006[1]
Application lists close[2]	12:00 noon on Wednesday, December 13, 2006[1]
Expected Price Determination Time	Thursday, December 14, 2006[1]
Announcement of the Offer Price and the indication of the levels of interest in the International Offering and the results and the basis of allotment of the Hong Kong Offer Shares to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on or before	Wednesday, December 20, 2006[1]
Dispatch of share certificates and refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[3]	Wednesday, December 20, 2006[1]
Dealings in Shares on the Stock Exchange to commence on	Thursday, December 21, 2006[1]

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 13, 2006, the application lists will not open or close on that day. Further information is set out in the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

(3) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques (if any) and (where applicable) share certificates in person from our Company's Hong Kong branch share registrar may collect refund cheques and (where applicable) share certificates in person from our Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on December 20, 2006. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" under the section headed "Terms and Conditions of the Hong Kong Public Offering" in this prospectus for details.

Uncollected share certificates and refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms unless the applicant has requested that the dispatch shall be made by registered mail. Further information is set out in the sections headed "How to apply for Hong Kong Offer Shares" and "Terms and conditions of the Hong Kong Public Offering" in this prospectus.

Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all aspects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is expected to be at around 8:00 a.m. on December 21, 2006.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Global Coordinator, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarized in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

Our Company is a Cayman Islands incorporated holding company. We have an indirect 69.54% interest in Jiangsu Xingda, our operating company in the PRC. We manufacture and distribute in the PRC radial tire cords and bead wires, which are the principal skeleton materials of radial tires. Radial tire cords are cords made of flexible strands of copper-plated steel filaments that are positioned at a right angle to the center of the tread, thereby strengthening the supporting force of the walls of the radial tire. Bead wires are steel filaments that are plated with brass, bronze or copper and support the tire where it attaches to the rim of the wheel. Our headquarters and production base occupy an aggregate gross floor area of approximately 567,000 sq.m., and together with our thermo-electric power plants, are located in Xinghua Municipality, Jiangsu Province of the PRC, about 350 km northwest of Shanghai.

According to a confirmation dated November 8, 2006 issued by CRIA for the year ended December 31, 2005, we were the largest PRC-based producer of radial tire cords in the PRC in terms of annual production volume. Our customers include the top ten tire manufacturers in the PRC in terms of sales for the first half of 2006 according to statistics compiled by CRIA, including both local and foreign-invested tire manufacturers. In 2005, we became an approved supplier of Goodyear.

The table below shows the sales volume contributed by our main product categories for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2003		2004		2005		2006	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Radial Tire Cords . .	50,613	75.4	95,246	80	140,133	83.2	75,061	85.5
Bead Wire.	16,474	24.6	23,851	20	28,308	16.8	12,689	14.5
Total	67,087	100.0	119,097	100.0	168,441	100.0	87,750	100.0

Due to the addition of the 8th Factory Project to our production facilities which we expect will be in operation in January 2007, the Directors estimate that our annual production capacity will reach 238,200 tonnes of radial tire cords and 39,100 tonnes of bead wires for the year ending December 31, 2007.

OUR COMPETITIVE STRENGTHS

- **Market leadership**

We are the largest PRC-based producer of radial tire cords in terms of production volume and an approved supplier of radial tire cords to the top ten tire manufacturers in the PRC, including both local and foreign-invested tire manufacturers. We believe our leading position enables us to maintain our selling prices better than our peers and helps to ensure that we will be in the best position to benefit from any future consolidation of the PRC radial tire cord market.

Tire makers impose stringent requirements for quality and reliability of supply on their suppliers of radial tire cords. Each major tire manufacturer relies on a small number of radial tire cord suppliers in addition to its in-house production facilities. The process of gaining approval as a supplier is both difficult and lengthy, and can take up to three years. As a result there are substantial barriers to entering the radial tire cord market, and to gaining approval as a supplier to tire manufacturers. As the leading PRC radial tire cord manufacturer which is already an approved supplier to a number of tire manufacturers and with our proven track record for quality and reliability of supply, we believe that we have a distinct advantage over small manufacturers or new market entrants when we enter into negotiations to obtain new approvals.

- **Economies of scale and scope**

We believe we are able to procure steel wire rods at more competitive prices due to the significant quantity of steel wire rods that we purchase. Our scale of operations also enables us to benefit from significant investments in the production chain, such as in-house assembly of production equipment from low-priced third-party component manufacturers. Our production capacity is a key competitive strength as tire manufacturers rank security of supply and quality as key factors when choosing radial tire cord manufacturers. Our scale of operations enables us to devote production lines to a diverse scope of radial tire cord products, expanding the scope of products which we can offer to any one tire manufacturer. Tire manufacturers can rely on us as a "one-stop shop" for all their radial tire cord requirements.

- **Advanced technology for production and research and development**

We have a technical center and a new product development center which work jointly to improve production engineering, develop production equipment and new products and improve production efficiency.

In addition to using advanced production equipment from Italy, Belarus, Belgium, Germany and Japan, we also develop and assemble our own equipment, such as drawing and stranding machines. Our ability to develop and manufacture production equipment in-house enables us to expand our production capacity in a timely and cost-efficient manner. As one of the most established domestic radial tire cord producers, we have built up a manufacturing know-how database which we believe is hard to replicate and which is the key to our high output and consistent quality. As testimony to the high quality of our products in 2005, we were recognized as an approved supplier of Goodyear. Our significant research and development investment facilitates the accumulation of production know-how, which is an important consideration for partnerships with the major tire manufacturers, as they usually initiate most of the major product breakthroughs. For example, once a product prototype is developed, major tire manufacturers will look for a radial tire cord producer who is able to transform the prototype and mass produce high and consistent quality products. In order to do so, we must have the necessary product know-how.

- **Relationship with leading tire manufacturers**

We work to establish and maintain a close relationship with leading tire manufacturers, both domestic and international, through our market leadership position and branding, as well as our sales and marketing model. We assign a sales representative to act as account manager for each key customer, with such managers stationed in the cities where the customers are located. Our close proximity to customers serves the dual purpose of allowing account managers to obtain instant feedback on all aspects of our products and services, and to explore information on new developments in the tire manufacturing industry which may have an impact on the entire radial tire cord industry. The latter is especially important as major product developments are usually initiated by the major tire manufacturers. Due to the lengthy approval process, radial tire cord manufacturers who have already been approved and have obtained privileged access to a tire manufacturer's five-year product pipeline are therefore able to anticipate product shifts and technological advancements before the rest of the market. This ability allows us to align our production and research and development efforts accordingly, hence we can maintain our competitive edge over other competitors.

- **Experienced management team**

Members of our management team have extensive experience in their respective disciplines including radial tire cord manufacturing, rubber and skeleton tire materials, finance, investment and international trade. Almost every member of the management team has over ten years of experience in his discipline. Moreover, since a significant number of the senior management team hold Shares in our Company, its interests are aligned with the Shareholders. This alignment of interests is a key factor in the stability of the senior management team.

OUR STRATEGIES

We intend to enlarge our business scope and become a leading global manufacturer of radial tire cords. In order to achieve this objective, we have formulated business strategies encompassing the following three main themes:

- **Enhancement of competitiveness and strengthening our leading market position in the domestic market.** The PRC has always been the primary market for our products. With the expanding demand for automotive tires in the PRC and the shifting of automotive tire manufacturing bases from Western developed countries to the PRC, we anticipate that the domestic radial tire cord manufacturing industry will continue to grow rapidly in the near future. We intend to capture further market share and maintain our leading position in the domestic radial tire cord industry through the following means:

➢ ***Expansion of production capacity.*** We are in the process of expanding our production capacity through the 8th Factory Project. This will provide additional production capacity of approximately 50,000 tonnes per year of high-performance (new structures) radial tire cords.

➢ ***Continual production technology upgrade.*** Our production efficiency depends largely on the equipment and techniques we use in the manufacturing process. The Directors believe that by using advanced production equipment and techniques, the quality of our products and our production efficiency will both increase. For this reason, we intend to continue to monitor and adopt technological developments that can be used for our benefit.

➢ ***Improvement of quality control systems.*** As the quality of radial tire cords and bead wires is directly correlated to the performance of the radial tires, we will take measures to strengthen our quality control systems including, among others, importing advanced inspection equipment from various countries including Germany and Japan to meet the product specifications of our customers.

➢ ***Enhancement of research and development capabilities.*** Our future growth and success is highly dependent on our ability to keep abreast of the rapid changes in the radial tire manufacturing industry and to adapt to the needs of our customers. We intend to devote substantial resources to the research and development of new products and production engineering, such as high speed drawing machines and new models of stranding machines, in order to further improve our production efficiency and production capabilities.

➢ ***Introduction of a manufacturing execution system, or MES, and a logistics management system.*** To better cope with the rapid expansion of our business, we intend to introduce a MES and a logistics management system to enhance the collection and analysis of data and co-ordination of the production and distribution of our products and the inventory control. With the MES and logistics management system, we will be able to gain more comprehensive control and management of our supply chain, which consists of accepting orders, procurement, warehousing, production, logistics, sales and client management. The time required for procuring the supply of raw materials, manufacturing the products and delivering the products to our customers is expected to be reduced by these systems which will improve our competitiveness.

- **Expansion into international markets.** The domestic market in the PRC is currently the dominant outlet for our products. For the year ended December 31, 2005, our total overseas sales represented approximately 1% of our revenue. We intend to penetrate overseas markets focusing primarily on North America and Japan. Our decision to set North America and Japan as our target international markets is mainly driven by our intention to develop and capitalize on our relationships with various global tire manufacturers which have significant presence in North America and/or operations in Japan. We expect to achieve overseas growth of our business by:

  ➢ ***Enhancing international sales efforts.*** In order to expand into the international market, we intend to set up an international development department in the United States and Shanghai to coordinate our sales efforts there. Moreover, we also plan to set up a technical service team and recruit personnel who have experience in sales to large overseas radial tire manufacturers to provide timely and professional sales services to our international customers.

  ➢ ***Obtaining recognition from additional overseas tire manufacturers as an approved supplier.*** In 2005, we obtained recognition as an approved supplier to Goodyear. We have also applied to other international tire manufacturers for approvals of our radial tire cord products.

- **Expansion by business combination.** As opportunities arise we will carefully consider expanding our business, both domestically and internationally, by combining with other enterprises that are engaged in the same business.

THE RADIAL TIRE CORD INDUSTRY

The radial tire cord industry is directly dependent on the state of health of the tire industry. The main source of demand for radial tire cords in the PRC and elsewhere is the replacement tires market, particularly the truck tires market. This is because each radial truck-type tire contains substantially more radial tire cord than a passenger car tire, and also because trucks, buses and other commercial vehicles require more frequent replacement of tires due to the higher usage of the vehicles as compared to passenger cars.

In the PRC, growth in demand for radial tire cords depends largely on the growth in the economy which leads to improvement of the highway network and the growth of the road logistics industry. This, in turn, is expected to spur demand for transportation and results in the expansion of the road logistics. This increased demand for transportation is expected to result in increases in the number of trucks, large passenger vehicles and other commercial vehicles. As a result, demand for original equipment tires and replacement tires and radial tire cords is expected to increase.

The radial tire cord industry is capital intensive and requires substantial customization by suppliers of radial tire cords to meet the specific requirements of each tire manufacturer. Taking into account the importance of radial tire cord to the safety and endurance of a tire, a tire manufacturer usually undertakes a comprehensive screening process before approving a radial tire cord manufacturer as a supplier. Most of the largest tire manufacturers also manufacture radial tire cords and bead wire. In order to maintain consistent product quality, tire manufacturers will normally source their tire cord requirements from a limited number of approved suppliers in addition to its in-house production. Moreover, since the cost of changing suppliers is very substantial and potentially disruptive to business, tire manufacturers generally develop and continue close working relationships with a small group of radial tire cord suppliers. As a result of these high entry barriers, the radial tire cord market is concentrated.

THE PRC AUTOMOTIVE TIRE INDUSTRY

As a result of the increasing domestic demand for automotive tires and the cost advantages of PRC-based manufacturing, the PRC has since 2003 became the third ranked producer in terms of volume of tires made, after the United States and Japan, according to statistics published by CRIA.

Since the PRC has been one of the world's fastest-growing economies enjoying, among other things, rapid growth of freight and passenger transportation volume, continuous development of its road and highway network, increases in export of tires and acceleration of the radialization process, the production of radial tires in the PRC has grown rapidly in recent years. Total volume of tires of all types produced in the PRC grew from 135.7 million units in 2001 to 318.2 million units in 2005 according to the China Automotive Industry Yearbook 2006. This growth has, in turn, spurred demand for radial tire cords.

Due to their advantages, radial tires have gradually replaced bias tires and have now become the standard design for essentially all passenger car tires and most truck tires. However, the percentage of total tire sales represented by radial tire cords varies from country to country. The radialization rate for both passenger car tires and truck tires is almost 100% in Western Europe and North America. However, the radialization rate of many developing countries, like the PRC, is still low compared to that of developed regions. In 2004, radial tires accounted for approximately 52.2% of all tires produced in the PRC according to statistics published by the CRIA.

In recent years, the PRC has experienced rapid growth in the production of tires for the domestic replacement tires market as well as the original equipment tires market, which is in line with the growing production of automobiles for domestic use. In addition, the competitive labor costs and the close proximity between the automotive manufacturers and end customers in the PRC have encouraged international tire manufacturers to establish production plants in the PRC in recent years. As a result, exports of tires from the PRC have rapidly increased.

REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

The Directors believe that the main purpose for the Global Offering is to strengthen our capital base and to improve our financial position in pursuit of our future expansion plans.

The net proceeds of the Global Offering, after deducting related expenses, and assuming an Offer Price of HK$2.77 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK$2.45 and HK$3.08 per Offer Share), are estimated to amount to approximately HK$979 million (RMB994 million). We intend to apply the net proceeds as follows:

(1) approximately HK$570 million (RMB579 million) is intended for the expansion of the production capacity of our production facilities;

(2) approximately HK$380 million (RMB386 million) is intended for overseas expansions; and

(3) the remaining balance of approximately HK$29 million (RMB29 million) is intended to be used as our general working capital.

In the event that the Offer Price is fixed at HK$2.45 per Share, being the lowest point of the estimated price range, the net proceeds will be reduced by approximately HK$123 million (RMB125 million) to approximately HK$856 million (RMB869 million). Such proceeds will be utilized approximately on a pro-rata basis for our intended domestic production expansion, overseas expansion and general working capital.

In the event that the Offer Price is fixed at HK$3.08 per Share, being the highest point of the estimated price range, the net proceeds will increase by approximately HK$120 million (RMB122 million) to approximately HK$1,099 million (RMB1,116 million). Such proceeds will be utilized approximately on a pro-rata basis for our intended domestic production expansion, overseas expansion and general working capital.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions or used to purchase money-market instruments.

For details of our domestic production and overseas expansion, please refer to the section headed “Our Strategies”. For further details of our use of proceeds, please refer to the sub-section headed, “Use of Proceeds” in the section headed, “Future Plans and Use of Proceeds”.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders.

SUMMARY OF CONSOLIDATED FINANCIAL AND OPERATING DATA

Our summary consolidated financial data set forth below has been extracted or derived from our consolidated financial information as of December 31, 2003, 2004, 2005 and as of June 30, 2006, and for the years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2005 and 2006, all of which is set forth in the Accountants' Report included as Appendix 1 to this prospectus (the "Accountants' Report"). As more fully described in Appendix 1, the Accountants' Report was prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions including the United States.

Our consolidated statements of income included elsewhere in this prospectus and the related financial information included in this section present the results of operations of the companies comprising us as if the current group structure had been in existence and remained unchanged throughout the period from January 1, 2003 through June 30, 2006 (or since the date of such companies' incorporation where this is a shorter period).

Our consolidated balance sheets as of December 31, 2003, 2004, 2005, and as of June 30, 2006 have been prepared to present our assets and liabilities as if the current group structure had been in existence as of those dates. All significant intra-group transactions and balances have been eliminated on combination.

All financial data as of and for the six months ended June 30, 2005 are unaudited.

Investors should read these summary consolidated financial data together with Appendix 1 to this prospectus and the discussion under the caption "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations".

I. Summary Consolidated Income Statement

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB in thousands except otherwise stated)				
Revenue[1]	962,789	1,683,179	2,357,420	1,094,109	1,155,339
Cost of sales	(481,265)	(1,020,143)	(1,648,118)	(768,261)	(819,920)
Gross profit	481,524	663,036	709,302	325,848	335,419
Other income	22,343	29,703	57,676	25,502	31,748
Government grants	27,611	57,010	46,649	10,688	1,990
Selling and distribution expenses	(33,933)	(50,412)	(84,324)	(33,542)	(40,815)
Administrative expenses	(107,243)	(112,608)	(143,478)	(56,292)	(63,490)
Profit from operations	390,302	586,729	585,825	272,204	264,852
Finance costs	(40,030)	(70,974)	(84,806)	(41,781)	(42,631)
Loss on fair value adjustment on the Convertible Bonds	—	—	(179,599)	(107,062)	(27,444)
Loss on dilution of interest in a subsidiary	—	—	(824)	(824)	—
Profit before tax	350,272	515,755	320,596	122,537	194,777
Income tax (charge) credit	(51,037)	(117,671)	1,526	2,464	(17)
Profit for the year/period	299,235	398,084	322,122	125,001	194,760
Profit attributable to:					
Equity holders of the Company	135,780	185,911	116,171	25,546	124,912
Minority shareholders	163,455	212,173	205,951	99,455	69,848
	299,235	398,084	322,122	125,001	194,760
Dividend attributable to:					
Equity holders of the Company	12,219	12,219	15,721	15,721	18,627
Minority shareholders	14,701	14,701	11,199	11,199	8,200
	26,920	26,920	26,920	26,920	26,827
Earnings per Share[2]					
Basic (RMB fen)	21.25	28.52	12.91	2.84	13.88
Diluted (RMB fen)	N/A	N/A	12.91	2.84	12.99
Earnings per Share before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds[3]					
Basic (RMB fen)	21.25	28.52	32.86	14.73	16.25

II. Summary Consolidated Balance Sheet

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Non-current Assets				
Property, plant and equipment	835,041	1,123,351	1,670,780	1,776,561
Land use rights	71,778	77,593	120,185	119,063
Available-for-sale investments	500	500	500	500
Deposits paid for purchase of property, plant and equipment	70,880	31,930	1,843	311
Deposits paid for purchase of land use rights	4,550	—	—	—
Total non-current assets	982,749	1,233,374	1,793,308	1,896,435
Current assets				
Land use rights	1,327	1,541	2,485	2,487
Inventories	118,071	147,659	303,058	271,224
Trade and other receivables	511,083	762,291	990,172	1,241,610
Amount due from a related company	—	—	—	350
Amounts due from shareholders/minority shareholders	155	8,628	958	958
Investments held for trading	2,020	—	—	—
Bank balances and cash	150,683	291,938	294,301	298,186
Total current assets	783,339	1,212,057	1,590,974	1,814,815
Current liabilities				
Trade and other payables	376,858	349,725	437,794	405,134
Amounts due to directors	1,038	4,877	179	239
Amount due to a related company	—	3,127	15,000	31,000
Amounts due to shareholders	—	272,528	48,408	32,781
Dividend payable	—	—	—	5,402
Tax payable	17,777	65,791	31,661	24,710
Bank borrowings-due within one year	640,960	943,760	1,077,560	992,510
Convertible Bonds	—	—	5,841	6,345
Total current liabilities	1,036,633	1,639,808	1,616,443	1,498,121
Net current (liabilities) assets	(253,294)	(427,751)	(25,469)	316,694
Total assets less current liabilities	729,455	805,623	1,767,839	2,213,129
Non-current liabilities				
Bank borrowings-due after one year	125,000	60,000	30,000	250,000
Convertible Bonds	—	—	578,297	628,154
Deferred tax liabilities	4,159	4,159	—	—
Government grants	—	—	7,500	15,000
Total non-current liabilities	129,159	64,159	615,797	893,154
Minority Interests	327,929	404,301	509,895	571,543

Notes:

(1) **Segment Information**

Our operations are located in the PRC. Substantially all our consolidated revenue and contribution to profit from operations were derived from the manufacture and trading of radial tire cords. Accordingly, no analyses by business segment and geographical area of operations are provided.

(2) **Earnings per Share**

The calculation of the basic earnings per share for the Track Record Period is based on the profit attributable to equity holders of the Company for the Track Record Period and by reference to the following weighted average number of Shares.

	Year ended December 31			Six months ended June 30	
	2003	**2004**	**2005**	**2005**	**2006**
	(Number of Shares in thousands)				
Weighted average number of Shares	639,068	651,913	900,000	900,000	900,000

There is no diluted earnings per share presented for the two years ended December 31, 2003 and 2004 as there were no potential ordinary shares outstanding during those years.

There is no diluted effect on earnings per share for the year ended December 31, 2005 and the six months ended June 30, 2005 (unaudited) as assuming the conversion of the Company's outstanding Convertible Bonds would result in an increase in earnings per share for those year/period.

The diluted earnings per Share for the six months ended June 30, 2006 has been calculated based on the earnings for the purposes of diluted earnings per share of approximately RMB146,254,000 as presented below and by reference to the weighted average number of 1,125,562,842 Shares, which represents weighted average number of 900,000,000 Shares for the purposes of basic earnings per share plus the effect of dilutive potential ordinary shares of 225,562,842 Shares attributable to the Convertible Bonds.

(3) **Earnings per Share before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds**

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Profit attributable to the equity holders of the Company	135,780	185,911	116,171	25,546	124,912
Fair value adjustment on Convertible Bonds	—	—	179,599	107,062	27,444
Effect of foreign exchange rate change on the Convertible Bonds	—	—	—	—	(6,102)
Profit attributable to the equity holders of the Company before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds	135,780	185,911	295,770	132,608	146,254

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB fen)				
				(unaudited)	
Basic earnings per Share before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds	21.25	28.52	32.86	14.73	16.25

The denominators used are the weighted average number of Shares, which are presented above.

The following are certain key indicators of performance:

	Year ended December 31,			Six months ended June 30,
Margins and Finance Costs Coverage	2003(1)	2004(1)	2005(1)	2006(1)
Gross profit margin(2)	50.0%	39.4%	30.1%	29.0%
Operating profit/Revenue	40.5%	34.9%	24.9%	22.9%
Finance costs coverage(3)	11.1	9.6	6.3	7.3

	As of December 31,			As of June 30,
Gearing Ratios	2003	2004	2005	2006
Total debt at year end(4)/ Adjusted EBITDA for year	1.7	1.5	3.2	6.1
Total debt(4)/Total assets at period end	43.4%	41.0%	50.0%	50.6%

Notes:

(1) As of such date or for the period then ended as appropriate.

(2) Cost of Sales/Revenue.

(3) Adjusted EBITDA/Finance costs. EBITDA means profit before interest, tax, depreciation and amortization. Adjusted EBITDA includes adjustments made for loss on fair value adjustment on convertible bonds and loss on dilution of interest in a subsidiary. Adjusted EBITDA and related ratios presented in the Prospectus are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, IFRS or US GAAP. Furthermore, adjusted EBITDA is not a measurement of our financial performance or liquidity under IFRS or US GAAP and should not be considered as an alternative to any other performance measures derived in accordance with IFRS or US GAAP or as an alternative to cash flow from operations as a measure of our liquidity.

The following table sets forth a reconciliation of adjusted EBITDA to profit for the year/period:

	Year ended December 31,			Six months ended June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Adjusted EBITDA	446,056	682,528	711,755	337,593
Interest expense	(40,030)	(70,974)	(84,806)	(42,631)
Income tax	(51,037)	(117,671)	1,526	(17)
Depreciation and amortisation	(55,754)	(95,799)	(125,930)	(72,741)
Adjustments	—	—	(180,423)	(27,444)
Profit for the year/period	299,235	398,084	322,122	194,760

(4) Bank borrowings and Convertible Bonds.

For additional financial information on our Track Record Period, please refer to the section headed “Financial Information” and the Accountants’ Report.

DIVIDENDS AND DIVIDEND POLICY

The Directors may recommend dividends to be declared by Shareholders or declare interim dividends after taking into account a number of factors, including our Company’s earnings, investment requirements, working capital requirement, general financial conditions and any factors considered relevant by its Board.

Our Company intends to declare and pay dividends to its Shareholders in the future as and when the Board considers appropriate. For the avoidance of doubt, persons who acquire Offer Shares in the Global Offering are entitled to dividends which may be declared in respect of the year 2006.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2006

Forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds	Not less than RMB336.2 million (approximately HK$331.2 million)
Forecast consolidated profit attributable to equity holders of our Company[1]	Not less than RMB262.4 million (approximately HK$258.4 million)
Forecast earnings per Share based on forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds	
— weighted average[2]	RMB36.92 fen (approximately HK cents 36.37)
— fully diluted[3]	RMB26.14 fen (approximately HK cents 25.75)
Forecast earnings per Share based on forecast consolidated profit attributable to equity holders of our Company	
— weighted average[4]	RMB28.81 fen (approximately HK cents 28.38)
— fully diluted[5]	RMB20.40 fen (approximately HK cents 20.10)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2006 have been prepared are summarized in Appendix III to this prospectus.

(2) The calculation of forecast earnings per Share on a weighted average basis is based on our forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds for the year ending December 31, 2006 and a weighted average number of 910,575,342 Shares expected to be in issue during the year. It does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

(3) The calculation of the forecast earnings per Share on a fully diluted basis is based on our forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds for the year ending December 31, 2006 and a total of 1,286,000,000 Shares in issue during the entire year. The calculation of the forecast earnings per Share does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

(4) The calculation of forecast earnings per Share on a weighted average basis is based on our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2006 and a weighted average number of 910,575,342 Shares expected to be in issue during the year. It does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

(5) The calculation of the forecast earnings per Share on a fully diluted basis is based on our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2006 and a total of 1,286,000,000 Shares in issue during the entire year. The calculation of the forecast earnings per Share does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

OFFERING STATISTICS

	Based on an Offer Price of HK$2.45 per Offer Share	Based on an Offer Price of HK$3.08 per Offer Share
Market capitalization of the Shares(1)	HK$3,150.7 million	HK$3,960.9 million
Adjusted net tangible asset value per Share(2)	RMB1.26 (approximately HK$1.24)	RMB1.45 (approximately HK$1.43)

Notes:

(1) The calculation of the market capitalization of the Shares is based on 1,286,000,000 Shares in issue immediately after completion of the Global Offering.

(2) The adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information — Unaudited pro forma adjusted net tangible assets” in this prospectus and on the basis of 1,286,000,000 Shares in issue at the respective Offer Price of HK$2.45 and HK$3.08 per Share immediately following completion of the Global Offering.

RISK FACTORS

Our operations involve certain risks, a summary of which is set out in the section headed “Risk factors” of this prospectus. These risks can be classified as follows:

Risks relating to our industry

- Further increases in the price of steel could adversely affect our profitability, financial condition and results of operations.
- We currently procure the supply of steel wire rod, the principal raw material used in our production, from a limited number of suppliers. If there is any interruption to or decline in the amount or quality of our supply of steel wire rods, our production process and business could be materially and adversely affected.
- Increased price competition over the Track Record Period has eroded our profit margins, and may lead to further erosion of our profit margins in the future.

- We suffered negative operating cash flow for the six months ended June 30, 2005 (which is unaudited).

- Excess production capacity of radial tire cords in the PRC market could lead to further price cuts and may harm the results of our operations.

- If demand for radial tires does not grow in the PRC as we expect, our business prospects in radial tire cord manufacturing may be directly affected.

- The PRC government's policy on consolidation of the iron and steel industry in the PRC may result in further upward price pressure on steel wire rods.

- Alternative technologies and products could render some of our main products and sources of revenue uncompetitive.

- We are subject to environmental laws and regulations in the PRC, and any failure by us to observe these laws or regulations, or any revision to these laws or regulations, could adversely affect our operations.

Risks relating to our business and operations

- Any failure by us to maintain relationships with our large customers would have an adverse effect on our business.

- We have no long-term sales contracts of more than one year with any of our customers, and as a result, customers may adjust sales prices or terminate their respective relationships with us at any time without cause and almost immediately.

- We currently lack a manufacturing execution system, or MES, and a logistics management system, and our current management system may not be sufficient to handle our growing operations.

- We cannot assure you that we will be successful in implementing our future expansion plans, in particular our plans for international development and overseas sales, or in achieving and managing growth more generally.

- Our failure to obtain additional government approvals could jeopardize the 8th Factory Project, our key project to expand our production capacity, which in turn could materially and adversely affect our results of operations and business prospects.

- For our international expansion plans to succeed we will have to take market share away from tire cord producers already established in mature markets, and we may not be able to succeed in doing so to the extent we plan or at all.

- We cannot assure you that our products will continue to pass the approval process of our current and potential customers or that we can maintain our existing approval.

- Any failure to maintain an effective quality control system at our manufacturing facilities could have a material adverse effect on our business and operations.

- Our substantial financial leverage may hamper our ability to expand, and any increase in interest rates may materially affect our results of operations.

- Increase of our gearing ratios may adversely affect our expansion plans.

- We may be required to redeem the Convertible Bonds under various circumstances which may materially adversely affect our liquidity and financial condition.

- We may need additional capital to fund our working capital and capital expenditure requirements and we may not be able to obtain such additional capital on acceptable terms or at all.

- PRC regulations of investment and loans by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make additional capital contributions or loans to Jiangsu Xingda.

- As a holding company, our Company's liquidity and its ability to make shareholder distributions and other payments depend to a significant extent upon the distribution of earnings and other payments made by Jiangsu Xingda.

- Our net profit attributable to our equity holders has been materially adversely impacted by required accounting adjustments arising from the Convertible Bonds and may continue to be so impacted as long as the Convertible Bonds are outstanding; our profit forecast for 2006 includes an estimate of fair value of the Convertible Bonds which is based on an assumption as to the price of the Shares on December 29, 2006 which may be materially different than the actual price on that date. The trading price of the Shares could be materially adversely affected by future such adjustments and by the actual Share price compared to that in the forecast.

- The discontinuation of any of the preferential tax treatments currently available to us in the PRC could materially and adversely affect our financial condition and results of operations.

- Our success significantly depends on key management and our ability to attract and retain additional management and qualified employees.

- Our manufacturing process involves the use of toxic chemicals.

- We have experienced industrial accidents in the past and may experience further industrial accidents in the future.

- Any significant product liability claims made against us, whether or not successful, could harm our business reputation, results of operations and financial condition.

- We may not be able to compete successfully with our competitors.

- Our insurance coverage may not be sufficient to cover the risks related to our operations and losses.

- Our production facilities are located in one location in close proximity to one another. Any damage or disruption at any of these facilities could have a material adverse effect on our financial condition and results of operations.

- If we are unable to continue developing our production technology or adopt new production technology, our business and prospects may be harmed.

- The interests of our controlling shareholder may differ from those of other Shareholders.

- Our ability to exercise control over Jiangsu Xingda's board may be limited in certain circumstances.

- Xing Hong Da is a company not affiliated with us. Its shareholding in Jiangsu Xingda has been frozen by an order of a court in the PRC in a dispute that does not involve us. The court may order that the shares be sold. It is unclear whether or when the court will do so. Such a sale could result in the shares, together with the right to nominate a director of Jiangsu Xingda being transferred to third parties whose interests may not always be aligned with the interests of Jiangsu Xingda or us.

Risks relating to the PRC

- The PRC's economic, political and social conditions, as well as government policies, could affect our business.

- The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

- Power shortages in the PRC could affect our business.

- Our results of operations could be affected by availability of foreign currencies and changes in foreign exchange regulations.

- It may be difficult to effect service of process on or enforce judgments obtained from non-PRC courts against our Company, the Directors or the executive officers who live inside the PRC.

Risks relating to the Global Offering

- An active trading market for the Shares may fail to develop or be sustained, which could have a material adverse effect on the market and liquidity of the Shares.

- The trading prices of the Shares may be volatile following the completion of the Global Offering and the Offer Price may not be indicative of their subsequent trading price.

- Because the Offer Price is higher than the net tangible book value per Share, you will experience immediate dilution in the book value of the Shares purchased by you.

- Future issuance of equity securities by us would lead to dilution of the Shareholders' interest and could have a material adverse effect on the trading prices of the Shares.

- There are risks associated with forward-looking statements.

- Certain facts and statistics from official sources contained in this prospectus have come from various publicly available sources whose reliability cannot be assumed or assured.

- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our Company and/or the Global Offering.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"8th Factory Project"	our expansion and upgrade project focusing on high-performance (new structures) radial tire cords
"98 Owners"	the 98 persons (whose names appear in the paragraph "A. FURTHER INFORMATION ABOUT OUR COMPANY — 6. 98 Owners" in Appendix VI to this prospectus) being all the then ESC Members immediately prior to completion of the Faith Maple Acquisition and who, upon completion of the Faith Maple Acquisition, became beneficially interested in the Five BVI Companies
"Application Form(s)"	**white** application form(s) and **yellow** application form(s) or, where the context so requires, either of them relating to the Hong Kong Public Offering
"Articles of Association"	the articles of association of our Company approved by the written resolutions of the Shareholders on December 3, 2006
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the Board of Directors of our Company
"Business Day"	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of 899,220,000 Shares to be made upon capitalization of part of the share premium account of our Company referred to under the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 4. Written resolutions of the Shareholders passed on December 3, 2006" in Appendix VI to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman Liu"	Mr. Liu Jinlan (劉錦蘭), an executive Director and the chairman of the Board and the legal owner of Great Trade
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company" and "our Company"	Xingda International Holdings Limited 興達國際控股有限公司 (formerly known as Xingda International Limited 興達國際有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on April 19, 2005
"connected person"	has the meaning ascribed to it in the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it in the Listing Rules and in this prospectus refers to the Five Parties and the Five BVI Companies, together as a group
"Conversion Shares"	Shares to be allotted and issued pursuant to the exercise of the right to convert any of the Convertible Bonds into Shares in accordance with the terms and conditions of the Henda Bond, the Tetrad Bond or the GSSIA Bond, as the case may be
"Convertible Bonds"	the Tetrad Bond, the Henda Bond and the GSSIA Bond in an aggregate amount of US$54 million (approximately RMB426,735,000), the principal terms and conditions of which are set out in the section headed "Principal terms and conditions of the Convertible Bonds" in this prospectus
"CSRC"	The China Securities Regulatory Commission
"Director(s)"	the director(s) of our Company
"Employee Shareholding Committee" or "ESC"	江蘇興達鋼簾線股份有限公司職工持股會 (Employee Shareholding Committee of Jiangsu Xingda Steel Tyre Cord Co., Ltd.*), the name of an association or organization established on October 13, 1997, not having a separate existence independent of its members under the PRC laws, the details and purpose of which are set out in the section headed "Corporate Structure and Reorganization" in this prospectus; unless the context otherwise requires, reference to the "Employee Shareholding Committee" or "ESC" shall refer to and mean the group of the ESC Members at the relevant time

"ESC Articles"	the constitutional document of the Employee Shareholding Committee
"ESC Chairman"	the chairman of the management committee of the Employee Shareholding Committee from time to time
"ESC Members"	the members of the Employee Shareholding Committee from time to time whose qualifications are set out in the section headed "Corporate Structure and Reorganization" in this prospectus
"Faith Maple"	Faith Maple International Ltd., a limited liability company incorporated in the BVI on January 26, 2004 and a wholly-owned subsidiary of our Company
"Faith Maple Acquisition"	the acquisition by Faith Maple of 78,599,900 Jiangsu Xingda Shares representing approximately 58.4% of the registered capital of Jiangsu Xingda, the completion of which took place on December 10, 2004
"Faith Maple Share(s)"	share(s) of par value of US$1.00 each in the share capital of Faith Maple
"Fen" or "RMB fen"	Fen is a sub-unit of RMB. Each RMB is divided into 100 fen
"FIE"	foreign-invested enterprise incorporated in the PRC
"Five BVI Companies"	Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative, which are legally owned by the Five Parties, respectively, and, together with the Five Parties, are, by virtue of the arrangements under the Five Parties' Agreement, collectively a controlling shareholder of our Company
"Five Parties"	Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Hang in their respective capacities as the legal owners of Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative, respectively
"Five Parties' Agreement"	the agreement dated August 29, 2005 entered into among the Five Parties in relation to the beneficial interests of the 98 Owners (including themselves) and Mr. Wu in the Five BVI Companies, as amended by the supplemental agreement dated November 15, 2005 between the same parties, further details of which are set out in sub-paragraph (e) in the sub-section headed "Corporate Structure" and sub-paragraph (b) in the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus

"GAAP"	generally accepted accounting principles, as promulgated from time to time
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldman Sachs" or "Sponsor" or "Global Coordinator"	Goldman Sachs (Asia) L.L.C., acting as the global coordinator, sponsor, bookrunner and lead manager of the Global Offering, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as set out in Schedule 5 to the SFO
"Goodyear"	The Goodyear Tire & Rubber Company
"Great Trade"	Great Trade Limited, a limited liability company incorporated in the BVI on January 2, 2004 and together with the other Five BVI Companies and the Five Parties are, by virtue of the arrangements under the Five Parties' Agreement, collectively a controlling shareholder of our Company. It is owned as to 100% by Chairman Liu for and on behalf of the 98 Owners (including himself) and Mr. Wu, subject to the terms and conditions of the Five Parties' Agreement
"GSSIA"	Goldman Sachs Strategic Investments (Asia) L.L.C., a limited liability company incorporated in Delaware, the United States on December 8, 2005, a wholly-owned subsidiary of Goldman Sachs and the holder of the GSSIA Bond
"GSSIA Bond"	Convertible Bond in an aggregate principal amount of US$5,257,058 (approximately RMB41,543,901), convertible into Shares to be issued by our Company upon exercise by GSSIA of the conversion rights pursuant to the terms and conditions of such Convertible Bond
"GSSIA Side Agreement"	a side agreement dated September 13, 2006 between our Company, the Five Parties and GSSIA in respect of the transfers under the GSSIA Transfer Agreement (as amended form time to time), particulars of which are set out in the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus

"GSSIA Transfer Agreement"	an agreement dated September 13, 2006 between Win Wide, Tetrad and GSSIA pursuant to which GSSIA acquired (i) part of the Shares then held by Win Wide and (ii) the GSSIA Bond from Tetrad, particulars of which are set out in the sub-section headed "Reorganization" under the section headed "Corporate structure and Reorganization" in this prospectus
"Henda"	Henda Limited, a limited liability company incorporated in the BVI on March 10, 2005, which is an indirect wholly-owned subsidiary of Shau Kee Financial Enterprises Limited (an investment holding company owned by a family trust of Mr. Lee Shau Kee) and the holder of the Henda Bond
"Henda Bond"	Convertible Bond in an aggregate principal amount of US$9,000,000 (approximately RMB71,122,500) issued in two tranches, the first tranche of which is in the principal amount of US$5,066,667 (approximately RMB40,039,336) and the second tranche of which is in the principal amount of US$3,933,333 (approximately RMB31,083,164), convertible into Shares to be issued by our Company upon exercise by Henda of the conversion rights pursuant to the terms and conditions of the Henda Bond
"Henda Bond Agreement"	the agreement dated April 28, 2005 entered into among our Company, Henda and the Five Parties in respect of the Henda Bond, as amended by the supplemental agreements dated August 5, 2005, as of December 29, 2005, September 14, 2006 and December 4, 2006, respectively, entered into among the same parties
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency for the time being of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 38,600,000 Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus), being offered by our Company for subscription pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	an offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage of 1% of the Offer Price, Stock Exchange trading fee of 0.005% of the Offer Price and SFC transaction levy of 0.004% of the Offer Price) on the terms and subject to the conditions set out in this prospectus and the related Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 7, 2006 relating to the Hong Kong Public Offering entered into among, amongst others, our Company and the Hong Kong Underwriters
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations approved by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"In-Plus"	In-Plus Limited, a limited liability company incorporated in the BVI on January 2, 2004 and together with the other Five BVI Companies and the Five Parties are, by virtue of the arrangements under the Five Parties' Agreement, collectively a controlling shareholder of our Company. It is owned as to 100% by Mr. Liu Xiang for and on behalf of the 98 Owners (including himself) and Mr. Wu, subject to the terms and conditions of the Five Parties' Agreement
"International Offering"	the offer of certain Offer Shares outside the United States (including to institutional and professional investors in Hong Kong (other than to retail investors in Hong Kong)), and in the United States to QIBs as defined in Rule 144A, as described in the section headed "Structure of the Global Offering — The International Offering" in this prospectus
"International Offering Shares"	the 347,400,000 Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus), being offered by our Company for subscription pursuant to the International Offering together, where relevant, with any Sale Shares to be offered by the Selling Shareholders pursuant to the exercise of the Over-allotment Option

"International Purchasers"	the group of initial purchasers led by Goldman Sachs that is expected to enter into the International Purchase Agreement to underwrite the International Offering
"International Purchase Agreement"	the placing underwriting agreement relating to the International Offering to be entered into, amongst others, our Company
"Independent Third Party"	an independent third party not connected with the Directors, chief executive or substantial shareholders of our Company or any of its subsidiaries or their respective associates and "Independent Third Parties" shall be construed accordingly
"Jiangsu Xingda"	江蘇興達鋼簾線股份有限公司 (Jiangsu Xingda Steel Tyre Cord Co., Ltd.)*, established as a joint stock limited company in the PRC on March 27, 1998 and converted into a sino-foreign joint stock limited company on December 10, 2004, an indirect subsidiary of our Company and in which capital our Company indirectly holds approximately 69.54% with the remaining interests being held by Xingda Labour Union as to approximately 8.17%, Xing Hong Da as to approximately 22.29%, Mr. Zhang as to 0.000074% and TIAC as to approximately 0.000074%
"Jiangsu Xingda Share(s)"	share(s) of par value of RMB1.00 each in the capital of Jiangsu Xingda
"Latest Practicable Date"	December 5, 2006, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about December 21, 2006, on which the Shares are listed on the Main Board and from which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Minimum Offer Price"	the minimum offer price of HK$2.45 per Offer Share

"MOC"	the Ministry of Commerce of the PRC, the main functions of which include but are not limited to, the formulation of development strategies, guidelines and policies of domestic and foreign trade and international economic co-operation and the drafting of laws and regulations governing domestic and foreign trade, economic co-operation and foreign investment
"Mr. Hang"	Mr. Hang Youming (杭友明), the son-in-law of Chairman Liu and the legal owner of Wise Creative
"Mr. Liu Xiang"	Mr. Liu Xiang (劉祥), an executive Director and the son of Chairman Liu and the legal owner of In-Plus
"Mr. Lu"	Mr. Lu Guangming George (魯光明), a non-executive Director
"Mr. Tao"	Mr. Tao Jinxiang (陶進祥), an executive Director and the legal owner of Perfect Sino
"Mr. Wu"	Mr. Wu Xinghua (吳興華), an executive Director
"Mr. Zhang"	Mr. Zhang Yuxiao (張宇曉), an executive Director and the legal owner of Power Aim
"NDRC"	the National Development and Reform Commission of the PRC, (中華人民共和國國家發展和改革委員會), a PRC State organization and the main functions of which include but are not limited to the formulation and implementation of strategies of national economic and social development, annual plans and medium and long-term development plans
"North America"	includes the United States, Canada and Mexico
"NPC"	the National People's Congress of the PRC, (全國人民代表大會), the highest organ of State power and its main functions are to exercise the State power of amending the constitution of the State and supervising the enforcement thereof, to examine and approve the plan for national economic and social development and the report on its implementation and to examine and approve the State budget and the report on its implementation
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) to be agreed upon by our Company (on behalf of ourselves and the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) at or before the Price Determination Time
"Offer Shares"	the Hong Kong Offer Shares and the International Offering Shares

"Original Tetrad Bond"	Convertible Bond in an aggregate principal amount of US$45,000,000 (approximately RMB355,612,500) issued in two tranches, the first tranche of which was in the principal amount of US$25,333,333 (approximately RMB200,196,664.03) prior to completion of the transfer under GSSIA Transfer Agreement (which was reduced to US$20,076,275 (approximately RMB158,652,763.19) upon completion of the transfer under the GSSIA Transfer Agreement) and the second tranche of which is in the principal amount of US$19,666,667 (approximately RMB155,415,835.97), convertible into Shares to be issued by our Company upon exercise by Tetrad of the conversion rights pursuant to the terms and conditions of the Original Tetrad Bond
"our", "we" and "us"	our Company and its subsidiaries and, in respect of the period before our Company became the holding company of its present subsidiaries, our Company's present subsidiaries or the business operated by its present subsidiaries or (as the case may be) their predecessors
"Over-allotment Option"	the option to be granted by the Selling Shareholders to the Global Coordinator subject to the terms and conditions of the International Purchase Agreement pursuant to which the Selling Shareholders may be required to sell up to an aggregate of 57,900,000 Sale Shares (in aggregate representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the Global Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China, the central bank of the PRC, and its main function is to formulate and implement monetary policy, prevent and resolve financial risks, and safeguard financial stability under the guidance of the State Council
"Perfect Sino"	Perfect Sino Limited, a limited liability company incorporated in the BVI on January 2, 2004 and together with the other Five BVI Companies and the Five Parties are, by virtue of the arrangements under the Five Parties Agreement, collectively a controlling shareholder of our Company. It is owned as to 100% by Mr. Tao for and on behalf of the 98 Owners (including himself) and Mr. Wu, subject to the terms and conditions of the Five Parties' Agreement
"Policy"	全國鐵產業發展政策 (Iron and Steel Industry Development Policy) promulgated by the NDRC in July 2005

"Power Aim"	Power Aim Limited, a limited liability company incorporated in the BVI on January 2, 2004 and together with the other Five BVI Companies and the Five Parties are, by virtue of the arrangements under the Five Parties' Agreement, collectively a controlling shareholder of our Company. It is owned as to 100% by Mr. Zhang for and on behalf of the 98 Owners (including himself) and Mr. Wu, subject to the terms and conditions of the Five Parties' Agreement
"PRC"	the People's Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated) excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), enacted by the fifth session of the Standing Committee of the Eighth NPC on December 29, 1993, and which became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Price Determination Time"	4:00 p.m. (Hong Kong time) on December 14, 2006 at which the Offer Price is determined, or such later date or time as our Company (on behalf of ourselves and the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) may agree, but in any event not later than 5:00 p.m. (Hong Kong time) on December 18, 2006
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Qingdao Yellowsea"	青島黃海橡膠股份有限公司 (Qingdao Yellowsea Rubber Co., Ltd.), a joint stock company incorporated on June 30, 1999 in the PRC with its A shares listed on the Shanghai Stock Exchange in the PRC and in which we held 0.19% interest of its entire issued share capital as of the Latest Practicable Date
"Regulation S"	Regulation S under the U.S. Securities Act, as amended
"Relevant Individuals"	Chairman Liu, Mr. Liu Xiang and Mr. Tao (each of whom is also one of the 98 Owners) and any one of the Relevant Individuals is referred to as the "Relevant Individual"

"Reorganization"	the reorganization arrangements undergone by us in preparation for the Listing as described in the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus
"RMB" and "Renminbi"	the lawful currency for the time being of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act, as amended
"Sale Shares"	a total of up to 57,900,000 Shares being offered for sale by the Selling Shareholders pursuant to the exercise of the Over-allotment Option
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"Selling Shareholders"	the selling shareholders whose names and particulars appear in the paragraph headed "E. PARTICULARS OF THE SELLING SHAREHOLDERS" in Appendix VI to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Xingda"	上海興達鋼簾線有限公司 (Shanghai Xingda Steel Tyre Cord Co., Ltd.)*, a limited liability company incorporated in the PRC on July 8, 2002 and an indirect subsidiary of our Company and in which capital Jiangsu Xingda holds a direct equity interest of 90% and an indirect interest of 9.5% through Xinghua Lianxing
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) of par value of HK$0.10 each in the share capital of our Company upon the capital restructuring referred to in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 2. Changes in share capital of our Company" in Appendix VI to this prospectus becoming effective
"State"	the government authorities authorized to perform specified duties in the name of the PRC in accordance with the laws of the PRC, including without limitation the NPC and the State Council

"State Council"	the State Council of the PRC (中華人民共和國國務院) and the chief administrative body of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiaries"	has the meaning ascribed to it in Section 2 of the Companies Ordinance and, when construed in the context of the Listing Rules, has the meaning ascribed to it in the Listing Rules
"Surfmax-Estar Fund A"	Surfmax-Estar Fund A, LLC, a limited liability company incorporated in Delaware, the United States, on March 16, 2000, which is a Shareholder and principally engaged in identifying venture capital opportunities and activities and of which Surfmax Corporation, a limited liability company incorporated in Illinois, the United States and wholly-owned by Mr. Lu, is the member manager
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tetrad"	Tetrad Ventures Pte Ltd., a private company limited by shares incorporated in Singapore on September 14, 1995, a wholly-owned subsidiary of Government of Singapore Investment Corporation (Ventures) Pte Ltd. and the holder of the Tetrad Bond
"Tetrad Bond"	Convertible Bond in an aggregate principal amount of US$39,742,942 (approximately RMB314,068,599.16) held by Tetrad upon completion of the transfer under the GSSIA Transfer Agreement, of which US$20,076,275 (approximately RMB158,652,763.19) is the remaining principal amount of the first tranche of the Original Tetrad Bond after completion of the aforesaid transfer and US$19,666,667 (approximately RMB155,415,835.97) is the second tranche of the Original Tetrad Bond, convertible into Shares to be issued by our Company upon exercise by Tetrad of the conversion rights pursuant to the terms and conditions of the Tetrad Bond
"Tetrad Bond Agreement"	the agreement dated April 28, 2005 entered into among our Company, Tetrad and the Five Parties in respect of the Tetrad Bond, as amended by the supplemental agreements dated August 5, 2005, as of December 29, 2005 September 14, 2006 and December 4, 2006, respectively, entered into among the same parties

"TIAC"	興化市興戴貿工農總公司 (Xinghua Municipality Xingdai Trading, Industrial and Agricultural Company*), a collectively-owned enterprise established in the PRC on June 1, 1993 and a promoter of Jiangsu Xingda which held 100 Jiangsu Xingda Shares as of the Latest Practicable Date
"Track Record Period"	the three years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006
"Trust Agreements"	the trust agreements entered into by each of the 98 Owners (other than the Relevant Individuals and Mr. Zhang) with one of the Relevant Individuals, all dated January 1, 2004, and as supplemented by the supplemental agreement dated December 30, 2005 entered into by all of the 98 Owners
"Underwriters"	the International Purchasers and the Hong Kong Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"U.S." or "United States"	the United States of America
"US dollar" or "US$"	the lawful currency for the time being of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"US$ Share(s)"	ordinary shares(s) of par value of US$1.00 each prior to the capital restructuring referred to in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 2. Changes in share capital of our Company" in Appendix VI to this prospectus becoming effective
"Win Wide"	Win Wide International Ltd., a limited liability company incorporated in the BVI on March 10, 2004 and a Shareholder. As of the Latest Practicable Date, it was legally and beneficially owned as to approximately 13.86% by Mr. Wu, 45.48% by Mr. Lu, 18.07% by Ms. Yang, Yanmei May (the spouse of Mr. Lu) and the remaining 22.59% by eight shareholders who are Independent Third Parties
"Wise Creative"	Wise Creative Limited, a limited liability company incorporated in the BVI on January 2, 2004 and together with the other Five BVI Companies and the Five Parties are, by virtue of the arrangements under the Five Parties' Agreement, collectively a controlling shareholder of our Company. It is owned as to 100% by Mr. Hang for and on behalf of the 98 Owners (including himself) and Mr. Wu, subject to the terms and conditions of the Five Parties' Agreement

"Xing Hong Da"	江蘇興宏達實業有限公司 (Jiangsu Xing Hong Da Industrial Co., Ltd.*), a limited liability company incorporated in the PRC on September 24, 1997 and a promoter of Jiangsu Xingda. It is held by Mr. Ge Hong, a director of Jiangsu Xingda, as to 80% and Ms. Liu Shunying as to 20%
"Xingda Labour Union"	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.*), a legal person entity established in the PRC on October 8, 1997 and a promoter of Jiangsu Xingda
"Xingda Steel Tyre Cord Group"	江蘇興達鋼簾線集團公司 (Jiangsu Xingda Steel Tyre Cord Group Co.*), a collectively owned enterprise which obtained the approval for its establishment in the PRC on May 4, 1994 and the predecessor of Jiangsu Xingda
"Xingda Xiu Yuan"	興化市興達繡園酒店有限公司 (Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd.*), a limited liability company incorporated in the PRC on January 5, 2004 and its equity interest is held as to 49% by Xingda Labour Union and the remaining 51% in equal shares by two employees of Jiangsu Xingda
"Xingda International (Shanghai)"	興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.*), a wholly foreign owned enterprise established in the PRC on September 15, 2006 and an indirect wholly-owned subsidiary of our Company
"Xinghua Lianxing"	興化市聯興機械製造有限公司 (Xinghua Municipality Lianxing Machinery Manufacturing Co., Ltd.*), a limited liability company incorporated in the PRC on April 15, 2002 and an indirect subsidiary of our Company and in which capital Jiangsu Xingda directly holds a 95% equity interest with the remaining 5% equity interest being held by Xingda Labour Union
"mm"	millimeters
"sq.m."	square meters
"%"	per cent.

* *denotes an English translation of a Chinese name*

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Currency Translation

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option. See the section headed "Underwriting" in this prospectus.

Unless otherwise specified, translations of RMB into HK$, HK$ into RMB, HK$ into US$ and RMB to US$ in this prospectus are based on the rates as stated on the webpage (http://tw.stock.yahoo.com/d/c/ex.php) on October 23, 2006 and set out below (for the purpose of illustration only):

RMB1.00	:	*HK$0.985*
HK$1.00	:	*RMB1.0152*
HK$7.7842	:	*US$1.00*
US$1.00	:	*RMB7.9025*

No representation is made that any amounts in RMB, HK$ and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

This glossary contains explanations of certain terminology used in this prospectus which relate to us and our business. The terminologies contained in this glossary and their given meaning may not correspond to their standard meaning and usage adopted in the industry.

"aramid fiber"	a fire-resistant and strong synthetic fiber developed by E.I. DuPont de Nemours and Company and known as KEVLAR®. It is used in aerospace and military applications, for "bullet-proof" body armor fabric, and as an asbestos substitute. The term is a shortened form of "aromatic polyamide"
"automotive"	for the purpose of this prospectus, refers to passenger cars, trucks and other commercial vehicles
"bead wire"	steel filament plated with bronze or copper and used to strengthen the tire where it attaches to the rim
"bias tire"	a pneumatic tire having crossed layers of ply cord running diagonally to the tread
"CAQC Certification Inc."	中國汽車產品認證委員會質量體系認證中心 (China Automotive Quality Certification Centre Certification Inc.), a certification organization engaging in the provision of certification services in respect of ISO 9000, ISO 14000, QS-9000 standards and other quality standards
"CRIA"	中國橡膠工業協會 (China Rubber Industry Association), an industry organization approved and registered with the Ministry of Civil Affairs of the PRC. For details, please refer to the section headed "Industry Overview" in this prospectus
"electroplating"	the coating of an electrically conductive object with a layer of metal using electrical current
"first reference process"	refers to the stages of the production process from the first drawing stage to the patenting stage to the second drawing stage and then to the patenting and plating stage. For further details of such stages, please refer to the sub-section, "Production process", in the section headed, "Business", in this prospectus
"ISO 9001"	the international standards of quality management and quality assurance formulated by ISO Technical Committee 176 (ISO/TC 176) in 1987, the most recent upgraded version of which ISO 9001 2000 was released in December 2000. Many countries, including Britain and U.S., have adopted ISO 9001 as national quality standards

"ISO 14001"	the international standards of environmental management formulated by ISO/TC 207
"JATMA"	The Japan Automobile Tyre Manufacturers Association Inc., an association set up by automotive tire manufacturers in Japan, and a body for setting standards for automotive tires in Japan
"kW"	abbreviation for kilowatt; a unit for measuring power corresponding to 1,000 watts
"original equipment tire(s)"	original equipment tires are tires which are sold by a tyre manufactures directly to a vehicle manufacturers and are usually supplied with new vehicles
"production capacity"	the amount of radial tire cords or bead wires that we are able to manufacture, calculated based on the electroplating process and the maximum capacity of the patenting and plating equipment after taking into account any regular and necessary maintenance
"QS 9000"	a series of international standards on quality management and quality assurance developed by three automotive manufacturers, namely DaimlerChrysler AG, Ford Motor Company and General Motors. It is a set of quality system requirements imposed on suppliers and is based on ISO9001:1994 (E)
"radial tire cords"	cords which are made of strands of copper-plated steel filaments and used as raw materials for the skeleton of radial tires
"radial tire"	a pneumatic tire in which the ply cords extending to beads are laid at approximately right angles to the center line of the tread
"radialization rate"	the percentage of radial tires out of the total number of tires (including both radial tires and bias tires) produced/used in a country or a region
"replacement tire(s)"	replacement tires are sold to the final consumer, being the vehicle owner, through various specialized commercial outlets such as tyre dealers, and are used to replace original equipment tires

"RMA"	The Rubber Manufacturers Association, Inc., the national trade association for the rubber products industry in North America, whose members include manufacturers of different scale in the rubber industry and other related industries
"steel wire rod"	usually refers to steel rod or steel wire which has a wide range of applications. For the purpose of this prospectus, it refers to a specialty steel wire with superior quality and high technical specifications. It is used as the principal raw material for the production of radial tire cords
"super tensile"	superior resistance to stretching and extension. For the purpose of this prospectus, super tensile radial tire cords are strong steel cords which will not stretch or fatigue over the life of the belt, and which provide dimensional stability and high load carrying capacity
"ton" or "tonne"	metric tonne

Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Offer Shares.

The Directors believe that there are certain risks involved in our operations. They include: (i) risks relating to our industry; (ii) risks relating to us; (iii) risks relating to the PRC and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR INDUSTRY

Further increases in the price of steel could adversely affect our profitability, financial condition and results of operations.

Steel wire rod is the principal raw material used in our production of radial tire cord products. For the years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2006, raw materials constituted approximately 62.1%, 68.9%, 73.0%, and 71.6%, respectively of our total cost of sales. Steel prices have experienced and may further experience significant price fluctuations and may be influenced by factors such as the prevailing demand for steel, worldwide production capacity, utilization of production capacity rates, raw material costs, exchange rates, trade barriers and improvements in steel-making processes, many of which are beyond our control. Since the price of steel wire rod is highly correlated to the price of steel, which is volatile, the price of steel wire rod may experience significant price fluctuations in the future. The price of steel in the PRC rose significantly over the Track Record Period. According to statistics published by Datastream, the price of steel wire rod was approximately RMB2,610 per tonne, RMB4,100 per tonne, RMB3,430 per tonne and RMB4,075 per tonne as of December 31, 2003, 2004, 2005 and June 30, 2006, respectively. Although the price of steel wire rod had stabilized in the six months ended June 30, 2006, we cannot assure you that it will not significantly increase again in the future. We have no long-term supply contracts with our suppliers, and separately negotiate with each supplier to fix prices on a quarterly basis. To the extent that the price of steel wire rod increases, we cannot assure you that we will be able to pass on the increased cost to our customers. For example, due to the price competition, we elected not to pass on to our customers the continuing increases in the price of steel rods. As a result, our gross profit margin decreased from 50.0% in 2003 to 30.1% for the year ended December 31, 2005, and was 29.0% for the six months ended June 30, 2006. If the cost of steel wire rods were to increase further in the future, and we continue to be unable to offset this increase by raising the prices of our products, our profitability, financial condition and results of operations will be materially and adversely affected.

We currently procure the supply of steel wire rod, the principal raw material used in our production, from a limited number of suppliers. If there is any interruption to or decline in the amount or quality of our supply of steel wire rods, our production process and business could be materially and adversely affected.

Steel wire rod is the principal raw material used in our production of radial tire cords. We obtain certain high specification steel rods, which are used to make our highest value products, only from overseas suppliers, as rods of these specifications are not generally available from domestic suppliers. As of the Latest Practicable Date, we procure all of our supply of steel rods from 10 third-party suppliers, five of whom are located outside the PRC. Our third-party suppliers may not be able or willing to supply an adequate supply of quality steel rods to satisfy our present or future manufacturing needs. For the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, we purchased in aggregate approximately RMB390.6 million, RMB729.6 million, RMB1,093.7 million and RMB610.3 million of raw materials required for our production from our top five suppliers, respectively, accounting for approximately 63.5%, 75.3%, 64.6% and 86.2% of our total costs of purchase during the same periods, respectively. The cost of raw materials that we procured from our largest supplier for the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006 accounted for approximately 28.1%, 25.7%, 20.3% and 27.3% of our total costs of purchase during the same periods, respectively. We cannot assure you that our relationships with these limited suppliers will not deteriorate in the future. If our relationships with these limited suppliers are terminated or otherwise interrupted we may not be able to obtain suitable substitutes on commercially reasonable terms and in a timely manner, or at all. Any interruptions of, or decline in, the amount or quality of our supplies of steel rods could materially disrupt our production process and adversely affect our business.

Moreover, overseas suppliers of steel rods require us to pay in their currencies, primarily US dollars. Fluctuations in exchange rates could adversely affect the prices we pay to those suppliers. If such exchange rate fluctuations move against us or if we could not obtain the necessary foreign currency to pay our overseas suppliers, our business prospects and results of operations could be materially adversely affected.

Increased price competition over the Track Record Period has eroded our profit margins, and may lead to further erosion of our profit margins in the future.

For the years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2006, our gross profit margins on sales of truck radial tire cords were approximately 56.2%, 44.3%, 33.5%, and 31.9%, respectively. Our gross profit margins on our passenger car radial tire cords for the same periods were approximately 36.9%, 27.7%, 20.6%, and 21.1%, respectively. This erosion is mainly attributable to the increasingly intense price competition in the tire manufacturing industry in the PRC which has made it virtually impossible for us to pass on to our customers some or all raw materials price increases we have incurred. Despite price increases in the raw materials sourced by us, especially steel wire rods, we have actually cut the prices of our products to maintain market share. During the three year period ended December 31, 2005, the average unit price for our truck tire cords and our passenger car tire cords fell by approximately 12% and 2%, respectively. We expect this price competition will continue to cause our profit margins to decline and harm our results of operations. Moreover, if we are unable to grow our business further, such as by raising the sales of our higher margin products including truck tire cords, our overall profit margin may fall further.

We suffered negative operating cash flow for the six months ended June 30, 2005 (which is unaudited).

We suffered negative operating cash flow for the six months ended June 30, 2005 (unaudited) due to a substantial increase in the purchase of inventories. Notwithstanding that there was no negative operating cash flow for the six months ended June 30, 2006, we cannot assure you that we will not experience negative operating cash flow in the future. In the event that we experience negative operating cash flow, our business and liquidity may be adversely affected because we may not have sufficient cash to fund our operating activities.

Excess production capacity of radial tire cords in the PRC market could lead to further price cuts and may harm the results of our operations.

Since 2005, there has been a substantial increase in the overall production capacity of radial tire cords in the PRC market. Such increased overall production capacity of radial tire cords in the PRC market has been one of the factors contributing to the price cuts that we have made during the Track Record Period. Moreover, the annual growth rate of PRC radial tire cords market is expected to decline to 10% in 2010 from 30% in 2006 according to CRIA. If there is growth in production capacity in excess of the growth rate in the radial tire cord market over this period, this could lead to even greater price competition and loss of market share by us. As a result, our results of operations and financial condition could be materially and adversely affected.

If demand for radial tires does not grow in the PRC as we expect, our business prospects in radial tire cord manufacturing may be directly affected.

Substantially all of our radial tire cord products are sold to tire manufacturers in the PRC, including both local and foreign-invested tire manufacturers, who in turn use the radial tire cords as raw materials to produce radial tires in the PRC. The growth of PRC vehicle market has slowed down since 2004, which in turn could have an adverse effect on the growth in demand for radial tires in the PRC. Our future plan to increase our production capacity is partly based on our anticipation of the growth in demand for radial tires in the PRC. Accordingly, if the growth in demand for radial tires slows down or is not as fast as the Directors expect, demand for our products may be lower than anticipated and the utilization rate of our production facilities may decrease. In addition, we may face greater than expected downward pricing pressures for our radial tire cords as a result of price competition by competitors seeking to stimulate demand in order to maintain or increase market share. This could materially and adversely affect our results of operations and business prospects. Furthermore, if the PRC radial tires market does not grow in line with our expectation, we cannot assure you that we can replace domestic demand with that derived from international sales expansion.

The PRC government's policy on consolidation of the iron and steel industry in the PRC may result in further upward price pressure on steel wire rods.

In 2005, the PRC adopted the Policy, which was designed to promote consolidation in the PRC's iron and steel industry by offering incentives to domestic producers to merge. Consolidation among the producers of the steel rods we consume in our operations could lead to higher prices for domestic steel rods than would otherwise apply. As a result, such consolidation could adversely affect our business prospects and results of operations.

Alternative technologies and products could render some of our main products and sources of revenue uncompetitive.

Our products could be rendered uncompetitive or obsolete by the acceptance or development of substitute products. As of the Latest Practicable Date, we were aware of at least one potential competing product that may become a substitute for radial tire cords. Aramid fiber, which is not yet commercialized, is considered to be superior to steel radial tire cords in terms of weight, reduced tire rolling resistance and energy efficiency. In the future, aramid fiber or other alternative technologies or products may make our current products less competitive or even obsolete by offering better product features and possibly lower prices. Moreover, even if we are able to develop and introduce new products and enhancements, such new products or enhancements may not achieve widespread market acceptance, or may have quality deficiencies as a result of compressed development periods necessitated by competitive pressure to introduce new or enhanced products quickly into the market. Any failure of future products or product enhancements to achieve market acceptance or to meet the performance expectations of customers could harm our reputation, business prospects and results of operations.

We are subject to environmental laws and regulations in the PRC, and any failure by us to observe these laws or regulations, or any revision to these laws or regulations, could adversely affect our operations.

Our radial tire cord production activities are subject to environmental laws and regulations in the PRC concerning, amongst other things, the discharge of waste products such as industrial liquid, solid waste and sewage, the prevention and control of water pollution, atmospheric pollution and industrial noise and the administration of construction projects. These laws and regulations establish quotas for the discharge of waste products, permit the levy of fines and payments for damages for serious environmental offences, and permit the national or local authorities, at their discretion, to close any facility that fails to comply with orders to rectify or stop operations which are causing environmental damage. Since many rules and regulations governing environmental matters are at their early stage of development in the PRC, the interpretation and enforcement of these rules and regulations involve significant uncertainties and ambiguities. Waste products generated from radial tire cord production such as dust, sulfur, cyanide compound and waste water are hazardous and must be properly disposed of under applicable environmental laws. If we fail to observe any of these applicable laws, regulations or restrictions, we could be punished or fined and as a result, our business, prospects and public image may be adversely affected. Furthermore, we cannot assure you that the PRC or local authorities will not adopt more rigorous laws or regulations that will be applicable to us. In the event that these were to happen, we may be forced to incur higher compliance costs, which could affect our results of operations. Additionally, we may fail to comply with new laws or regulations in a timely manner, which could lead to penalties or other legal consequences.

Water is essential to our production process. We enjoy access to water from a nearby river which we consider to be suitable for our production. If we were subsequently found to have violated environmental laws, particularly where we had damaged the water quality of this river, we could lose our right of access to that river. If that were to occur, our business would be significantly interrupted and harmed. Furthermore, our business could be harmed if we were to pollute the river to such an extent that the quality of river water is no longer suitable for use in our production process.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Any failure by us to maintain relationships with our large customers would have an adverse effect on our business.

Our customers include primarily tire manufacturers in the PRC, including both local and foreign-invested tire manufacturers. Aggregate sales attributable to our five largest customers represented approximately 64.2%, 63.4%, 59.3%, and 51.9% of our total revenue for the years ended December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2006, respectively. Sales to our largest customer represented approximately 15.3%, 22.7%, 19.3%, and 13.7%, of our total revenue for the same periods, respectively. We cannot assure you that we will be able to maintain or improve our relationships with these customers, including the maintenance of our status as an approved supplier, or that we will be able to continue to supply products to these customers at current levels or at all. In addition, our business is affected by competition in the radial tire market, and any decline in our major customers' businesses in such market could lead to a decline in purchase orders from these customers. If any of our top five largest customers were to substantially reduce the size or dollar value of the orders it places with us or were to terminate its business relationship with us entirely, we cannot assure you that we would be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. If any of these relationships were to be so altered and we were unable to obtain replacement orders, our business, results of operations and financial condition will be materially and adversely affected.

We have no long-term sales contracts of more than one year with any of our customers, and as a result, customers may adjust sales prices or terminate their respective relationships with us at any time without cause and almost immediately.

We do not enter into long-term sales contracts with any of our customers. We have framework contracts with each of our customers that cover basic contract terms, but have no effect unless we and the customer agree on quantities and price. Our customers provide annual non-binding estimates of purchase quantities at the beginning of each year. Our customers then submit monthly orders to be followed by confirmations. As a result, we cannot benefit from a fixed sale price for our products which would otherwise be provided for in long-term contracts, and the sales prices for our products are constantly adjusted in accordance with the market. In addition, our customers may terminate their respective relationship with us at any time without cause and almost immediately. Furthermore, our customers are not obligated in any way to continue placing orders with us at their respective historical levels or at all. If any of our customers, particularly our key customers, were to materially reduce their orders with us or were to terminate entirely their business relationship with us, our business may be adversely affected as we may not have sufficient notice to locate alternative customers.

We currently lack a manufacturing execution system, or MES, and a logistics management system, and our current management system may not be sufficient to handle our growing operations.

Like many PRC-based companies, our management presently does not have nor has it historically had an MES and a logistics management system. Our management has up until now managed our business, including product planning, parts purchasing, maintaining inventories, interacting with suppliers, providing customer services, and tracking orders, without the aid of an MES and a logistics management system. Various functions of our operation are supported by different unconsolidated and incompatible information systems and, as a result, we rely to some extent on manual data input, which is subject to human error. The Directors believe that we need to adopt an MES and a logistics management system going forward in order to meet the increasing needs of our growing business and the Directors intend to apply part of the proceeds from the Global Offering to adopt an MES and a logistics management system. However, we cannot assure you that we will be able to obtain, develop or otherwise implement an adequate MES and a logistics management system on commercially reasonable terms, if at all. Failure to maintain, acquire, implement or utilize, in a cost-effective manner, effective information systems, or any significant interruption to our information systems, could materially disrupt our business and operations and slow the realization of our strategies.

We cannot assure you that we will be successful in implementing our future expansion plans, in particular our plans for international development and overseas sales, or in achieving and managing growth more generally.

A principal component of our future strategy is to continue to grow by expanding the capacity of our production facilities in Jiangsu and developing our overseas sales. Our future growth will depend on a number of factors that are both within and outside of our control including but not limited to our ability to manage expansion, our ability to obtain any required financing and our ability to achieve operational efficiencies, in addition to the cyclical factors affecting steel-related businesses. As a result, we may not successfully manage our growth or expand our operations at all and this could ultimately have a material adverse effect on our business, financial condition and results of operations.

To the extent that our operations continue to expand in the future, we may need to increase the number of our employees and the scope of our operational and financial systems to handle the increased complexity and the increased geographical coverage of our operations. We cannot assure you that we will be able to attract and retain qualified management staff and employees or that our current operational and financial systems and controls will be adequate to accommodate future growth. This could have a material adverse effect on our business, financial condition and results of operations.

Our failure to obtain additional government approvals could jeopardize the 8th Factory Project, our key project to expand our production capacity, which in turn could materially and adversely affect our results of operations and business prospects.

In 2005, we embarked on the 8th Factory Project. We obtained an approval from the Economic and Trade Commission of Jiangsu Province (江蘇省經濟貿易委員會) on June 29, 2005 to invest a total of approximately RMB420 million in the 8th Factory Project. Upon completion of the 8th Factory Project, we expect to have an additional annual production capacity of approximately 50,000 tonnes of high-performance (new structures) radial tire cords. We currently expect that the total investment amount for the 8th Factory Project will ultimately be approximately RMB534 million (approximately RMB114 million more than the original approved amount of approximately RMB420 million). Up to

September 30, 2006, RMB326 million has been spent on the 8th Factory Project. We have been advised by our PRC legal advisors that no approval from the relevant PRC governmental authorities or other competent authorities is required for any investment (exceeding the original approved investment amount) that does not relate to fixed asset investment (such as construction of land or building or purchase of production equipment). However, if it turns out that any additional investment under the 8th Factory Project beyond the approved investment amount relates to fixed asset investment, approvals of relevant PRC government authorities including the National Development and Reform Commission may be required. In addition, there is no assurance that the regulatory authorities will come to the same conclusion as the advice given by our PRC legal advisors and may instead require us to obtain approvals for any additional investment. We cannot assure you that we can in such events obtain such approvals. Failure to obtain such government approvals could jeopardize our plan to expand our production capacity, which in turn could materially and adversely affect our future results of operations and business prospects.

For our international expansion plans to succeed we will have to take market share away from tire cord producers already established in mature markets, and we may not be able to succeed in doing so to the extent we plan or at all.

Our initial targets of international expansion, North America and Japan, are mature markets in terms of tire production. Tire production has been declining in the United States for several years. For us to succeed, we need to take significant market share away from the existing suppliers of radial tire cords in these markets. We cannot assure you that we could succeed in such competitive markets.

Moreover, our plans for international development and overseas sales may be hampered by the following:

- cultural differences and other difficulties in staffing and managing overseas operations;

- inherent difficulties and delays in contract enforcement and collection of receivables through the use of foreign legal systems;

- volatility in currency exchange rates;

- the risk that foreign countries may impose withholding taxes (or otherwise tax our foreign income or restrictions on repatriation of profit);

- the risk of barriers (apart from tariff) or other restrictions being imposed on foreign trade;

- changes in the political, regulatory, or economic conditions in a foreign country or region; and

- the burden of complying with foreign laws and regulations.

Any of these risks may have a material adverse effect on our plan for international development and overseas sales, which could result in our failure to generate returns on the related investments and cause us to incur significant costs.

We cannot assure you that our products will continue to pass the approval process of our current and potential customers or that we can maintain our existing approval.

Our growth strategies for the future include strengthening our sales in the PRC domestic market and expanding into international markets such as North America, Europe and Japan. However, before embarking on sales of new products to existing customers or new customers (which are tire manufacturers), it is the industry practice that the radial tire cord manufacturer must first go through an approval process and become an approved supplier of the tire manufacturer. In our experience, this approval process will normally take approximately six to 18 months for existing products for tire manufacturers in the PRC and may take up to two to three years for brand new products for international overseas tire manufacturers.

During the Track Record Period, we were rejected twice during the approval process by two different tire manufacturers for not meeting the specifications set by them. We cannot assure you that we will ultimately succeed in obtaining approvals for brand new products from the existing domestic or international customers or any new customers, and even if we can ultimately secure such approvals we cannot assure you that such approvals can be obtained in a timely manner. In addition, even if we become an approved supplier of a tire manufacturer, this does not necessarily mean that we will receive purchase orders from that tire manufacturer. If we fail to become an approved supplier of a particular tire manufacturer of certain products as originally planned or contemplated or if we are unable to obtain such approval in a timely manner, or if we do not receive purchase orders from the relevant tire manufacturers who have given us their approvals to supply, our expansion plans may be inhibited, and our business prospects and results of operations may be adversely affected.

Any failure to maintain an effective quality control system at our manufacturing facilities could have a material adverse effect on our business and operations.

The performance, quality and safety of our products are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control systems, which in turn, depends on a number of factors, including the design of the systems, the quality training program, and our ability to ensure that our employees adhere to the quality control policies and guidelines. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our business reputation, results of operations and financial condition.

Our substantial financial leverage may hamper our ability to expand, and any increase in interest rates may materially affect our results of operations.

Our ability to make scheduled payments under our financing agreements and any future financing transactions will depend, amongst other things, on our future operating performance and our ability to refinance our debts, if necessary. As of June 30, 2006, we had outstanding loan obligations of RMB1,877.0 million (including outstanding Convertible Bonds) and a debt to asset ratio, or gearing ratio, of approximately 50.6%. We will inevitably incur new debt obligations to finance our operations and, as a result, we will be required to allocate a significant portion of our cash flow to service debt. This could impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. We cannot assure you that our business will generate sufficient cash flow from operations in the future to service our debt and make necessary capital expenditures, in which case we may seek additional financing, dispose of certain assets or seek to refinance some or all of our debt. We cannot assure you that any of these alternatives can be implemented on satisfactory terms, if at all, or without breach of the terms and conditions of existing or future financing transactions.

As of June 30, 2006, approximately RMB992.5 million, or 79.9%, of the total amounts outstanding under our outstanding bank loans was owed under short-term bank loans payable within a year. Of this amount RMB250.0 million or 20.1% was represented by amounts of long-term debt facilities due within one year. We maintain substantial levels of short-term debt as a normal part of our capital structure. If, as we currently intend, we re-finance these loans on or before their maturity dates rather than discharge the debt in full, we will be exposed to interest rate risk resulting from fluctuations in the relevant reference rates during the term of these loans. Any increase in interest expense may have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that we will be able to refinance the existing loans at favorable rates, if at all. We do not currently have any arrangements to hedge our interest rate risk but if we decide to enter into such hedging arrangements, we cannot assure you that we will be able to do so on commercially reasonable terms or that these arrangements, if entered into, will protect us fully against interest rate risk.

We cannot assure you that we will be able to re-finance any of our debt on any terms. If we were unable to re-finance a significant part of our debt, it would have a material adverse effect on our financial condition and prospects.

Increase of our gearing ratios may adversely affect our expansion plans.

We had debt to asset ratio, or gearing ratios, of 43.4%, 41.0%, 50.0%, and 50.6% as of December 31, 2003, 2004, 2005, and June 30, 2006, respectively. Furthermore, we had total capital and other commitments of RMB171.1 million as of June 30, 2006, and we intend to fund these commitments substantially by way of bank loans, which may lead to an increase in our gearing ratios in the future. If our gearing ratios are increased (or are not lowered) in the future, we may experience an increase in borrowing costs. Additionally, this may affect our ability to obtain further bank loans at all, which in turn may affect our ability to meet our ongoing working capital needs and adversely affect or curtail our expansion plans.

We may be required to redeem the Convertible Bonds under various circumstances which may materially adversely affect our liquidity and financial condition.

In May 2005, December 2005 and January 2006, we issued the Convertible Bonds in an aggregate principal amount of US$54 million (RMB427 million). Under the terms of the Convertible Bonds, each of Henda, Tetrad and GSSIA has the right to require redemption of their respective Convertible Bonds at par under various circumstances, if there is a change in control of our

Company other than as a result of the Listing. The exercise of these early redemption rights would require us to use either internal cash resources or enter into additional financing arrangements to pay the full redemption amount. We cannot assure you that we will have the requisite internal resources or that we will be able to obtain loan or other facilities on commercially reasonable terms or at all. This would materially adversely affect our liquidity and financial condition. In addition, as we generate substantially all of our revenues in Renminbi, we may encounter difficulties or delays in obtaining approvals to allow us to obtain the US dollars required to redeem the Convertible Bonds.

We may need additional capital to fund our working capital and capital expenditure requirements and we may not be able to obtain such additional capital on acceptable terms or at all.

We may need additional capital to fund our working capital requirements and our high level of capital expenditure. As of December 31, 2003, 2004 and 2005, we had net current liabilities of approximately RMB253.3 million, RMB427.8 million and RMB25.5 million, respectively. Although we had net current assets of RMB316.7 million as of June 30, 2006, we may have net current liabilities in the future. The net current liabilities which existed previously were mostly due to our historical reliance on short-term loan facilities and the result of purchasing fixed assets (mainly manufacturing equipment). Our ability to meet our working capital needs from cash flow arising from our operations will be affected by the demand for our products, which in turn may be affected by several other factors including economic downturns or dramatic changes in market preferences for radial tires. In 2003, 2004, 2005 and the six months ended June 30, 2006, we made capital expenditures in the amount of RMB458.5 million, RMB394.2 million, RMB717.2 million and RMB177.3 million respectively, due principally to the expansion of our production facilities. In light of our future plans to improve and expand our domestic production facilities to capture the opportunities arising from the PRC market and to expand sales to the international market, we expect that the amount of capital required by us will increase accordingly.

Our ability to derive sufficient cash flow from our operations or to secure bank borrowings to satisfy such increased capital needs is therefore crucial. If we fail to secure sufficient cash flow from our operations or bank borrowings to fund the capital expenditure required for the implementation of our expansion plans, our future plans to expand and improve our production facilities and increase our production capacity may be adversely affected or curtailed.

Obtaining additional capital may require us to sell additional equity or debt securities or obtain additional bank loans. The sale of additional equity or debt securities could result in dilution to the Shareholders and our ability to raise capital through such sales is dependent, among other factors, on investors' perception of, and demand for, PRC radial tire cords manufacturing companies and conditions of the capital market in which we seek to raise funds.

The sale of debt securities would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations and affect our future results of operations, financial condition and cash flows. In addition, the economic, political, regulatory and other conditions in the PRC may affect our ability to obtain additional capital on acceptable terms.

PRC regulations of investment and loans by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make additional capital contributions or loans to Jiangsu Xingda.

Any capital contributions or loans, we, as an offshore entity, make to Jiangsu Xingda, including from the proceeds of this offering, are subject to PRC regulations. For example, our capital contributions to Jiangsu Xingda must be approved by the MOC. In addition, the total of any offshore loans to Jiangsu Xingda cannot exceed certain regulatory limit prescribed by the NDRC or the MOC less Jiangsu Xingda's registered capital, and such loans must be filed with the SAFE or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we do not timely or fail to obtain such approvals, our ability to capitalize Jiangsu Xingda or fund its operations or to utilize the proceeds of this offering in the manner described in "Use of Proceeds" may be negatively affected, which could adversely affect the liquidity of Jiangsu Xingda and our ability to grow through Jiangsu Xingda's operations.

As a holding company, our Company's liquidity and its ability to make shareholder distributions and other payments depend to a significant extent upon the distribution of earnings and other payments made by Jiangsu Xingda.

Jiangsu Xingda declared dividends of RMB26.9 million in respect of each of the years ended December 31, 2003, 2004, 2005. Jiangsu Xingda's ability to distribute future dividends will be subject to various factors including available cash and distributable reserves, investment requirements and cash flow and working capital requirements. These factors depend on other factors which are outside of Jiangsu Xingda's control, including a possible economic downturn and delays in the payments made by customers. If Jiangsu Xingda encounters any of these problems (or others), it may not be able to declare and pay dividends to our Company in the future as currently planned.

Our Company's liquidity and ability to pay dividends depends on the payments from Jiangsu Xingda, whose ability to make such payments is subject to PRC regulations.

Under PRC accounting rules, dividends may be paid only out of distributable profits. Distributable profits with regards to Jiangsu Xingda refers to its after-tax profits as determined under PRC GAAP, less any recovery of accumulated losses and allocations to statutory funds that it is required to make. Any distributable profits that are not distributed in a given year are retained and are available for distribution in subsequent years. Jiangsu Xingda is required under PRC laws and regulations to allocate a portion of its annual after-tax profits, if any, to certain statutory reserves and funds prior to declaring and remitting dividends. For example, it is required to allocate 10% of its after-tax profit to statutory reserves until such reserves reach 50% of Jiangsu Xingda's registered capital. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to our Company in the form of loans, advances or cash dividends. The calculation of distributable profits of Jiangsu Xingda under PRC GAAP differs in many respects from the equivalent calculation under IFRS. As a result, Jiangsu Xingda may not be able to pay dividends in any given year to us if it does not have distributable profits as determined under PRC GAAP, even if we have profits for the relevant year as determined under IFRS. Accordingly, if our Company does not receive dividend distribution from Jiangsu Xingda, its liquidity, financial condition and ability to make dividend distributions will be materially and adversely affected.

Our net profit attributable to our equity holders has been materially adversely impacted by required accounting adjustments arising from the Convertible Bonds and may continue to be so impacted as long as the Convertible Bonds are outstanding; our profit forecast for 2006 includes an estimate of fair value of the Convertible Bonds which is based on an assumption as to the price of the Shares on December 29, 2006 which may be materially different than the actual price on that date. The trading price of the Shares could be materially adversely affected by future such adjustments and by the actual Share price compared to that in the forecast.

So long as the Convertible Bonds are outstanding, net profit attributable to our equity holders has been and will be affected by non-cash adjustments made each reporting period which result mainly from changes in the estimated fair value of the share purchase option contained in the Convertible Bonds. Our reported profit attributable to our equity holders has been materially affected by these adjustments for the year ended December 31, 2005 and the six months ended June 30, 2005 (unaudited) and 2006. Such adjustments in future periods, which will continue so long as the Convertible Bonds are outstanding, could also be material and may be either positive or negative. The Convertible Bonds will mature on May 7, 2008 in respect of an amount of US$30,400,000 (equivalent to approximately RMB240.2 million), on December 29, 2008 in respect of an amount of US$19,666,667 (equipment to approximately RMB155.4 million), and on January 18, 2009 in respect of an amount of US$3,933,333 (equivalent to approximately RMB31.1 million).

Our profit forecast for the year ending December 31, 2006 includes an estimate as of that date of the fair value adjustment on the Convertible Bonds. That estimated adjustment is based on a number of assumptions, one of the most important of which is an assumption as to the price of the Shares on that date. We have assumed that the Share price on December 29, 2006 (the last trading day of the year) will be the Minimum Offer Price. If the actual price of the Shares on that date is higher than the assumption, the actual adjustment for fair value on the Convertible Bonds for such date will be higher than the assumption and profit attributable to our equity holders will be lower, and could be materially lower than indicated by our profit forecast. Similarly if the actual price of the Shares is lower than the assumption in our profit forecast, the actual adjustment for fair value on the Convertible Bonds will be lower and profit attributable to our equity holders will be higher than the forecast.

Changes in profit attributable to our equity holders resulting from non-cash fair value adjustments on the Convertible Bonds including differences from our profit forecast, could have a material adverse impact on the price of the Shares while the Convertible Bonds are outstanding.

The discontinuation of any of the preferential tax treatments currently available to us in the PRC could materially and adversely affect our financial condition and results of operations.

Under the Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises and its implementation rules, we are currently liable to pay enterprise income tax at a rate of 33% (30% national tax and 3% local tax) on our taxable income, except where the existing laws, administrative regulations or any other relevant regulations promulgated by the PRC government provide for tax breaks and tax reductions. Over the Track Record Period, we enjoyed an effective enterprise income tax rate that was much lower than 33% because of tax credits granted in each period reflecting rebates on the cost of purchases we incurred of production plant and equipment. Starting in 2005, Jiangsu Xingda, our main operating subsidiary, has been entitled to an exemption from enterprise income tax for two profit-earning years, and for the subsequent three years it is entitled to a 50% tax exemption. For the years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2006, we had an effective tax rate of 14.6%, 22.8%, -0.5%, and 0.009%, respectively. Our effective tax rate of -0.5% for the year ended December 31, 2005 was attributable to the reversal of the deferred tax credit resulting from the timing differences which arose in the previous year. We cannot assure you that the PRC tax authorities will not, in the future, deny or elect to discontinue any or all of the preferential tax treatments or impose any other changes in tax regulations with the effect of raising our effective tax rate. Should our relative tax burden increase, our financial condition and the results of our operations could be materially and adversely affected.

Our success significantly depends on key management and our ability to attract and retain additional management and qualified employees.

Our future success is dependent on the efforts, performance and abilities of the key management, particularly Chairman Liu and the key management team. We do not maintain key man insurance on any of the management personnel. As the PRC radial tire cords industry continues to expand, we expect the competition for management and other skilled personnel to intensify. Failure to attract and retain qualified employees or the loss of any member of our senior management may result in (i) a loss of organizational focus; (ii) poor operating execution; and (iii) an inability to identify and execute potential strategic initiatives such as expansion of sales abroad. These could, in turn, materially and adversely affect our results of operations.

Our manufacturing process involves the use of toxic chemicals.

Currently, our plating process utilizes cyanide, a toxic chemical which may be harmful to humans and the environment. Any mishandling or any negative incident related to the use of cyanide may cause severe industrial accidents, loss of human life and/or environmental damage. If any industrial accident, loss of human life or environmental damage were to occur as a result of mishandling of toxic chemicals, we would be subject to significant penalties and our results of operations and reputation could be adversely affected.

We have experienced industrial accidents in the past and may experience further industrial accidents in the future.

We have suffered a few isolated industrial accidents in the past, resulting in death or injury to our employees which occurred at our facilities. We may experience further accidents in the future. In addition to the property and personal losses from these industrial accidents, the frequency and severity of these incidents in the future may affect our operating costs and insurability, as well as our relationship with our customers, employees and regulatory authorities. Any significant increase in the frequency or severity of these incidents or the general level of compensation awards could adversely affect the cost of, or our ability to obtain, workers' compensation and other forms of insurance.

Also, such accidents may interrupt and disrupt our production process and adversely affect our business if we are unable to replace the damaged property or injured employees.

Any significant product liability claims made against us, whether or not successful, could harm our business reputation, results of operations and financial condition.

There can be no assurance that product liability claims would not be brought against us in the future, or that our insurance coverage would be sufficient to cover any damages or expenses resulting from such claims. Any such claims, whether or not they are successful, could cause us to incur significant costs, divert our management's attention, harm our business reputation and cause significant disruption to our operations. Any material product liability claim that is successfully made against us could also require us to pay substantial damages.

We may not be able to compete successfully with our competitors.

The products that we manufacture are available from a number of sources in the PRC, including from some of our current and potential customers. Our competitors in the PRC radial tire cord market are large international joint ventures and local manufacturers. Some of our competitors in the PRC market have greater financial, technical, marketing, manufacturing and personnel resources than we do. Radial tire cords manufacturers primarily compete in terms of price, reliability, safety standard and product quality. In addition, our products also compete with the radial tire cords manufactured by automobile tire manufacturers. We may be unable to compete successfully with these manufacturers or our other competitors in the future. Failure to compete successfully against our competitors could cause us to lose market share and otherwise have a material adverse effect on our business and results of operations.

Our insurance coverage may not be sufficient to cover the risks related to our operations and losses.

The occurrence of certain incidents including fire, severe weather, earthquake, war, flooding, power outages and the consequences resulting from them may not be covered adequately, if at all, by our insurance policies. If we were to incur substantial liabilities which are not covered by our insurance, or if our business operations were interrupted for more than a short period of time, we could incur costs and losses that would materially adversely affect our results of operations.

Our production facilities are located in one location in close proximity to one another. Any damage or disruption at any of these facilities could have a material adverse effect on our financial condition and results of operations.

Our production facilities are located in close proximity to one another near several narrow rivers. During the Track Record Period, flooding occurred in the region where our facilities are located due to abnormal rainfall in the summer of 2003. We cannot assure you that flooding which may occur in the future will not cause our facilities to suffer damage or will not otherwise interrupt our operations. Furthermore, the fire fighting and disaster relief equipment in our production facilities in the PRC are still primitive. Because all of our production facilities are in one location, any condition which halted or severely restrained production in that location, such as flooding, earthquake, fire, weather conditions or work stoppage would result in a material adverse effect on our results of operations and if continued, our business prospects.

If we are unable to continue developing our production technology or adopt new production technology, our business and prospects may be harmed.

The radial tire cord industry is competitive and the production technology underlying the industry and the tire industry is evolving. As customers' needs, related technologies and market trends are subject to rapid and significant changes, we cannot assure you that we can anticipate trends and developments in an accurate and timely manner. If we do not anticipate changes in the production technology underlying the industry nor develop or adopt competitive technology on a timely basis, whether it is proprietary or licensed from customers or third parties on commercially acceptable terms, then we may not be able to produce sufficiently attractive products to respond to competitive industry conditions and changing customer demand.

Responding and adapting to technological developments and changes in the tire industry, and the integration of new technologies or industry standards may require a substantial investment of resources, time and capital. Even if we implement such measures, there can be no assurance that we will succeed in adequately responding and adapting to such technological and industry developments. In the event that we are unable to respond successfully to technological and industry developments, our business, results of operations and competitiveness may be materially and adversely affected.

The interests of our controlling shareholder may differ from those of other Shareholders.

Immediately before the Global Offering, the Five BVI Companies directly owned an aggregate of approximately 71.0% of the issued share capital of our Company. Immediately following completion of the Global Offering (assuming no exercise of the Over-allotment Option and conversion of the Convertible Bonds), the Five BVI Companies will directly own approximately 49.70% of the enlarged issued share capital of our Company. As discussed below in the section headed "Controlling Shareholder and Substantial Shareholders", the Five Parties together with the Five BVI Companies, as a group, as the controlling shareholder of our Company through the mechanism of the ESC, will be able to influence the major policy decisions of our Company, including our Company's overall strategic and investment decisions by means of the following:

- controlling the election of a majority of the Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- approving annual budgets;
- deciding on increases or decreases in share capital;
- determining the size and timing of any issuances of new securities; and
- approving mergers, acquisitions and disposals of our assets or businesses.

The interests of the Five Parties together with the Five BVI Companies, as a group, as our Company's controlling shareholder, may conflict with the interests of our Company's other Shareholders. Accordingly, the Five Parties and the Five BVI Companies may take actions that favor their own interests which may not necessarily be in the best interests of the other Shareholders.

Our ability to exercise control over Jiangsu Xingda's board may be limited in certain circumstances.

Jiangsu Xingda is our operating subsidiary. We own 69.54% of the voting shares of Jiangsu Xingda through Faith Maple and have the right to recommend for nomination four of the seven directors of Jiangsu Xingda. Xing Hong Da, Xingda Labor Union and TIAC, can each recommend a director for nomination. Pursuant to the articles of association of Jiangsu Xingda, certain board resolutions require approval of two thirds of the directors, or five of the seven directors. Such resolutions include those relating to operating plans, investment plans, annual budgets plans, profit distributions plans, plans of changes in the registered capital, plans of issuance of debts, and plans of merger, spin-off or dissolution of Jiangsu Xingda. As a result, despite the presence of our nominees on the board of Jiangsu Xingda, our ability to control its board decisions over such specific corporate actions of Jiangsu Xingda could be influenced by the board members nominated by Jiangsu Xingda's minority shareholders. Although, under such circumstances, we, as the majority shareholder, could convene shareholders' meetings to secure shareholder resolutions to override the board's decisions pursuant to the articles of association of Jiangsu Xingda, the related corporate actions are likely to be delayed due to the additional corporate procedures such as those relating to convening shareholders' meetings.

Xing Hong Da is a company not affiliated with us. Its shareholding in Jiangsu Xingda has been frozen by an order of a court in the PRC in a dispute that does not involve us. The court may order that the shares be sold. It is unclear whether or when the court will do so. Such a sale could result in the shares, together with the right to nominate a director of Jiangsu Xingda being transferred to third parties whose interests may not always be aligned with the interests of Jiangsu Xingda or us.

Xing Hong Da, a company holding 22.29% of Jiangsu Xingda's voting shares, is involved in a lawsuit in the PRC unrelated to us and has been ordered by the Shanghai No. 2 Intermediate People's Court to pay the claimant in such lawsuit RMB39 million and related legal expenses. When Xing Hong Da did not pay such amounts, the court issued other orders on March 14, 2006 and May 18, 2006 freezing Xing Hong Da's bank accounts and other relevant assets, including Xing Hong Da's shareholding in Jiangsu Xingda, in order to satisfy the claimant's judgment against Xing Hong Da. If the money in such bank accounts is not sufficient, the court may sell the other frozen assets through auction or other means. Jiangsu Xingda has received notice from the court of the freeze order and instructions not to effect any transfer of such shares. As of the Latest Practicable Date, we are not aware that Xing Hong Da has fulfilled its payment obligations under such court orders. Although we are allowed to participate in such an auction, it is beyond our control who will become the successor of Xing Hong Da and it might be a competitor of Jiangsu Xingda. As a result, there is no assurance that such successor's interests in Jiangsu Xingda will always be aligned with those of Jiangsu Xingda or us.

In addition, prior to receiving notice of the freeze order Jiangsu Xingda paid approximately RMB6 million in dividends directly to Xing Hong Da. See "Corporate Structure and Reorganization — Reorganization — Capitalization Issue — Note(6)" for more details regarding such dividend payment.

RISKS RELATING TO THE PRC

Our manufacturing facilities, almost all of our current customers and some of our suppliers are located in the PRC. As a result, our operations and assets are subject to significant political, economic, legal and other uncertainties associated with undertaking business in the PRC, which are discussed below in greater detail.

The PRC's economic, political and social conditions, as well as government policies, could affect our business.

Substantially all of our revenues are generated from sales in the PRC. We anticipate that revenues from sales of our products in the PRC will continue to represent a substantial proportion of our total turnover in the near future. Any significant decline in the condition of the PRC economy could adversely affect our customers' buying power and discourage use of our products, among other things, which in turn would have a material adverse effect on our business and financial condition.

The PRC economy differs from the economies of most developed countries in many respects, including:

- higher level of government involvement;

- early stage of development of a market-oriented economy;
- rapid growth rate;
- higher level of control over foreign exchange; and
- less efficient allocation of resources.

While the PRC economy has experienced significant growth since the late 1970s, growth has been uneven, both geographically and among various industries. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. These measures are intended to benefit the overall PRC economy, but may have a negative effect on us. For example, our business, financial condition and results of operations could be adversely affected by government control over capital investments or changes in tax regulations that are applicable.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

The PRC legal system is based on written statutes and the interpretation thereof by the Supreme Court of the PRC. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has developed a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations that deal with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade.

Despite significant improvement in the developing legal system of the PRC, the enforcement of existing PRC laws and regulations may be uncertain or inconsistent, and the interpretation of these laws and regulations by government agencies and courts may change from time to time. Any such change could have an adverse impact on us.

Power shortages in the PRC could affect our business.

We consume substantial amounts of electricity at our PRC production facilities. Although our own power plants are located at our production facilities, they are required to upload power produced to the regional grid system so our plants are not available as backup. Jiangsu, the province where our production facilities are located, has been subject to power shortages and while we have not experienced any significant power shortages at our production facilities in Jiangsu, we may do so in future. Any power shortage, brownout or blackout that lasts for a significant period of time may adversely impact our business and results of operations.

Our results of operations could be affected by availability of foreign currencies and changes in foreign exchange regulations.

A substantial amount of our expenses are in non-RMB currencies, mostly US Dollars resulting from the purchase of raw materials. In the year ended December 31, 2005 and the six months ended June 30, 2006, 31.5% and 20.7%, respectively, of our cost of goods sold was in non-RMB currencies. We also have substantial non-RMB liabilities, principally our Convertible Bonds denominated in US dollars. To date more than 95% of our revenues have been in RMB although we expect this percentage to decline over time as we expand our operations outside the PRC (even when we have non-RMB revenues, we are required to repatriate a portion of these to the PRC and convert them to RMB). As a result our internal sources of foreign currencies are less than our requirements and we are exposed to foreign currency risks of exchange rate increases and non availability. We have experienced no difficulties in obtaining foreign currency to meet our needs, but we require SAFE approvals to acquire foreign currency. There is no assurance that future approvals will be forthcoming or that foreign currency will be available on reasonable terms when we require it. The RMB has gradually appreciated against the US dollar since July 2005 and may continue to do so. This has the effect of making our US dollar expenditures less expensive in RMB terms, but also means that sales in US dollars, all other things being equal, are less in RMB terms.

It may be difficult to effect service of process on or enforce judgments obtained from non-PRC courts against our Company, the Directors or the executive officers who live inside the PRC.

As of the Latest Practicable Date, most of the Directors and senior management personnel reside within the PRC, and a significant proportion of our assets and of such persons are located in the PRC. For this reason, it may not be possible for investors to effect service of process on or enforce judgments obtained from non-PRC courts against us, the Directors or the executive officers who live inside the PRC. The PRC does not have treaties or arrangements providing for the recognition and enforcement of civil judgments of the courts of the United Kingdom, the United States, most other western countries or Hong Kong. As a result of this, recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be impossible.

The PRC is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) which had historically permitted reciprocal enforcement in the PRC of awards of arbitral bodies located in other New York Convention signatory countries. On June 18, 1999, an arrangement was made between Hong Kong and the PRC for mutual enforcement of arbitration awards. This new arrangement was approved by the Supreme Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for the Shares may fail to develop or be sustained, which could have a material adverse effect on the market and liquidity of the Shares.

Prior to the Global Offering, there has been no public market for the Shares. The initial price range of the Offer Price for the Offer Shares was the result of negotiations between us and the Global Coordinator (on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Global Offering. Our Company has applied for the listing of, and the permission to deal in, its Shares on the Stock Exchange. However, being listed on the Stock Exchange does not guarantee that an active trading market for the Shares will develop, or if such a market does develop that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

The trading prices of the Shares may be volatile following the completion of the Global Offering and the Offer Price may not be indicative of their subsequent trading price.

Immediately following the Global Offering, the price and trading volume of the Shares will both be determined in the market place and may be highly volatile and the Shares will be influenced by factors including but not limited to those set out below and the other risk factors set forth in this prospectus:

- fluctuations in our interim or annual results of operations;
- changes in financial estimates by securities analysts;
- investor perceptions of us and the investment environment in Asia, including Hong Kong and the PRC;
- changes in policies and developments relating to the tire and radial tire cord industries;
- changes in pricing policies adopted by us or our competitors;
- depth and liquidity of the market for the Shares;
- demand for and supply of the Shares; and
- general economic and other factors.

Moreover, stock markets in general and shares of listed companies in general have in recent years experienced increased price and volume fluctuations. These broad market and industry fluctuations may adversely affect the market price of the Shares.

Because the Offer Price is higher than the net tangible book value per Share, you will experience immediate dilution in the book value of the Shares purchased by you.

The Offer Price will be higher than the net tangible book value per Share of the outstanding Shares immediately prior to the Global Offering. Therefore, purchaser of the Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible book value of HK$0.40 per Share and the existing Shareholders will receive an increase in net tangible book value per shares of its Shares. Our Company may issue additional Shares in the future. In the event that it does so, purchasers of the Shares may experience further dilution.

Future issuance of equity securities by us would lead to dilution of the Shareholders' interest and could have a material adverse effect on the trading prices of the Shares.

We may need to raise additional funds in the future to finance, amongst other things, the expansion of our business. If we raise additional funds through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, or if the outstanding Convertible Bonds are not redeemed but instead are converted according to their terms into equity securities, the individual Shareholders may experience dilution of their shareholdings. Moreover, securities issued in the future may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares, thereby reducing the relative intrinsic value of the Shares. We, and others have respectively agreed not to sell our equity securities for a period of 180 days after the date of this Prospectus, without the prior consent of the Global Coordinator. However, before these restrictions lapse, if any of these restrictions is waived or breached, any future sales of significant amount of our equity securities, including Shares issued upon exercise of outstanding options and warrants or any perception by investors that such sales may occur, could have a material adverse effect on the trading price of the Shares.

There are risks associated with forward-looking statements.

This prospectus contains certain statements and information that are "forward-looking" and have employed forward-looking terminology such as "anticipate", "believe", "could", "expect", "estimate", "may", "ought to", "should" or "will". Those statements relate to, amongst other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors in the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that although we believe that the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect causing the forward-looking statements that are based on those assumptions to become incorrect too. The risks and uncertainty in this regard include, but are not limited to, those identified in this "Risk Factors" section, many of which are beyond our control. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements.

Certain facts and statistics from official sources contained in this prospectus have come from various publicly available sources whose reliability cannot be assumed or assured.

Facts and statistics from official sources contained in this prospectus relating to the PRC, its economy and the industry in which we operate within the PRC are derived from various publicly available official sources generally believed to be reliable. However, we cannot guarantee the quality and reliability of such official source material. Whilst the Directors have taken reasonable care to ensure that the facts and statistics in this prospectus are accurately reproduced from their respective official sources, these facts and statistics have not been independently verified by us. We, the Global Coordinator, the Sponsor, the Underwriters, their respective directors and advisors or any other parties involved in the Global Offering do not make any representation as to the accuracy of such facts and statistics derived from their official sources, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from their official sources may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our Company and/or the Global Offering.

There have been reports in certain news publications (e.g. South China Morning Post dated November 28, 2006 and Ming Pao Daily News dated November 29, 2006) about our Company and/or the Global Offering which contained certain information about our Company and/or the Global Offering, including projections and other forward-looking information. We wish to emphasize to potential investors that we do not accept any responsibility for the accuracy or completeness of any media articles or reports as such articles or reports were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections or other forward-looking information, or of any assumptions underlying such projections or other forward-looking information. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim them. Potential investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to place any reliance on any other information.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong including that normally at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since our principal business operation and our production facilities are primarily located in the PRC, our Company does not and, for the foreseeable future, will not have a management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules. Our Company has made internal arrangements to maintain effective communication with the Stock Exchange. Mr. Zhang, an executive Director, and Mr. Tse Shiu Wah, the company secretary and qualified accountant of our Company who is ordinarily resident in Hong Kong, have been appointed as the authorized representatives of our Company under Rule 3.05 of the Listing Rules, and will be the principal communication channel between our Company and the Stock Exchange and each of whom will be contactable by the Stock Exchange through mobile phone or other means of communication. Both authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters, and will be available to meet the Stock Exchange by reasonable prior notice. Our Company has implemented a policy whereby (i) each executive Director will provide his/her mobile phone numbers, residential phone numbers, fax numbers and email address to the authorized representatives; (ii) each executive Director will provide valid phone numbers or communication means to the authorized representatives when he/she travels; and (iii) each executive Director will provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email address to the Stock Exchange. Our Company will also appoint a compliance advisor pursuant to Rule 3A.19 of the Listing Rules. As a result, such arrangements can ensure that all members of the Board can be promptly informed of any matters and can maintain effective communications with the Stock Exchange.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to us. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by Goldman Sachs. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Offering is managed by the Global Coordinator. If, for any reason, the Offer Price is not agreed between our Company (on behalf of ourselves and the Selling Shareholders) and the Global Coordinator (on behalf of the Underwriters) at or before the Price Determination Time, the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Global Coordinator (on behalf of the Underwriters) and our Company (on behalf of ourselves and the Selling Shareholders) at or before the Price Determination Time.

If the Global Coordinator (on behalf of the Underwriters) and our Company (on behalf of ourselves and the Selling Shareholders) are unable to reach an agreement on the Offer Price at or before the Price Determination Time, the Global Offering will not proceed and will lapse.

RESTRICTIONS ON THE OFFER OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Underwriters, any of their respective directors or any other persons or parties involved in the Global Offering.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

United States of America

The Offer Shares have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The International Purchasers propose to place Offer Shares outside of the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in accordance with applicable law. Certain of the International Purchasers propose to place Offer Shares, through their respective U.S. selling agents, only to QIBs in the United States. Any offer or sale of Offer Shares in the United States will be made by broker-dealers who are registered as such under the U.S. Exchange Act.

Until the expiration of 40 days after the later of the commencement of the Global Offering and the date of the closing of the Global Offering, an offer or sale of Offer Shares within the United States by a dealer, whether or not participating in the Global Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, such requirements or in accordance with Rule 144A.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense in the United States.

United Kingdom

No offer of the Offer Shares has been made or will be made to the public in the United Kingdom within the meaning of Section 102B of the Financial Services and Markets Act 2000, as amended, or FSMA, except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority, or FSA. Each underwriter: (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which Section 21 of FSMA does not apply to us; and (ii) has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the ADSs in, from or otherwise involving the United Kingdom.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan, or the Securities and Exchange Law, and the Offer Shares will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares MAY may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer Shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Offer Shares under Section 275 except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, (2) where no consideration is given for the transfer; or (3) where the transfer is by operation of law.

EEA

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, which we refer to as a Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, which we refer to as the Relevant Implementation Date, no offer of the Offer Shares has been made and or will be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Offer Shares may be made to the public in that Relevant Member State at any time: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an "offer of the Shares to the public" in relation to any Offer Share in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/ EC and includes any relevant implementing measure in each Relevant Member State.

PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, unless otherwise approved by the relevant authorities, the Offer Shares may only be offered or sold to natural or legal persons in Taiwan, Hong Kong or Macau or any country other than the PRC, whether by means of this prospectus or otherwise.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the Offer Shares, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any Offer Share in the Cayman Islands.

General

No action may be taken in any jurisdiction other than Hong Kong that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares (including Shares which may fall to be issued pursuant to the conversion of the Convertible Bonds by the holders thereof).

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our Company's branch register of members to be maintained in Hong Kong.

Dealings in the Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our Company's principal register of members maintained in the Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the share registers of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in

CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of and dealing in, the Shares. It is emphasised that none of our Company, the Underwriters, the Sponsor, any of their respective directors, agents or advisors or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription, purchase, holding, disposal of or dealing in, the Shares.

STABILIZATION AND OVER-ALLOTMENT OPTION

In connection with the Global Offering, Goldman Sachs or any person acting for it may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on Goldman Sachs or any person acting for it to do this. Such stabilization action, if taken, may be discontinued at any time, and is required to be brought to an end after a limited period.

In connection with the Global Offering, the Selling Shareholders have granted to Goldman Sachs (on behalf of the International Purchasers) the Over-allotment Option, which will be exercisable in full or in part by Goldman Sachs (on behalf of the International Purchasers) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Selling Shareholders may be required to sell at the Offer Price up to an aggregate of 57,900,000 Sale Shares, representing 15% of the total number of Shares initially available under the Global Offering. The Sale Shares when sold pursuant to the exercise of the Over-allotment Option will be on the same terms and conditions as the Offer Shares.

Further details with respect to stabilization and the Over-allotment Option are set out in the paragraph headed "Over-allotment option and stabilization" in the section headed "Structure of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including the conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. LIU Jinlan (劉錦蘭)	No. 88 Ren Min Road Dainan Town Xinghua City Jiangsu Province PRC	Chinese
Mr. LIU Xiang (劉祥)	No. 88 Ren Min Road Dainan Town Xinghua City Jiangsu Province PRC	Chinese
Mr. TAO Jinxiang (陶進祥)	Xingda Xin Cun Renmin Lu Dainan Town Xinghua City Jiangsu Province PRC	Chinese
Mr. WU Xinghua (吳興華)	201, Unit 10 Building No.2 Feng Hui Yuan Xi Cheng District Beijing PRC	Chinese
Mr. CAO Junyong (曹俊勇)	1504A, Unit 2 No.8 Zhong Hua Lu Nanjing PRC	Chinese
Mr. ZHANG Yuxiao (張宇曉)	1-1702 Ji Li Jia Yuan Shao Yao Ju Beijing PRC	Chinese

Name	Residential Address	Nationality
Non-executive Directors		
Mr. LU Guangming George (魯光明)	62 Bigelow Dr. Sudbury MA01776 United States	American
Ms. WU Xiaohui (鄔小蕙)	No.84-85, No. 1 Nan Lu Xi Zhi Men Wai Avenue Xi Cheng District Beijing PRC	Chinese
Mr. ZHOU Mingchen (周明臣)	Room 5 - 1202 Building No. 1 Court No. 1 Dong Hou He Yuan Chong Wen District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. KOO Fook Sun, Louis (顧福身)	20A, Block 2 Grand Garden 61 South Bay Road Hong Kong	British
Mr. William John SHARP	47 S. Wheaton Road Akron, Ohio, 44313 United States	American
Ms. XU Chunhua (許春華)	Room 1001, Unit 2 Building No. 12 Le Fu Jiang Nan No. 1 Yong Ding Lu Beijing PRC	Chinese

PARTIES INVOLVED

Global Coordinator, Sponsor, Bookrunner and Lead Manager	Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
Hong Kong Underwriters	
Hong Kong Public Offering Lead Manager	Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
Co-Lead Managers	BCOM Securities Company Limited 3rd Floor, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
International Purchasers	
The International Offering Lead Manager	Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
Co-Lead Managers	DBS Asia Capital Limited 22nd Floor, The Center 99 Queen's Road Central Hong Kong
	Daiwa Securities SMBC Hong Kong Limited Level 26 One Pacific Place 88 Queensway Hong Kong

Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor One Pacific Place 88 Queensway Hong Kong
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Manufacturing and Operations Committee	LIU Jinlan *(Chairman)* LIU Xiang LU Guangming George TAO Jinxiang CAO Junyong

CORPORATE INFORMATION

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THE RADIAL TIRE CORD INDUSTRY

The radial tire cord industry is directly dependent on the state of health of the tire industry. The main source of demand for radial tire cords in the PRC and elsewhere is the replacement tires market, particularly the truck tires market. This is because each radial truck-type tire contains substantially more radial tire cord than a passenger car tire, and also because trucks, buses and other commercial vehicles require more frequent replacement of tires due to the higher usage of the vehicles as compared to passenger cars.

In the PRC, growth in demand for radial tire cords depends largely on the growth in the economy which leads to improvement of the highway network and the growth of the road logistics industry. This, in turn, is expected to spur demand for transportation and results in the expansion of the road logistics. This increased demand for transportation is expected to result in increases in the number of trucks, large passenger vehicles and other commercial vehicles. As a result, demand for original equipment tires and replacement tires and radial tire cords is expected to increase.

The radial tire cord industry is capital intensive and requires substantial customization by suppliers of radial tire cords to meet the specific requirements of each tire manufacturer. Taking into account the importance of radial tire cord to the safety and endurance of a tire, a tire manufacturer usually undertakes a comprehensive screening process before approving a radial tire cord manufacturer as a supplier. Most of the largest tire manufacturers also manufacture radial tire cords and bead wire. In order to maintain consistent product quality, these tire manufacturers will normally source their tire cord requirements from a limited number of approved suppliers in addition to its in-house production. Moreover, since the cost of changing suppliers is very substantial and potentially disruptive to business, tire manufacturers generally develop and continue close working relationships with a small group of radial tire cord suppliers. As a result of these high entry barriers, the radial tire cord market is concentrated.

THE PRC AUTOMOTIVE TIRE INDUSTRY

As a result of the increasing domestic demand for automotive tires and the cost advantages of PRC-based manufacturing, the PRC has since 2003 became the third ranked producer in terms of volume of tires made, after the United States and Japan, according to statistics published by CRIA.

Since the PRC has been one of the world's fastest-growing economies enjoying, among other things, rapid growth of freight and passenger transportation volume, continuous development of its road and highway network, increases in export of tires and acceleration of the radialization process, the production of radial tires in the PRC has grown rapidly in recent years. Total volume of tires of all types produced in the PRC grew from 135.7 million units in 2001 to 318.2 million units in 2005 according to the China Automotive Industry Yearbook 2006. This growth has, in turn, spurred demand for radial tire cords.

Due to their advantages, radial tires have gradually replaced bias tires and have now become the standard design for essentially all passenger car tires and most truck tires. However, the percentage of total tire sales represented by radial tire cords varies from country to country. The radialization rate for both passenger car tires and truck tires is almost 100% in Western Europe and North America. However, the radialization rate of many developing countries, like the PRC, is still low compared to that of developed regions. In 2004, radial tires accounted for approximately 52.2% of all tires produced in the PRC according to statistics published by the CRIA.

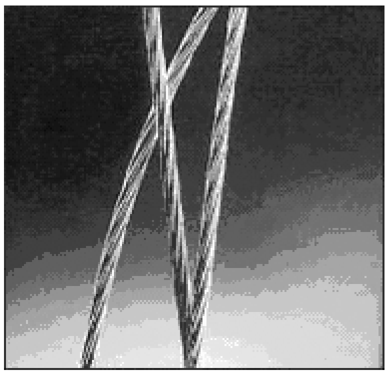
In recent years, the PRC has experienced rapid growth in the production of tires for the domestic replacement tires market as well as the original equipment tires market, which is in line with the growing production of automobiles for domestic use. In addition, the competitive labor costs and the close proximity between the automotive manufacturers and end customers in the PRC have encouraged international tire manufacturers to establish production plants in the PRC in recent years. As a result, exports of tires from the PRC have rapidly increased.

TIRE TYPES

There are two fundamental types of automotive tires, namely, radial tires and bias or cross-ply tires. While more expensive to manufacture and to purchase, radial tires have a number of advantages over bias tires. Radial tires can be rated for higher speeds, have greater resistance to cuts, provide better traction, have less rolling resistance and therefore greater fuel efficiency, as well as provide greater heat and wear resistance. In mature tire markets, such as North America and Japan, radial tires have almost entirely supplanted bias tires. In many developing countries, such as the PRC, bias tires are still manufactured in significant numbers, especially for trucks, but increasingly radial tires constitute a greater proportion of new tires manufactured. Our products are manufactured exclusively for use in radial tires.

Radial tire cord

Radial tire cord is one of the most important raw materials in the production of radial tires. It is an advanced type of steel wire that combines the strength and durability of steel with flexibility. It is made of very fine steel filaments usually with a diameter of between 0.15 mm to 0.38 mm, that are drawn from steel wire rod. The steel filaments are plated with copper, and then twisted and stranded to form a radial tire cord. Radial tire cords are then woven into a mesh to form a carcass within the rubber component of the tire by tire manufacturers. Radial tire cords can be divided into two major categories: truck radial tire cords and passenger car radial tire cords.



Bead wire

Bead wire is a hard-drawn high carbon wire made from quality steel wire rods. The steel wire rods are drawn to around 2.2 mm to 3.0 mm and are then plated with a thin layer of copper. The bead wire supports the tire where it attaches to the rim of the wheel of a car.

CHARACTERISTICS OF THE RADIAL TIRE CORD INDUSTRY

- ***The radial tire cord industry is entirely dependent on the tire industry and the majority of demand for radial tire cord is generated by the replacement tire market.***

Radial tire cords are supplied to tire manufacturers for the production of radial tires, including passenger car tires as well as truck tires. There are two channels used by tire manufacturers to sell tires, the original equipment tire market and the replacement tire market. The original equipment tire market consists of vehicle manufacturers (including manufacturers of passenger cars, buses, light and heavy trucks and other commercial vehicles) and the replacement market consists of tire distributors that distribute tires to end-customers for the replacement of original equipment tires. In the PRC, approximately 25% of automobile tires were sold as original equipment tires, while approximately 75% were sold as replacement tires in 2004, according to statistics published by CRIA.

- ***Increases in demand for radial tire cord closely links with increases in general economic activity and related development including the development of highway network and the growth of the road logistics industry.***

We believe the growth of an economy will result in an increase in demand and volume of transportation, including passenger and freight transportation. The development of an advanced highway network provides a fundamental support for the continued growth of the road logistics sector which in turn results in the increase in the number of trucks, large passenger vehicles and other commercial vehicles. We believe demand for radial tires and radial tire cords will increase accordingly.

- ***The truck tire market plays an important role in the overall demand for radial tire cord due to faster replacement rate and the larger volume of radial tire cords required for manufacturing a truck tire as compared to passenger car tire.***

Trucks, buses and other commercial vehicles require more frequent replacement of tires due to the higher usage of the vehicles as compared to passenger cars. Given that the amount of radial tire cords required for a heavy truck radial tire is substantially more than the amount of radial tire cords required for a passenger car tire, the truck radial tire market provides the bulk of demand for radial tire cord.

- ***The entry barriers of the radial tire cord industry are high due to the lengthy supplier approval process required by tire manufacturers.***

The radial tire cord industry is capital intensive and requires substantial customization. Given the importance of radial tire cord in the safety and endurance of a tire, a long approval process is required before a radial tire cord manufacturer can become a supplier to a tire manufacturer. The approval process is complicated and lengthy due to the inherent technical features of the radial tire cords. The process generally includes lab tests, road tests and pilot applications etc. The approval process may take six to 18 months by tire manufacturers in the PRC, while multi-national tire manufacturers can take up to 2 to 3 years to complete the approval process.

In order to maintain consistency of product quality, tire manufacturers will normally only source radial tire cord from a limited number of approved suppliers. In addition, once a tire manufacturer recognizes a radial tire cord supplier as an approved supplier, it will typically maintain a stable supply relationship with such approved radial tire cord supplier, as the cost of changing suppliers can be very substantial. As a result of the high entry barriers due to the capital intensive nature of the radial tire cord industry and the lengthy approval process required by the tire manufacturers, the radial tire cord manufacturing industry in the PRC is concentrated.

The principal manufacturers of radial tire cords are major tire manufacturers themselves. In 2004, there were only six independent manufacturers with output exceeding 10,000 tonnes per year according to the China Rubber Industry Yearbook 2005. Two of these, including us, accounted for more than 70% of the total PRC production in 2004 by independent manufacturers.

- ***Radial tire cord in its current form is an established technology and there is no economically viable substitute available in the market.***

Radial tire cord is an established technology throughout the tire industry. One of the potential substitutes which is capable of replacing radial tire cord is aramid fiber. According to the developer, aramid fiber can be used as reinforcement materials for tires in order to reduce tire weight and heat accumulation. It is also said to offer excellent dimensional stability, corrosion resistance, higher plunger energy and better fatigue resistance under compression than steel. However, despite its apparent advantages, the cost of aramid fiber is much higher than radial tire cord. As a result, aramid fiber is currently not an economically viable substitute for radial tire cord.

REGIONAL MARKET

The following sections set out information on the automotive tire and the radial tire cord industry in the PRC, being currently our most important market, as well as information on the automotive tire industry in North America and Japan where we are planning to develop our business pursuant to our international development plans.

The PRC automotive tire industry

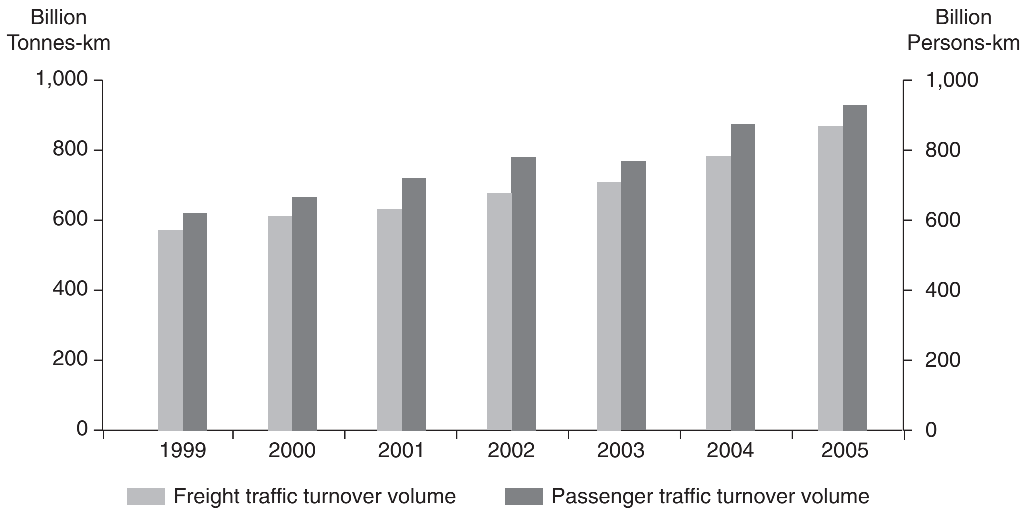
The PRC economy

The PRC has experienced significant economic growth since it began its economic reforms in the late 1970s. According to the National Bureau of Statistics of the PRC, the GDP of the PRC increased from approximately RMB1,855 billion in 1990 to approximately RMB18,232 billion in 2005, making the PRC one of the fastest-growing economies in the world. The living standard for urban households has also significantly improved during the past decade. The annual disposable income per capital for urban households increased by approximately RMB8,467 from RMB2,026 in 1992 to RMB10,493 in 2005 according to the National Bureau of Statistics of China.

The road system and transport volume in the PRC

The PRC's fast-growing economy has also led to a significant increase in transportation volume. According to the China Automotive Industry Yearbook 2006, the annual freight traffic turnover volume and the annual passenger traffic turnover volume increased from approximately 572.4 billion tonnes-km and 619.9 billion persons-km, respectively, in 1999 to approximately 869.3 billion tonnes-km and 929.2 billion persons-km, respectively, in 2005.

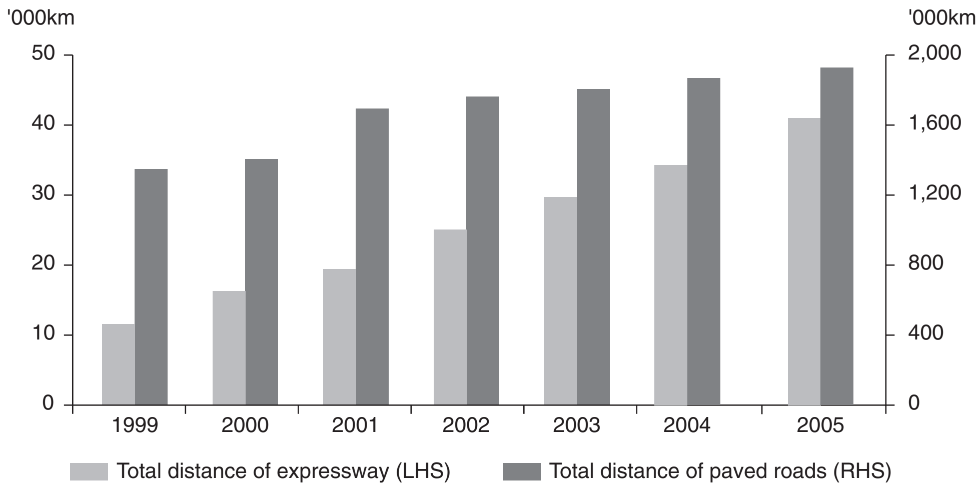
Road Traffic Volume of the PRC



Source: China Automotive Industry Yearbook 2006, jointly published by CATARC and CAAM in September 2006

In recognition of the increasing importance of road logistics, more paved roads and highways have been constructed in the PRC throughout the past decade. The total distance of paved roads has increased by 578,800 km from approximately 1,351,700 km in 1999 to approximately 1,930,500 km in 2005. As illustrated from the chart below, the expressway network experienced a more rapid growth than the growth of the total distance of paved roads. The total distance of expressway increased from approximately 11,605 km in 1999 to approximately 41,005 km in 2005.

Total Distance of Road Network in the PRC

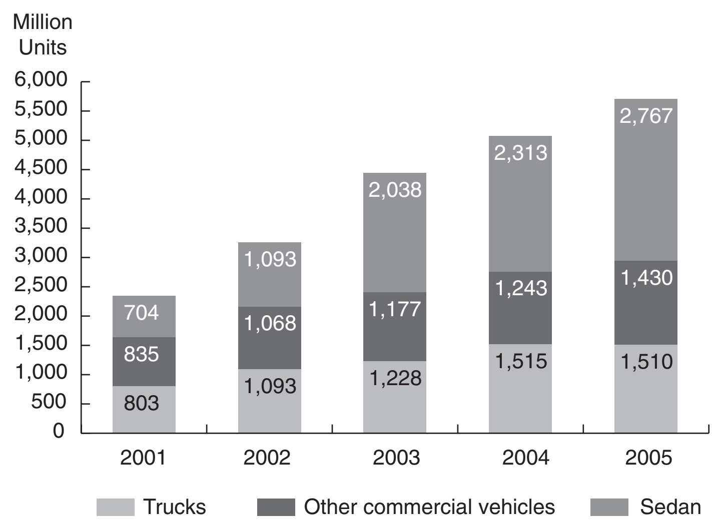


Source: China Automotive Industry Yearbook 2006, jointly published by CATARC and CAAM in September 2006

The PRC automotive industry

The automotive industry in the PRC experienced significant growth during the past five years. According to the China Automotive Industry Yearbook 2006, the PRC was ranked fourth in the world in 2005 in terms of automotive production output, behind the United States, Japan and Germany.

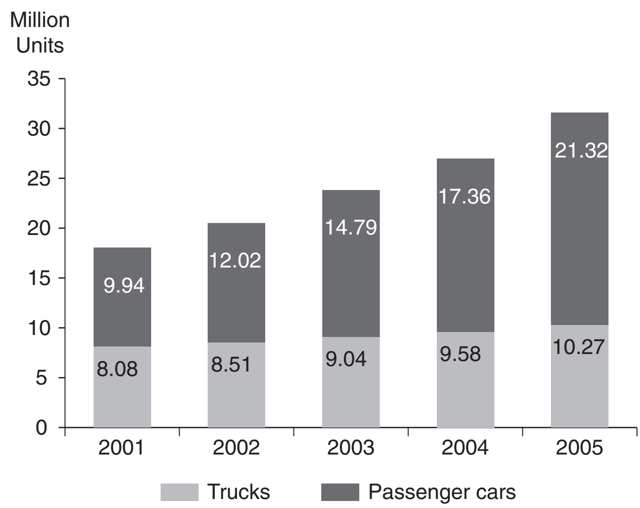
Production Output of Automotives in the PRC



Source: China Automotive Industry Yearbook 2006, jointly published by CATARC and CAAM in September 2006

The increasing demand for automobiles in the PRC is mainly attributable to the rapid development of the road network, as well as better living standards and the increase in annual disposable income per capita for urban households. According to the China Automotive Industry Yearbook 2006, the total number of registered vehicles (including passenger cars, trucks and other special-purpose vehicles) increased from approximately 18 million units in 2001 to approximately 31.6 million units in 2005. Due to increasing competition and the PRC's austerity measures in relation to the automotive industry, the ratio of the number of self-owned passenger cars to total urban population is still relatively low compared to other developed countries, which may allow for future growth for automotive sales in the PRC.

Number of Registered Vehicles in the PRC



Note: Trucks include light trucks, heavy trucks, special-purpose trucks and other commercial vehicles.

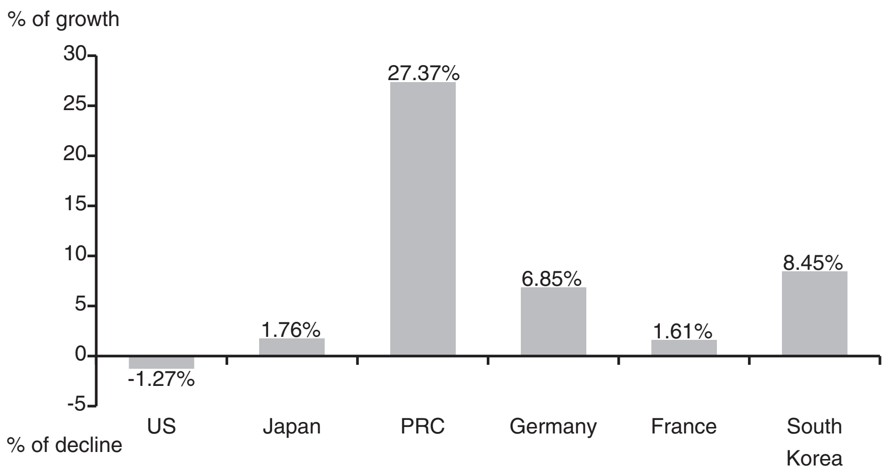
Source: China Automotive Industry Yearbook 2006, jointly published by CATARC and CAAM in September 2006

The PRC automotive tire industry

The PRC has experienced rapid growth in the production of automotive tires in recent years as a result of the growing replacement tires market and the rapid increase in the number of registered vehicles. In addition, the competitive labor costs and the close proximity to the automotive manufacturers and end customers in the PRC have caused international tire manufacturers to establish production in the PRC for both the PRC market and for export.

The United States, Japan and Germany have been the leading tire manufacturing countries. However, as a result of the increasing domestic demand for automotive tires and the cost advantages of PRC-based manufacturers, the PRC has also become one of the major production countries of automotive tires. According to the statistics published by CRIA, in 2003 the PRC ranked third in the global automotive tire market in terms of production output. The following chart shows the growth or decline of production output of automotive tires by major countries between 2003 and 2004:

Global Growth of Production of Automotive Tires
By Major Countries between 2003 and 2004



Source: Tire Industry of Japan 2006, published by JATMA in July 2006 (except for data regarding the PRC which is based on the data published by CRIA)

The total national production output of automotive tires in the PRC increased from approximately 135.7 million units in 2001 to approximately 318.2 million units in 2005. Production of radial tires amounted to approximately 30.3% of the total output of automotive tires in the PRC in 2001 and approximately 43.6% in 2004.

Set out below is the production of automotive tires (which includes tires for motorcycles) from 2001 to 2004 in the PRC:

The PRC's output of automotive tires 2001 to 2004

	2001		2002		2003		2004	
	(million units)	%	(million units)	%	(million units)	%	(million units)	%
Radial tires	42.5	30.3	54.1	33.7	68.9	36.7	104.4	43.6
Bias tires	97.8	69.7	106.3	66.3	119.0	63.3	134.9	56.4
Total[(1)]	140.3	100	160.4	100	187.9	100	239.3	100

Note:

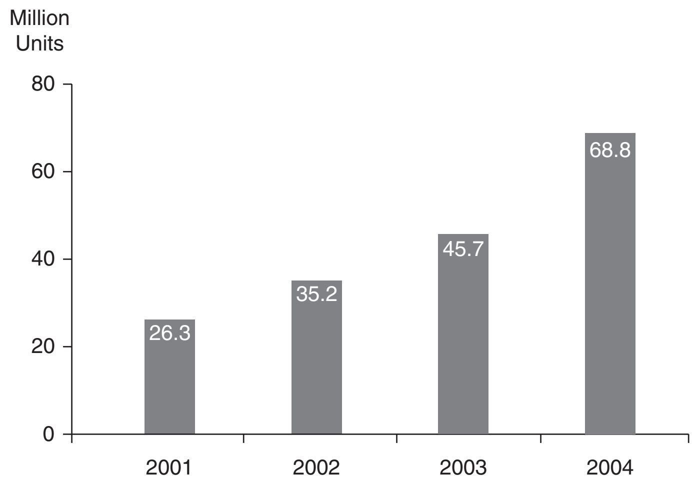
(1) The figure includes the total output of automotive tires of both member enterprises of CRIA as well as non-member enterprises.

Source: China Rubber Industry Yearbook 2005 published by CRIA in July 2006

The PRC's export of tires

In the past, automotive tires produced by domestic tire manufacturers in the PRC were mainly for local consumption and were supplied to local automotive manufacturers and distributors in the PRC. Competitive labor costs have, however, encouraged foreign tire manufacturers to set up their own production plants in the PRC. In addition, with the improvement of the technology employed for the production of tires and improvement in the quality of the end products, the PRC's export sales of automotive tires also experienced a rapid growth in the past five years, from approximately 26.3 million units in 2001 to approximately 68.8 million units in 2004.

The PRC's Export of Tires



Source: Research report published by CRIA in July 2005

To date our participation in the export of tires from the PRC has been principally through the supply of radial tire cords to manufacturers in the PRC which export a portion of their output.

Radialization in the PRC

Due to their advantages, radial tires have gradually replaced bias tires and have now become the standard design for essentially all passenger car tires and most of the truck tires. However, the percentage of the market held by radial tires varies in different countries. In Western Europe and North America, almost 100% of passenger car tires and truck tires use radial tires. However, the radialization rate of certain developing countries, like the PRC, is still low compared to those developed countries.

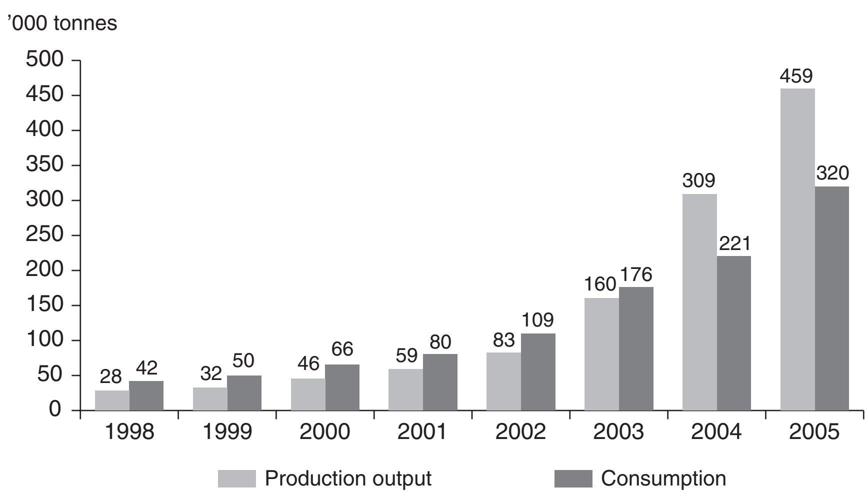
The process of conversion to radial tires in the PRC only started in the 1990s. The radialization process was accelerated and entered into the stage of rapid growth around 2001 when the PRC government abolished the sales tax for radial tires. In 2003, the total production output of radial tires exceeded the total production output of bias tires and accounted for approximately 47.1% of the total production output of automotive tires in that year; the percentage was further increased to approximately 52.2% in 2004 and is estimated to increase to 80%-90% in 2010, according to CRIA.

THE PRC RADIAL TIRE CORD INDUSTRY

Demand and supply of radial tire cords in the PRC

The radial tire cord industry in the PRC experienced tremendous growth in the past five years as a result of the rapid growth of the automotive tire industry, and to a lesser degree, the radialization of the PRC tire industry. The consumption demand for radial tire cords increased from approximately 41,500 tonnes in 1998 to approximately 319,626 tonnes in 2005. On the supply side, the national production output of radial tire cords in 1998 was approximately 27,900 tonnes which was thenincreased to approximately 459,442 tonnes in 2005. The following chart illustrates the historical demand and supply of radial tire cords in the PRC from 1998 to 2005:

Demand and Supply of Radial Tire Cords in the PRC



Source: Research report prepared by CRIA in November 2005 and March 2006

As illustrated in the graph above, there was a substantial increase in the production output of radial tire cords in 2005, from approximately 308,580 tonnes in 2004 to approximately 459,442 tonnes in 2005, representing a growth of approximately 49%.

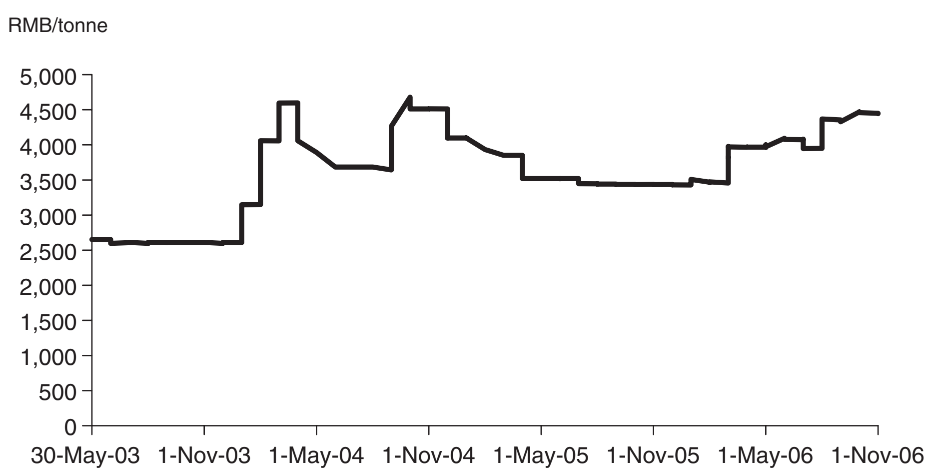
The Directors expected the domestic production output of radial tire cords in the PRC to be higher than the domestic consumption of radial tire cords in the PRC in the near future because of the PRC's increasing export sales of automobile tires. This is due to the increase in the number of overseas tire manufacturers re-locating their factories from overseas locations to the PRC. Such increase in export sales of automobile tires is one of the factors that we expect will cause a substantial increase in domestic production output of radial tire cords in the PRC.

Raw materials

Steel wire rod is the principal raw material for the production of radial tire cords and bead wires. Other raw materials include a small amount of copper and zinc. Steel wire rod used for production of radial tire cords and bead wires is a special type of steel. While the PRC has a number of steel manufacturing enterprises, only a few large steel manufacturing enterprises have the capacity and capability to produce steel wire rods with the required technical specifications for production of radial tire cords. As a result, a substantial amount of steel wire rods required for the production of radial tire cord is imported from overseas, including Japan, Europe and South Korea. With the improvement in the technology of the PRC steel industry, it is anticipated that reliance on imported steel wire rods will be lessened in future.

The price of steel wire rods also experienced a substantial increase in recent year, in particular, since the first quarter of 2004. The following chart illustrates the price movement of steel wire rods in the global market between May 2003 and November 2006:

Price Movement of Steel Wire Rods between May 2003 and November 2006



Source: Datastream, financial market data as of November 13, 2006

Steel wire rods for production of radial tire cords usually come with a diameter of 5.5 mm. Imported steel wire rods have higher tensile strength which can be used to produce finer steel filaments. As such, the prices for imported steel wire rods are higher than steel wire rods supplied by domestic steel manufacturers in the PRC.

Summary of the major driving forces of the PRC's radial tire cord industry

The demand for radial tire cords depends on the demand for radial tires. In the PRC, the demand for radial tires is mainly driven by the following factors:

- the PRC is one of the world's leading manufacturing hubs, together with the rapid development of the PRC's highway network, which has caused the road logistics sector in the PRC to experience tremendous growth. This growth has stimulated, in particular, the demand for trucks and truck tires;

- taking into account the increasing number of registered vehicles in the PRC, the replacement tires market plays an important role in supporting the bulk demand for radial tires in the PRC;

- the rapid growth of the PRC economy has been a major driving force for the growth of the PRC automotive industry, particularly the passenger car industry. This growth has resulted in the growing demand for passenger car tires; and

- the development of a more advanced highway network in the PRC and changes in the design of trucks have indirectly accelerated the radialization rate of truck tires.

Competition

Given the capital and technical intensive features of the radial tire cord industry, the PRC radial tire cord industry is dominated by a few major players. The principal manufacturers of radial tire cord are the major tire manufacturers themselves. Apart from these tire manufacturers, there are two significant independent radial tire cord manufacturers, out of approximately 10 independent radial tire cord manufacturers according to statistics published by CRIA. Of the latter, according to CRIA, there are only six independent manufacturers who have achieved an annual output of over 10,000 tonnes at the end of 2004. By a substantial margin, we are the largest of these in terms of sales.

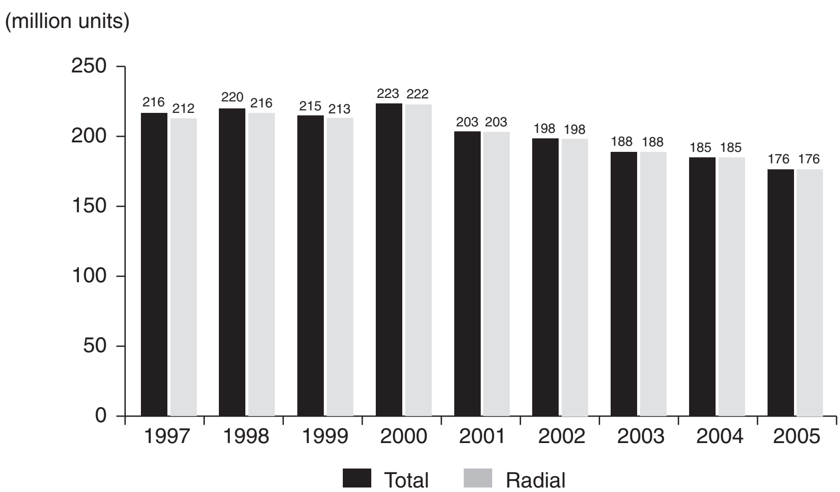
Our principal competition comes from the two significant independent non-PRC radial tire cord manufacturers, for sales both in the PRC and abroad, other PRC-based manufacturers and the tire makers.

THE AUTOMOTIVE TIRE INDUSTRY IN NORTH AMERICA

North America is one of the leading regions in the world in terms of automotive tire production volume. According to the yearbook published by JATMA in July 2006, the total production of automotive tires in North America represented approximately 21.2% of the total world production of automotive tires in 2004.

The chart below illustrates the production output of automotive tires in North America from 1997 to 2005:

Production of automotive tires in North America



Notes:

(1) Starting from 2002, trailer tire historically coded as passenger tires are now coded as light truck tires.

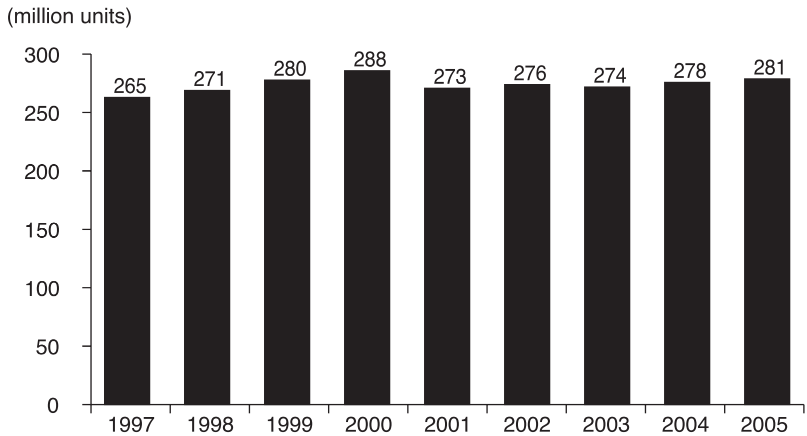
(2) The figures represent shipments from tire manufacturers to vehicle manufacturers, stores, domestic and foreign trade distributors and dealers, and may not indicate retail sales in any particular year.

Source: Factbook 2006 - US Tire Shipment Activity Report for Statistical Year 2005, published by RMA in June 2006

As illustrated by the chart above, the total output of automotive tires in North America has been declining since 2000, from 223 million units in 2000 to 176 million units in 2005.

On the demand side, despite the declining total output of automotive tires in North America, demand for automotive tires in North America grew at a steady rate as illustrated by the following chart, from 265 million units in 1997 to 281 million units in 2005. The following chart illustrates the demand for automotive tires in North America from 1997 to 2005:

Demand for automotive tires in North America



Source: Factbook 2006 - US Tire Shipment Activity Report for Statistical Year 2005, published by RMA in June 2006

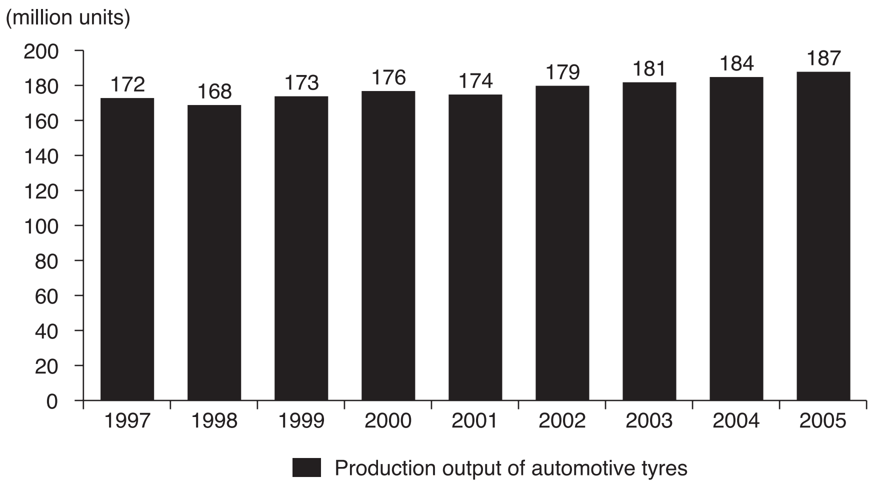
The gap between demand and production in North America, approximately 105 million units in 2005, has been closed by imports.

THE AUTOMOTIVE TIRE INDUSTRY IN JAPAN

According to the yearbook published by JATMA in July 2006, the total production of automotive tires in Japan represented approximately 13.6% of the total world production of automotive tires in 2004.

The chart below illustrates the production of automotive tires in Japan from 1997 to 2005:

Production of automotive tires in Japan

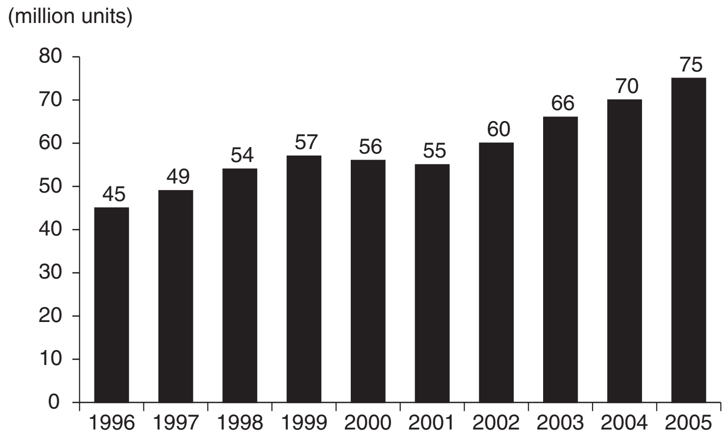


Source: Tire Industry of Japan 2006, published by JATMA in July 2006

The number of automotive tires being produced in Japan has been increasing at a steady rate, approximately matching increases in demand.

Domestic demand for automotive tires in Japan is not the only driver to support its tire manufacturing industry. In 2005, the demand for automotive tires in Japan only represented approximately 68% of the total national output in the same year according to Tire Industry of Japan 2006. Apart from satisfying the domestic consumption need for automotive tires, a large portion of the automotive tires manufactured in Japan is for export sales. In 2005, the export sales of automotive tires in Japan reached 75 million units, representing approximately 40% of the total national output of automotive tires in the same year. The following chart illustrates the export sales of automotive tires in Japan from 1996 to 2005:

Export sales of automotive tires in Japan



Source: Tire Industry of Japan 2006, published by JATMA in July 2006

INFORMATION RELATING TO THE DATA AND STATISTICS

China Rubber Industry Association, or CRIA, is a PRC industry association founded in 1985 by the rubber enterprises in the PRC at that time. CRIA was approved by and is registered with the Ministry of Civil Affairs of the PRC. Its members represent the major market players in the rubber industry. The major function of CRIA is to provide an information and communication channel for member enterprises in respect of the market information, latest technology, data and statistics. It collects data on member enterprises from time to time, usually on an annual basis. CRIA publishes the China Rubber Industry Yearbook every year.

The Rubber Manufacturers Association, or the RMA, is a U.S. based trade association formerly known as the Rubber Club of America and prior to that as the New England Rubber Club. The RMA derives its data mainly from an industry-reporting program operated by tire companies that are members of the RMA, supplemented by tire industry data published by the United States government. The RMA publishes its US Tire Industry Factbook annually.

The Japan Automobile Tyre Manufacturers Association, Inc., or JATMA, was established in 1947 and later incorporated in 1968 with the objective of conducting surveys and studies on the various aspects of production and sales of tyres and promoting safety and environmental protection measures. Its members are the major market players in the Japanese tyre industry. JATMA publishes the Tire Industry of Japan annually.

The China Automotive Technology & Research Center, or CATARC, was established in 1985 in response to the need of the state for the management of the automobile industry and upon the approval of the China National Science and Technology Commission. As a technical administration body in the automotive industry and a technical support organization to the governmental authorities, CATARC assists the government in such activities as auto standard and formulating technical regulation, product certification testing, quality system certification, industry planning and policy research, information service and common technology research.

The China Automotive Association of Manufacturers, or CAAM, is an industry association in the PRC which is a self governed and non-profitable body. It collates and publishes data, information and forecasts in relation to the automotive industry, providing recommendations and assistance to the government and promotes the interests of the industry and its members. It also assists in formulating the industry and national automotive standards and the technical regulations.

Datastream is a provider of global financial data and information and has been recently acquired by Thomson Corporation, which is a leading global provider of integrated information-based solutions to business and professional customers. Thomson Corporation provides value-added information, with software tools and applications that help its customers. They serve more than 20 million information users in the fields of law, tax, accounting, higher education, reference information, corporate e-learning and assessment, financial services, scientific research and healthcare.

The Directors believe that the reliability of the information published by the CRIA should not, and could not, be affected due to Jiangsu Xingda being a member of CRIA. The CRIA is an industry association made up of members who are the major market players in the tire and rubber industry. The role played by Jiangsu Xingda as a member of CRIA is no different from that of the other members - i.e., only limited to providing certain statistical data and information relating to Jiangsu Xingda in the annual surveys conducted by CRIA. Apart from participating in its capacity as a member aforesaid in the annual survey, Jiangsu Xingda is not directly or indirectly involved in the collation or analysis of the data published in the Yearbook and does not participate in the editorial process or the publication of the Yearbook.

The Directors believe that the statistics disclosed are reliable because they are obtained from authoritative publications. For instance, according to the RMA, the US Tire Industry Factbook 2006 based its data on an industry reporting program which covers 11-tire members or 80% of the US market. The CRIA publishes its Yearbook based on annual surveys conducted on its members, who are the major market players representing a substantial share of the PRC market. The China Automotive Industry Yearbook is jointly published by CATARC and CAAM and it follows the policy set by the editorial committee, under the guidance of the National Development and Reform Commission of the PRC, Ministry of Commerce of the PRC and China Machinery Industry Federation. The collation and editorial process of the Yearbook is conducted with the assistance from the relevant authorities, the industry bodies, the various automobile manufacturers, the productive enterprises, the research centres and the relevant government departments.

BUSINESS OVERVIEW

Our Company is a Cayman Islands incorporated holding company. We have an indirect 69.54% interest in Jiangsu Xingda, our operating company in the PRC. We manufacture and distribute in the PRC radial tire cords and bead wires, which are the principal skeleton materials of radial tires. Radial tire cords are cords made of flexible strands of copper-plated steel filaments that are positioned at a right angle to the center of the tread, thereby strengthening the supporting force of the walls of the radial tire. Bead wires are steel filaments that are plated with brass, bronze or copper and support the tire where it attaches to the rim of the wheel. Our headquarters and production base occupy an aggregate gross floor area of approximately 567,000 sq.m., and together with our thermo-electric power plants, are located in Xinghua Municipality, Jiangsu Province of the PRC, about 350 km northwest of Shanghai.

According to a confirmation dated November 8, 2006 issued by CRIA for the year ended December 31, 2005, we were the largest PRC-based producer of radial tire cords in the PRC in terms of annual production volume. Our customers include the top ten tire manufacturers in the PRC in terms of sales for the first half of 2006 according to statistics compiled by CRIA, including both local and foreign-invested tire manufacturers. In 2005, we became an approved supplier of Goodyear.

The table below shows the sales volume contributed by our main product categories for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2003		2004		2005		2006	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Radial Tire Cords	50,613	75.4	95,246	80	140,133	83.2	75,061	85.5
Bead Wire	16,474	24.6	23,851	20	28,308	16.8	12,689	14.5
Total	67,087	100.0	119,097	100.0	168,441	100.0	87,750	100.0

Due to the addition of the 8th Factory Project to our production facilities which we expect will be in operation in January 2007, the Directors estimate that our annual production capacity will reach 238,200 tonnes of radial tire cords and 39,100 tonnes of bead wires for the year ending December 31, 2007.

HISTORY MILESTONES

Year	Major events
1995	Xingda Steel Tyre Cord Group became an approved supplier of Qingdao Yellowsea in respect of radial tire cords.
Early 1998. . . .	Xingda Steel Tyre Cord Group underwent corporate restructuring whereby its net operational assets were injected as registered capital into Jiangsu Xingda.
2001	Our annual production capacity reached 10,000 tonnes.
	Since 2001, we have been in a rapid growth period with our annual production capacity increasing year by year.
2004	According to the statistics compiled by CRIA, we were the largest PRC-based producer of radial tire cords in the PRC in terms of annual production volume for the year ended December 31, 2004 and our annual production capacity exceeded 100,000 tonnes for that same year.
2005	In 2005, we were recognized by Goodyear as an approved supplier.
	According to a confirmation dated November 8, 2006 issued by CRIA, we were the largest PRC-based producer of radial tire cords in the PRC in terms of annual production volume for the year ended December 31, 2005.
	Our total sales volume of radial tire cords for the year ended December 31, 2005 amounted to approximately 140,133 tonnes with our domestic sales volume amounting to approximately 138,300 tonnes for the same period, representing approximately 43.3% of the estimated total consumption of radial tire cords in the PRC of approximately 319,627 tonnes for that same period according to statistics published by CRIA.
2006	As of October 31, 2006, our annual production capacity has exceeded 200,000 tonnes.

OUR COMPETITIVE STRENGTHS

- **Market leadership**

We are the largest PRC-based producer of radial tire cords in terms of production volume and an approved supplier of radial tire cords to the top ten tire manufacturers in the PRC, including both local and foreign-invested tire manufacturers. We believe our leading position enables us to maintain our selling prices better than our peers and helps to ensure that we will be in the best position to benefit from any future consolidation of the PRC radial tire cord market.

Tire makers impose stringent requirements for quality and reliability of supply on their suppliers of radial tire cords. Each major tire manufacturer relies on a small number of radial tire cord suppliers in addition to its in-house production facilities. The process of gaining approval as a supplier is both difficult and lengthy, and can take up to three years. As a result, there are substantial barriers to entering the radial tire cord market, and to gaining approval as a supplier to tire manufacturers. As the leading PRC radial tire cord manufacturer which is already an approved supplier to a number of tire manufacturers and with our proven track record for quality and reliability of supply, we believe that we have a distinct advantage over small manufacturers or new market entrants when we enter into negotiations to obtain new approvals.

- **Economies of scale and scope**

We believe we are able to procure steel wire rods at more competitive prices due to the significant quantity of steel wire rods that we purchase. Our scale of operations also enables us to benefit from significant investments in the production chain, such as in-house assembly of production equipment from low-priced third-party component manufacturers. Our production capacity is a key competitive strength as tire manufacturers rank security of supply and quality as key factors when choosing radial tire cord manufacturers. Our scale of operations enables us to devote production lines to a diverse scope of radial tire cord products, expanding the scope of products which we can offer to any one tire manufacturer. Tire manufacturers can rely on us as a "one-stop shop" for all their radial tire cord requirements.

- **Advanced technology for production and research and development**

We have a technical center and a new product development center which work jointly to improve production engineering, develop production equipment and new products and improve production efficiency.

In addition to using advanced production equipment from Italy, Belarus, Belgium, Germany and Japan, we also develop and assemble our own equipment, such as drawing and stranding machines. Our ability to develop and manufacture production equipment in-house enables us to expand our production capacity in a timely and cost-efficient manner. As one of the most established domestic radial tire cord producers, we have built up a manufacturing know-how database which we believe is hard to replicate and which is the key to our high output and consistent quality. As testimony to the high quality of our products in 2005, we were recognized as an approved supplier of Goodyear. Our significant research and development investment facilitates the accumulation of production know-how, which is an important consideration for partnerships with the major tire manufacturers, as they usually initiate most of the major product breakthroughs. For example, once a product prototype is developed, major tire manufacturers will look for a radial tire cord producer who is able to transform the prototype and mass produce high and consistent quality products. In order to do so, we must have the necessary product know-how.

- **Relationship with leading tire manufacturers**

We work to establish and maintain a close relationship with leading tire manufacturers, both domestic and international, through our market leadership position and branding, as well as our sales and marketing model. We assign a sales representative to act as account manager for each key customer, with such managers stationed in the cities where the customers are located. Our close proximity to customers serves the dual purpose of allowing account managers to obtain instant feedback on all aspects of our products and services, and to explore information on new developments in the tire manufacturing industry which may have an impact on the entire radial tire cord industry. The latter is especially important as major product developments are usually initiated by the major tire manufacturers. Due to the lengthy approval process, radial tire cord manufacturers who have already been approved and have obtained privileged access to a tire manufacturer's five-year product pipeline are therefore able to anticipate product shifts and technological advancements before the rest of the market. This ability allows us to align our production and research and development efforts accordingly, hence we can maintain our competitive edge over other competitors.

- **Experienced management team**

Members of our management team have extensive experience in their respective disciplines including radial tire cord manufacturing, rubber and skeleton tire materials, finance, investment and international trade. Almost every member of the management team has over ten years of experience in his discipline. Moreover, since a significant number of the senior management team hold Shares in our Company, its interests are aligned with the Shareholders. This alignment of interests is a key factor in the stability of the senior management team.

OUR STRATEGIES

We intend to enlarge our business scope and become a leading global manufacturer of radial tire cords. In order to achieve this objective, we have formulated business strategies encompassing the following three main themes:

- **Enhancement of competitiveness and strengthening our leading market position in the domestic market.** The PRC has always been the primary market for our products. With the expanding demand for automotive tires in the PRC and the shifting of automotive tire manufacturing bases from Western developed countries to the PRC, we anticipate that the domestic radial tire cord manufacturing industry will continue to grow rapidly in the near future. We intend to capture further market share and maintain our leading position in the domestic radial tire cord industry through the following means:

➢ ***Expansion of production capacity.*** We are in the process of expanding our production capacity through the 8th Factory Project. This will provide additional production capacity of approximately 50,000 tonnes per year of high-performance (new structures) radial tire cords.

➢ ***Continual production technology upgrade.*** Our production efficiency depends largely on the equipment and techniques we use in the manufacturing process. The Directors believe that by using advanced production equipment and techniques, the quality of our products and our production efficiency will both increase. For this reason, we intend to continue to monitor and adopt technological developments that can be used for our benefit.

➢ ***Improvement of quality control systems.*** As the quality of radial tire cords and bead wires is directly correlated to the performance of the radial tires, we will take measures to strengthen our quality control systems including, among others, importing advanced inspection equipment from various countries including Germany and Japan to meet the product specifications of our customers.

➢ ***Enhancement of research and development capabilities.*** Our future growth and success is highly dependent on our ability to keep abreast of the rapid changes in the radial tire manufacturing industry and to adapt to the needs of our customers. We intend to devote substantial resources to the research and development of new products and production engineering, such as high speed drawing machines and new models of stranding machines, in order to further improve our production efficiency and production capabilities.

➢ ***Introduction of a manufacturing execution system, or MES, and a logistics management system.*** To better cope with the rapid expansion of our business, we intend to introduce a MES and a logistics management system to enhance the collection and analysis of data and co-ordination of the production and distribution of our products and the inventory control. With the MES and logistics management system, we will be able to gain more comprehensive control and management of our supply chain, which consists of accepting orders, procurement, warehousing, production, logistics, sales and client management. The time required for procuring the supply of raw materials, manufacturing the products and delivering the products to our customers is expected to be reduced by these systems which will enhance our competitiveness.

- **Expansion into international markets.** The domestic market in the PRC is currently the dominant outlet for our products. For the year ended December 31, 2005, our total overseas sales represented approximately 1% of our revenue. We intend to penetrate overseas markets focusing primarily on North America and Japan. Our decision to set North America and Japan as our target international markets is mainly driven by our intention to develop and capitalise on our relationships with various global tire manufacturers which have significant presence in North America and/or operations in Japan. We expect to achieve overseas growth of our business by:

  ➢ ***Enhancing international sales efforts.*** In order to expand into the international market, we intend to set up an international development department in the United States and Shanghai to coordinate our sales efforts there. Moreover, we also plan to set up a technical service team and recruit personnel who have experience in sales to large overseas radial tire manufacturers to provide timely and professional sales services to our international customers.

  ➢ ***Obtaining recognition from additional overseas tire manufacturers as an approved supplier.*** In 2005, we obtained recognition as an approved supplier to Goodyear. We have also applied to other international tire manufacturers for approvals of our radial tire cord products.

- **Expansion by business combination.** As opportunities arise we will carefully consider expanding our business, both domestically and internationally, by combining with other enterprises that are engaged in the same business.

PRODUCTS

We currently manufacture two categories of products consisting of radial tire cords and bead wires.

Radial tire cord

Radial tire cord is one of the most important raw materials in the production of radial tires. It is an advanced type of steel wire that combines the strength and durability of steel with flexibility. It is made of very fine steel filaments, usually with a diameter of between 0.15 mm to 0.38 mm, that are drawn from steel wire rod. The steel filaments are plated with copper, and then twisted and stranded to form a radial tire cord. Radial tire cords are then woven into a mesh to form a carcass within the rubber component of the tire by tire manufacturers. Radial tire cords can be divided into two major categories: truck radial tire cords and passenger car radial tire cords.

Bead wire

Bead wire is a hard-drawn high carbon wire made from quality steel wire rods. The steel wire rods are drawn to around 2.2 mm to 3.0 mm and are then plated with a thin layer of copper. The bead wire supports the tire where it attaches to the rim of the wheel of a car.

The following table sets out the revenue contributed by each of our main product types during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
Product Type	**2003**		**2004**		**2005**		**2005**		**2006**	
	Revenue (RMB in million)	**% of total**	**Revenue (RMB in million)**	**% of total**	**Revenue (RMB in million)**	**% of total**	**Revenue (RMB in million)**	**% of total**	**Revenue (RMB in million)**	**% of total**
							(unaudited)			
Radial tire cords	883	91.8	1,557	92.5	2,200	93.3	1,011	92.4	1,085	93.9
Truck radial tire cords	*767*	*79.7*	*1,369*	*81.3*	*1,949*	*82.7*	*889*	*81.3*	*929*	*80.4*
Passenger car radial tire cords	*116*	*12.1*	*188*	*11.2*	*251*	*10.6*	*122*	*11.1*	*156*	*13.5*
Bead wires	79	8.2	126	7.5	157	6.7	83	7.6	70	6.1
Total	**962**	**100**	**1,683**	**100**	**2,357**	**100**	**1,094**	**100**	**1,155**	**100**

SALES AND MARKETING

Markets and customers

During the Track Record Period, substantially all of our radial tire cords and bead wires were sold to tire manufacturers in the PRC, including both local and foreign-invested tire manufacturers.

In 2000, we obtained the 中華人民共和國進出口企業資格證書 (certificate of approval for enterprises with foreign trade rights in the PRC*) from 江蘇省對外貿易經濟合作廳 (Department of Foreign Trade and Economic Cooperation, Jiangsu Provincial Government*) to enable us to conduct overseas sales. We started exploring the overseas market in 2001. Subsequent to the recognition and approval process imposed by overseas tire manufacturers, our first overseas sale was made in 2004 to J.K. Industries Ltd., an India-based tire manufacturer, after a 12 month approval process and, subsequently, we continued to make further overseas sales. In 2005, we were recognized by Goodyear as an approved supplier.

Our largest customer accounted for approximately 15.3%, 22.7%, 19.3% and 13.7% of our total revenue for the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, respectively. Sales to our five largest customers in aggregate amounted to approximately RMB617.7 million, RMB1,066.7 million, RMB1,398.5 million and RMB599.2 million for the three years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2006, respectively, representing approximately 64.2%, 63.4%, 59.3% and 51.9% of our total revenue during the same periods, respectively.

None of the Directors, their respective associates or, so far as the Directors are aware, Shareholders who will own more than 5% of our Company's issued share capital immediately following the completion of the Global Offering had any interests in any of the five largest customers for the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006.

Approval as a supplier

To ensure the safety and endurance of a tire, although it is not a legal requirement, it is the industry practice that tire manufacturers source radial tire cords from a list of approved suppliers only. A radial tire cord manufacturer has to go through stringent approval processes prescribed by the tire manufacturer before it can become an approved supplier to such tire manufacturer.

Due to the consistent high quality required of radial tire cords, the approval process of the tire manufacturers for radial tire cord manufacturers is usually lengthy and complicated. The approval process of different tire manufacturers, on the whole, is fairly similar, usually involving the preparation of samples by our research and development department in accordance with the product specifications of the tire manufacturers, lab tests, road tests and pilot application.

The approval process typically involves the following steps:

(1) Laboratory Test — the laboratory test begins with the physical and chemical testing of a small amount of samples (about 50-100 meters of radial tire cord). If the radial tire cord meets the requirements of the tire manufacturer, further tests on the actual reaction of the radial tire cord in an automotive tire will be conducted. The life and strength of the tires will then be tested through simulation of actual usage over a designated period of time. After satisfying all the tests, a larger amount of samples will be supplied to the tire manufacturer for repeated testing.

(2) Road Test — Not every tire manufacturer requires a road test. The life and strength of the tires will be tested through actual usage over a designated mileage on the road.

Our research and development department, with the assistance of our production and sales departments, works closely with the tire manufacturers during the whole approval process. Usually, for one sample of radial tire cord, not more than ten persons will be required to be engaged in the approval process.

Based on our experience, the approval process can last between six to 18 months for existing products for tire manufacturers in the PRC and usually as long as two to three years for brand new products for international overseas tire manufacturers. Upon satisfactory fulfillment of the requirements set by a particular tire manufacturer, we will become an approved supplier to that tire manufacturer in respect of that particular type of radial tire cord.

In 2005, we obtained recognition as an approved supplier to Goodyear. In addition, we are currently exploring potential business opportunities with other international tire manufacturers.

In the past, we have been rejected twice during the approval process. One of the rejections was due to a lower tin content in our product than that specified by the relevant tire manufacturer. The other rejection was due to the structure of our product which did not meet the specific requirements set by the relevant tire manufacturer.

Marketing strategies

As part of our sales and marketing strategies, we participate in annual industry exhibitions and release articles relating to the development in production techniques in respect of the production of radial tire cords and bead wires.

In 2005, we participated in the China International Tyre & Relative Products Exhibition (中國國際輪胎及相關產品展覽會) which was held in Beijing, and, in 2004, we were one of the sponsors of the Symposium of International Rubber Conference 2004 held in Beijing.

We have released an article entitled, "鋼絲簾線剛度的探討 (Discussion on the tensile strength of radial tire cords)", in September 2005, written by Mr. Jiang Riqin, Mr. Hu Ziming and Mr. Yan Jianhong, all of whom are our employees.

We organize annual seminars to discuss the latest industry and market trends with industry experts and engineers of our customers. We also keep abreast of developments in the industry by participating in committees of the industry.

Sales team, sales policy and pricing policy

Our sales department is led by a deputy general manager. We have adopted a "key customer accounts management system" pursuant to which we assign a sales representative to act as account manager for each customer that we consider to be a key account based on sales volume. The account managers are stationed in the cities where our customers are located. The close proximity with our customers serves the dual purpose of obtaining rapid feedback on all aspects of our products and services and allowing us to obtain information on new developments in the tire manufacturing industry which may impact the radial tire cord manufacturing industry. Each account manager aims to achieve the targeted annual sales volume set by us for his customer by participating in the formulation of purchase plans for his customer. Sales representatives who are not key customer account managers are led by a sales manager and, together, they oversee small to medium accounts. To prepare for expansion into the overseas market, we intend to establish a sales department overseas.

Every year, we hold meetings with our customers to discuss the quantity and price of radial tire cords and bead wires that each of them will require for the coming year and the framework and terms of the corresponding supply agreement. As part of our inventory management, we manufacture radial tire cords based on the monthly orders from our customers.

The Directors consider product quality and competitive pricing to be critical. In the past two years, the prices of radial tire cords experienced a downward trend as a result of a reduction in the price of automotive tires due to intensified competition in the market and an increase in the supply of locally made radial tire cords in the PRC generally. We determine the price applicable to a specific customer based on factors such as our prior dealings with the customer, the purchase volume, the financial condition of the customer and prevailing market conditions. We normally grant a credit period of 90 days to our existing customers, although credit terms may vary, depending on the creditworthiness and length of business relationship with the customer. For customers who have maintained solid business relationships with the us and have good credit records, we may allow these customers to have a longer credit period than would normally be allowed.

The majority of our domestic sales are paid for by the delivery to us from our customer of notes issued by banks with maturities of up to six months. These notes, excluding any that have been redeemed, discounted or otherwise sold or paid, constitute our note receivables. We have credit risk as to the banks, not our customers, for these notes. The Directors believe that within the radial tire cord industry in the PRC, it is a common practice for radial tire cord manufacturers to settle trade receivables by accepting payment in the form of such notes. Prior to the maturities of bank notes, we can cash these notes at a discount to their face value at banks in the PRC. We record such discounts as finance costs. For new customers, it is our policy to collect payment before delivery and therefore no credit period is granted. All payments by domestic customers are denominated in RMB and payments by overseas customers are denominated in US dollars.

Customer services

We also provide a series of pre-sale and post-sale services to our customers. The pre-sale services are provided by personnel of our technical center and include introducing new products to tire manufacturers and establishing dialogue between our technical center and the technical center of the tire manufacturers relating to the technical specifications of our products. The post-sale services mainly relate to the quality of the products that have been ordered by that particular customer.

We have a dedicated market services department consisting of six persons who are familiar with technical and quality control issues regarding our products and this group handles approximately 50 customers. In order to understand the needs of each customer and resolve any technical problems relating to our products, it is our policy to arrange the marketing personnel in this department to visit all our customers once or twice each year. In the event a customer encounters a technical problem that requires immediate attention, our personnel in the market services department will attend to the customer immediately.

In order to assess and evaluate a customer's satisfaction with our products and services, we regularly encourage our customers to provide feedback.

PROPERTY INTERESTS

Our headquarters and production base occupy an aggregate gross floor area of approximately 567,000 sq.m., and together with our thermo-electric power plants, are located in Xinghua Municipality, Jiangsu Province of the PRC. Our property interests located in Xinghua Municipality are owned by us and the majority of such property interests consist of our production facilities. We occupy ancillary buildings and structures with an aggregate gross floor area of approximately 90,484 square metres and according to our PRC legal advisors, permits or approvals from any relevant government authorities are not mandatory under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. Further, such structures do not constitute a crucial part of our production facilities or operational system. In addition, we also lease certain property in Shanghai for office and residential use. Please refer to Appendix IV to this prospectus for further details of our property interests.

PRODUCTION

Production base and production capacity

(i) *Overview*

Our production base consists of production facilities (including the 8th Factory Project) which typically are comprised of workshops, office buildings and warehouses.

(ii) *8th Factory Project*

As one of our development objectives, in 2005, we embarked on the 8th Factory Project, which involved (i) the construction of six industrial buildings plus ancillary structures in Dainan Town, Xinghua Municipality, Jiangsu Province of the PRC; (ii) construction of production facilities and (iii) purchase of production equipment (catered for the non-cyanide electroplating process). The 8th Factory Project is built upon a land panel for industrial use with a total gross floor area of approximately 188,972 sq.m.. Upon completion of the 8th Factory Project, we expect to have an additional annual production capacity of approximately 50,000 tonnes of high-performance (new structures) radial tire cords. The production facilities relating to the 8th Factory Project will be constructed in several construction phases. We expect the first construction phase of the 8th Factory Project to be completed by the end of 2006 and trial production of high-performance (new structures) radial tire cords to commence in January 2007 at the production facilities which are completed during the first construction phase. We expect all construction phases in relation to the 8th Factory Project to be completed by the end of 2007. We obtained an approval from the Economic and Trade Commission of Jiangsu Province (江蘇省經濟貿易委員會) in June 2005 to invest a total of approximately RMB420 million in the 8th Factory Project. As of September 30, 2006, RMB326 million had been spent on the acquisition of land use rights, construction of production facilities and purchase of production equipment. Such amount was financed by bank loans which have maturity dates ranging from January 2007 to September 2007 and which carry an interest rate of either 5.58% or 6.12% per annum. We currently expect that the total investment amount for the 8th Factory Project will ultimately be approximately RMB534 million. As advised by our PRC legal advisers, no approval from the relevant PRC governmental authorities or other competent authorities is required for any investment (exceeding the original approved investment amount) that does not relate to fixed asset investment (such as construction of land or building or purchase of production equipment). As the additional investment will merely be used for technology upgrades and maintenance of normal production of the 8th Factory that are unrelated to fixed assets investment and will be funded only by our own working capital without the need for extra equity or debt funding, we have been advised by our PRC legal advisers that such expected additional investment will not require further approval from any PRC governmental authorities. In the event that such additional approval is required, failure to obtain the additional government approvals relating to the 8th Factory Project is a risk factor which could materially and adversely effect our results of operations and business prospects. See "Risk Factors — Risks Relating to Our Business and Operations".

(iii) *Thermo-electric power plants*

In addition to our production facilities, we have two thermo-electric power plants which produce steam and electricity. Steam produced by the thermo-electric power plants is utilized by us in various stages of our production process. The total aggregate electricity-generating capacity of our two thermo-electric power plants is 40,000kW. As advised by our PRC legal advisers, all approvals necessary for such thermo-electric power plants have been obtained. The electricity generated is all uploaded to the regional grid of Eastern China (華東), from which we purchase electricity required for our production process. The electricity purchased by us from the regional grid exceeds the electricity uploaded by us and is purchased at rates set by the regional grid.

(iv) *Production capacity*

The following tables set out the production capacity, production volume and the utilization rate of our production facilities during the Track Record Period:

(a) **Radial tire cords**

	Year ended December 31,			Six months ended June 30,
	2003	2004	2005	2006
Production capacity (tonnes)[1] . . .	61,300	126,900	169,100	94,800
Production volume (tonnes).	51,600	96,100	145,800	73,900
Utilization rate (%)[1]	84%	76%	86%	78%

(b) **Bead wires**

	Year ended December 31,			Six months ended June 30,
	2003	**2004**	**2005**	**2006**
Production capacity (tonnes)[1] . . .	18,000	27,200	38,300	19,500
Production volume (tonnes).	16,700	23,900	28,500	12,900
Utilization rate (%)[1]	93%	88%	74%	66%

Note:

(1) The production capacity stated in these tables represents the actual production capacity for the finished products after taking into account the material wastage rate of approximately 5%.

Due to the addition of the 8th Factory Project to our production facilities which we expect will be in operation in January 2007, the Directors estimate that our annual production capacity will reach approximately 238,200 tonnes of radial tire cords and 39,100 tonnes of bead wires for the year ending December 31, 2007.

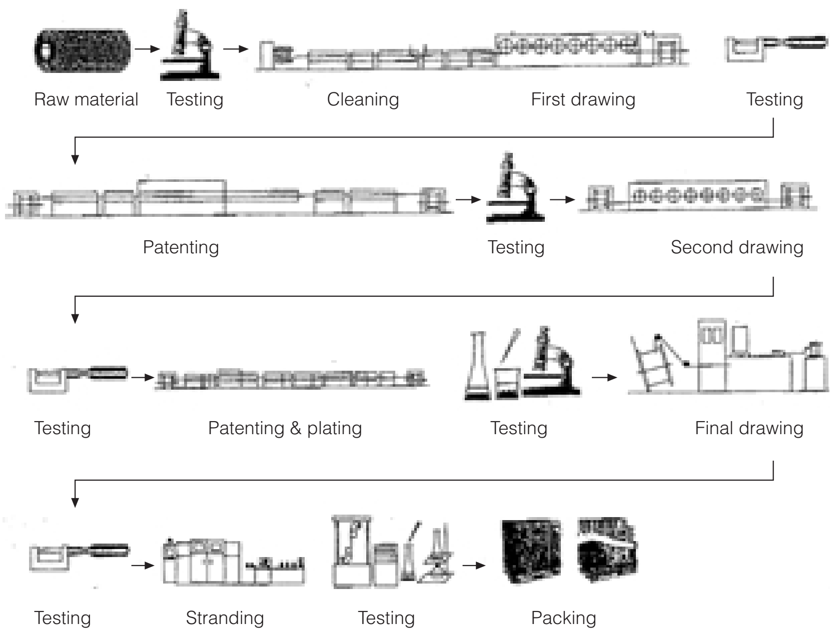
The utilization rates for radial tire cords has been fluctuating between 84 and 86% during the Track Record Period, except for the year ended December 31, 2004 when the sudden drop in our utilization rates was a result of our expansion in capacity being greater than our increase in sales to our customers as part of our strategic decision to secure capacity for our customers and growing exports.

We expect the amount of our sales orders to increase in the future. As a result, despite the fact that our production capacity has historically not been fully utilized we need to improve and expand our production capacity in order to meet such expected demand. In addition, it usually takes about a year for the completion of an expansion plan as allowance needs to be made for the time required for the installation of the relevant production equipment and the run-in period for the newly installed production equipment. Therefore, the Directors consider it to be reasonable to launch the expansion plans at the present level of utilization.

Production Process

Radial tire cords

The production process for radial tire cords is as follows:



- **Cleaning**

The purity of raw materials is vital to the quality of the interior and exterior surface of radial tire cords. The cleaning of raw materials before drawing is therefore very important. The oxidized surface of the steel wire rods are removed by machine before the rods are first rinsed by electrolyzed acidic solution and then rinsed by water to remove any residual acidic solution remaining on the surface. Sodium borate will be applied on the surface of the steel wire rods as a lubricant.

- **First drawing**

Drawing refers to the process whereby the diameter of the steel wire rod is reduced by extending the length of the steel wire rod. During the first drawing, the diameter of the steel wire rod of 5.5 mm will be reduced to about 2.2 mm to 3.0 mm after six to eight consecutive drawings.

- **Patenting**

Repeated drawings of the steel wire could alter its microstructure. To correct this, the steel wire goes through a patenting process to restore its microstructure for further drawing. The temperature of the wire is first raised to about 1000˚C and then subsequently cooled down to a fixed temperature of about 550˚C. Temperature control is of vital importance at this stage of the heating process and, as such, a deviation range of no more than +/- 2˚C to 3˚C must be maintained. After patenting, the oxidized surface of the steel wire is rinsed off by an acidic solution followed by an application of sodium borate on the steel wire. Patenting does not alter the diameter of the steel wire.

- **Second drawing**

The second round of drawing involves eight to ten consecutive drawings by moulds of decreasing diameters which reduces the diameter of the steel wire from a range of 2.2 mm to 3.0 mm to a range of 0.75 mm to 1.8 mm.

- **Patenting and plating**

The microstructure of the steel wire is restored through patenting, after which acidic solution is used to rinse off the oxidized layer of the steel wire. The steel wire is then coated with copper and zinc in designated proportions through electroplating. The plating layer constitutes 0.3% to 0.5% of the weight of the steel wire. Since the quality of electroplating directly affects the adhesiveness of the radial tire cords to the rubber layer of a tire, and in turn the quality and safety of the tires, radial tire manufacturers invariably insist that this step is carried out flawlessly. The plating layer must be evenly and firmly applied on the steel wire.

- **Final drawing**

After copper is plated on the surface, the steel wire then goes through the final drawing in 19 to 25 standard moulds through which the diameter is further reduced to between 0.15 mm to 0.38 mm. In order to prevent damage to the layer of copper on the steel wire, the final drawing is conducted in a solution containing a lubricant. Lubricant is used to reduce friction between the wire and the mould and the effects of the heat generated from the drawing process. The choice of lubricant is crucial to the production of radial tire cords, as the lubricant affects the adhesiveness of the radial tire cords to the rubber of a tire.

- **Stranding**

Stranding is a process whereby steel filaments are twisted into strands. In order to cater for different steel wire specifications and structures specified by customers, the stranding process is usually tailored and adjusted according to the particular requirements of customers. During stranding, residual torsion of the steel filaments has to be controlled in order to minimize any possible impact on the quality of the radial tires.

Bead wires

The production process for bead wires is similar to that of radial tire cords. The oxide layer of the steel wire rods is removed by machine before the rods are rinsed by an electrolyzed acidic solution. The steel wire rods are then subsequently rinsed with water to remove the acidic solution. Sodium borate is applied on the surface of the rods as a lubricant. During the first drawing, the standard diameter of the steel wire rod of 5.5 mm is reduced to about 2.2 mm to 3.0 mm after six to eight consecutive drawings.

The steel wire then goes through a patenting process to restore its microstructure. Once the patenting process has been completed, the steel wire is rinsed with an acidic solution followed by an application of sodium borate to prepare the steel wire for the second drawing.

The second drawing involves consecutive drawings through pre-set moulds to further reduce the diameter of the steel wire from about 2.2 mm to 3.0 mm to about 0.72 mm to 1.8 mm. After the second drawing, the steel wire goes through a second patenting process. An acidic solution is used to rinse off the oxide layer of the steel wire and a very thin layer of copper is plated onto the steel wire.

Production safety measures

We have a production safety leadership group responsible for the overall safety of our operations with particular duties including, among others, examining and approving annual production safety plans and major safety measures and formulating and implementing plans for safety production month.

The production safety leadership group has seven inspection groups to look after the management of dangerous goods and chemicals, environmental protection, construction safety, labor protection, fire prevention, equipment safety and special equipment and operations, etc.

We have adopted manuals which cover various aspects of production safety such as the production safety responsibility of each department, prohibitions that must be observed during the production process, production safety inspection, production safety education, management of accidents and prevention and treatment of occupational diseases.

During the Track Record Period, we suffered six isolated cases of industrial accidents, with an average of two industrial accidents per year. The majority of such industrial accidents consists of injury to our employees with a small proportion involving the death of an employee. These industrial accidents arose due to a lack of compliance with our production safety measures on the part of the employee. For example, one of our employees did not wear the required pieces of protective gear as is required and stipulated in our production safety manuals which resulted in such employee suffering an injury. We have taken steps to prevent future accidents from occurring, such as emphasizing to our employees the importance of following our production safety guidelines and increasing the number of warning signs and labels in the danger zones of our production facilities.

Compensation claims in relation to such industrial accidents amounted to approximately RMB123,025. Any legal claims which arose out of any of those industrial accidents have been settled. As advised by our PRC legal advisers, the Company has complied with all laws and regulations of the PRC in relation to production safety and employee protection.

Dangerous and hazardous goods

Some of the materials used by us in the manufacturing process, such as cyanide, are classified as dangerous and hazardous goods. For safety purposes, specific warehouses and store rooms have been reserved for the storage of these goods. We have dedicated personnel to manage the goods and materials which are classified as dangerous and hazardous. We have also adopted written guidelines regulating the storage and usage of these goods, the conditions of warehouses and storage rooms and emergency measures to be taken in the event that the workers come into contact with any of these dangerous and hazardous materials.

SUPPLY

Suppliers are chosen based on the product quality, price and production scale. When choosing suppliers, our procurement department usually meets with potential suppliers and requests them to provide samples of the materials to be supplied to ensure that the raw materials meet the required specifications. Our quality control department checks the raw materials before they are provided to the production lines.

For the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, we purchased in aggregate approximately RMB390.6 million, RMB729.6 million, RMB1,093.7 million and RMB610.3 million of materials required for our production from our top five suppliers, respectively, accounting for approximately 63.5%, 75.3%, 64.6% and 86.2% of our total costs of purchase during the same periods, respectively. The cost of materials that we procured from our largest supplier for the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006 accounted for approximately 28.1%, 25.7%, 20.3% and 27.3% of our total costs of purchase during the same periods, respectively.

None of the Directors, their respective associates, or so far as the Directors are aware, Shareholders who will own more than 5% of our Company's issued share capital immediately following the completion of the Global Offering had any interests in any of the five largest suppliers for the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006.

Raw materials

Steel wire rod is the most important raw material used in the manufacturing process for both radial tire cords and bead wire. The percentage of carbon in the steel wire rod determines the tensile of the radial tire cords produced. For example, steel wire rods containing 0.72%, 0.82% and 0.90% carbon are used to produce normal tensile, high tensile and super tensile radial tire cords, respectively. Other raw materials that are used to make radial tire cords include copper, zinc and lead. We spent approximately 62.1%, 68.9%, 73.0% and 71.6% of our total costs of sales on the purchase of raw materials for the three years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, respectively.

We source steel wire rods from both domestic and overseas suppliers. We negotiate with our suppliers of steel wire rods and determine the quantity to be supplied on an annual basis. Due to substantial fluctuation in the price of steel in 2005, the price of steel wire rods was priced on a quarterly basis for the first nine months of 2005. Apart from during the first nine months of 2005, the price of steel wire rods has been generally fixed at intervals longer than three months. Steel wire rods procured from overseas suppliers are usually settled in US dollars whereas steel wire rods and other raw materials that are procured from domestic suppliers are settled in RMB. We normally conduct our purchases of steel wire rods on a cash basis and settle payment upon the delivery of the steel wire rods by the suppliers with cash or with bank notes obtained from our customers.

Electricity and water

Electricity and water are also critical to the production process. We purchase electricity from the regional grid of Eastern China (華東) and, with approval from the relevant local authorities, obtain our water supply from the river network located close to our production base. As far as the Directors are aware, we have not experienced any material shortage or interruption in the supply of electricity and water during the Track Record Period.

QUALITY CONTROL SYSTEMS

We have a quality control department which is responsible for overseeing the quality of raw materials, the production process and the products.

Raw materials

When raw materials, especially steel wire rods, are delivered to us by our suppliers, our inspection center performs several tests on the raw materials including tests on the chemical composition of the raw materials, checks on the physical parameters of the raw materials and inspecting the packaging and storage conditions to ensure that they meet the prescribed specifications before the raw materials are supplied to the production lines.

Production process

Our quality control department evaluates the suitability of our production sites for hosting the production process and evaluates the prevailing hygiene and temperature conditions, technical parameters and amount and/or composition of ancillary materials used in the production process.

Products

During each major stage of the production process, our quality control department conducts checks to ensure that the work-in-progress including semi-finished and finished products complies with the required standard in terms of physical parameters and quality. Additional checks are subsequently conducted on the packaging, labels and storage conditions of the products to ensure that all prescribed standards are met before the finished products are delivered to our customers.

We have adopted a quality control manual which sets out the minimum standards of quality control that are required for our products and the quality undertaking that we give to our customers. This manual was prepared in accordance with the ISO9001:2000 Standard and the QS9000:1998 Standard. In 2004, our quality management system was recognized by CAQC Certification Inc. as being in compliance with the GB/T19001-2000 — ISO9001:2000 Standard and the QS-9000:1998 Standard.

ENVIRONMENTAL PROTECTION MEASURES

On December 26, 1989, the Standing Committee of the NPC promulgated the Environmental Protection Law of the PRC. Since then, the Standing Committee of the NPC formulated a series of rules and regulations relating to the prevention of environmental pollution for specific areas. Such rules and regulations include the Law of the PRC on the Prevention and Control of Environmental Noise Pollution promulgated on October 29, 1996, the Law of the PRC on the Prevention and Control of Water Pollution promulgated on March 20, 2000, the Law of the PRC on the Prevention and Control of Atmospheric Pollution promulgated on April 29, 2000 and the Law of the PRC on the Prevention of Environmental Pollution caused by Solid Waste promulgated on December 29, 2004.

Pursuant to the provisions set out in the above-mentioned rules and regulations, Jiangsu Xingda is subject to compliance with all standards set by the State Environmental Protection Administration of the PRC, which include but are not limited to the following:

(i) Integrated Wastewater Discharge Standard GB8978-1996;

(ii) Integrated Emission Standard of Air Pollutants GB16297-1996;

(iii) Emission Standards for Odor Pollutants GB14554-93; and

(iv) Standard of Noise at Boundary of Industrial Enterprises GB12348-90.

Apart from the above rules, regulations and standards, Jiangsu provincial government authorities and local authorities have also promulgated certain corresponding administrative rules and implementation measures to supplement such national rules, regulations and standards. Our operations are also subject to these relevant provincial and local rules. We were not fined nor penalised for violation of any environmental laws or regulations in the PRC during the Track Record Period or since the end of the Track Record Period.

Waste water

Waste water is produced from the electroplating process and the first reference process. This waste water is processed through our waste treatment system and certain poisonous elements are precipitated out during that process. Waste water is treated to reduce the pollutants to the acceptable level prescribed by the relevant laws, rules, regulations or national standards before being discharged into a nearby river.

Waste gases

As a result of coal combustion, waste gases may be generated from the thermo-electric power plant. Such gases are treated to reduce the pollutants to the acceptable level prescribed by the relevant laws, rules, regulations or national standards before being emitted to the surrounding area. Fumes containing hydrogen chloride, hydrochloric acid and alkali emitted during the pickling process are neutralized to the acceptable level prescribed by the relevant laws, rules, regulations or national standards before they are emitted to the surrounding area. Lead dust may also be produced from the lead-dissolving trench. To reduce the amount of lead dust, special chemicals are added to the trench, over which an air extraction cover is placed. The air is then extracted into a bag in which the lead dust is collected.

Noise

Noise is inevitably produced during our production process. Apart from using equipment which produces lower noise levels, we have installed insulation and noise absorption facilities in our production plants to ensure that the relevant noise control laws, rules, regulations and national standards are complied with.

Solid waste

Solid waste such as lead waste residue, waste lubricant and mud used for treating waste water are also produced during the production process. Substantial coal ash is produced by the power plants. Such solid waste is treated in accordance with the relevant environmental laws and regulations.

Cyanide

Our electroplating process utilizes cyanide, a toxic chemical which is harmful to humans and the environment. We have started and will continue to phase out the use of cyanide gradually except for a small amount required for high specification applications. The 8th Factory Project will not require any use of cyanide in its operations.

We have adopted an environmental management manual which covers the establishment, implementation and maintenance of our environmental management system. Such manual was prepared in accordance with the ISO14001:1996 Standard. We have also adopted written procedures applicable to various areas relating to environmental management, such as the treatment and prevention of pollutants, remedial actions and training. Our efforts in the preservation of the environment has been highly recognized. The environment management system of Jiangsu Xingda was certified as being in conformity with the GB/T24001-1996 — ISO14001:1996 Standard by CAQC Certification Inc. in April 2004.

We invested RMB1.2 million, RMB2.2 million, RMB3.8 million and RMB1.5 million during the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, respectively, in pollution control equipment. We expect that certain potential capital expenditure on pollution control equipment of approximately RMB7 million will relate to the 8th Factory Project only and we expect such amount to be spent in the first half of 2007. During the same periods, we incurred RMB0.5 million, RMB1.7 million, RMB4.6 million and RMB2.6 million as operational costs for environmental protection and pollution control purposes, which includes environmental protection fees of RMB350,000 per year payable to the relevant PRC government authority.

In respect of the 8th Factory Project, on September 1, 2006, we submitted a research report to the relevant PRC governmental authority which includes an assessment of the side-effects which the 8th Factory Project may have on the environment.

As set forth in the written confirmations from Xinghua City Environmental Protection Department, we have not been penalized for violation of the relevant laws and regulations relating to environmental protection, including laws and regulations in relation to the use of toxic chemicals in our manufacturing process, by the governmental authorities before or during the Track Record Period. Furthermore, we have not suffered any material accidents arising from the usage of toxic chemicals. In addition, we have our own drainage treatment system in various production facilities in order to comply with the national standard related to the release of drainage water. We consider the risk of losing our right of access to that river as remote and immaterial.

As advised by our Company's PRC legal advisors, we have not breached, nor have we violated, any environmental rules and regulations in the PRC, including rules and regulations in relation to the use of toxic chemicals in our manufacturing process. Recently, "The Notice to Improve Usage and Administration of Cyanic Electroplating Techniques jointly promulgated by Jiangsu Provincial Economic and Trade Commission and Provincial Environmental Protection Office" and "The Notice to promulgate the 'Implementation Plan for Socialized Management and Administration of Key Contamination Discharge Enterprises of Taizhou Municipal City'" (collectively, the "Notices"), published in January, 2006 and October, 2005 respectively, were issued to Taizhou Environmental Protection Bureau relating to environmental protection policies. As advised by our PRC legal advisers, these Notices only relate to the guidance on the use of cyanide and the measures for treating waste materials and do not constitute a prohibition on the use of cyanide in our existing electroplating process. Based on this, our Directors confirm that we have been in compliance with the relevant environmental rules and regulations in force in the PRC (including the Notices).

RESEARCH AND DEVELOPMENT

We have a technical center and a new product development center. The technical center focuses on keeping track of the latest developments in radial tire cord structures and production techniques in order to enhance our production efficiency and to provide our customers with the most advanced radial tire cords meeting their requirements.

The new product development center focuses on the development and improvement of production equipment. The production of radial tire cords of different structures requires our equipment to be modified. Our ability to develop new equipment and, more importantly, to modify existing equipment to adapt to production procedures which are required for the production of new structures has a direct impact on our ability to produce new products.

During the Track Record Period, our technical center and new product development center have developed several new structures of radial tire cords and new production technology such as production technology for high-performance (new structures) radial tire cords for use in radial tires. Further details of our achievements are set out in the section headed "Awards and certifications" in this prospectus.

We have adopted internal guidelines to regulate certain areas of our research and development activities, such as the management of files relating to research and development and contracts concerning technology development. To encourage our employees to carry out more research and development activities, we have also implemented incentive schemes to reward employees who have made inventions in the course of their employment or contributed to the improvement of the quality of products or the efficiency of the production process.

LOGISTICS

Our logistics functions are outsourced to external transportation companies for cost reasons. Steel wire rods and the coal required for generating steam and electricity in our thermo-electric power plant are delivered to us by waterway as we are located in an area where inland water transport is well developed. In addition, steel wire rods may also be delivered to us by road transportation.

In order to attempt to ensure the timely and safe delivery of our products to our customers, our sales office formulates logistics plans based on the customers' orders that we receives on a monthly basis. We arrange the delivery of our products to domestic customers which are in close proximity to our production base by road transportation. If our domestic customer is located further away from our production base, we arrange for our products to be delivered by railway. For our customers which are based overseas, we arrange for delivery of our products by way of sea transportation.

In 2006, we set up a logistics center in North America to handle sales made to customers in North America.

COMPETITION

As far as the Directors are aware, at present the domestic market in the PRC is dominated by approximately 10 independent (non-tire making) radial tire cord manufacturers, with only six of them capable of achieving an annual production volume of 10,000 tonnes by the end of 2004. The 10 radial tire cord manufacturers can be broadly categorized into four major types comprising large-scale international radial tire cord manufacturers, large scale domestic radial tire cord manufacturers, other foreign radial tire cord manufacturers and small radial tire cord manufacturers. See "Industry Overview — The PRC Radial Tire Cord Industry — Demand and supply of radial tire cords in the PRC — Competition". These radial tire cord manufacturers primarily compete in terms of security of supply and product quality. We regard all PRC-based radial tire cord manufacturers as our competitors and our products also compete with radial tire cords manufactured by automobile tire manufacturers. According to a confirmation dated November 8, 2006 issued by CRIA, we were the largest PRC-based producer of radial tire cords in the PRC in terms of annual production volume for the year ended December 31, 2005. Our total sales volume of radial tire cords for the year ended December 31, 2005 amounted to approximately 140,133 tonnes with our domestic sales volume amounting to approximately 138,300 tonnes for the same period, representing approximately 43.3% of the estimated total consumption of radial tire cords in the PRC of approximately 319,627 tonnes for that same period according to statistics published by CRIA.

To increase our competitive edge over our competitors in terms of cost control and product quality, we have adopted and implemented the following strategies:

- reduce production costs by taking advantage of our economies of scale and procure raw materials at a more competitive price due to large orders placed with our supplier(s);

- increase the amount of steel wire rods sourced domestically in the PRC so as to lower the overall cost of steel wire rods for production without affecting the quality of our products;

- strong focus on research and development in order to enhance production techniques and meet the needs and requirements of our customers; and

- strong emphasis on post-sale services to our customers in order to enhance our relationship with our customers.

We intend to continue to adopt the same strategies mentioned above to maintain our competitive edge over our competitors.

Apart from the PRC domestic market, we began selling the overseas markets in 2004 on a minor scale. In light of the comparatively longer presence of the international industry players in the international market combined with the time required for us to seek and obtain recognition and approvals from internationally recognized tire manufacturers, the Directors believe that we may not have the same degree of competitiveness in the overseas market as we presently enjoy in the PRC domestic market. However, given our experience and leading position in the domestic radial tire cord manufacturing market, the Directors believe that such experience will be beneficial to us and will enhance our capability to meet the challenges arising from the strong competition from the international industry players.

INTELLECTUAL PROPERTY RIGHTS

We believe that it is important to protect our intellectual property rights. As of the Latest Practicable Date, we have obtained the registration of 64 patents in the PRC, including 34 new utility model patents and one invention patent relating to production equipment and 29 new utility model patents relating to radial tire cords and bead wires. We have also applied for registration of a further 23 patents, including 9 new utility model patents and five invention patents relating to production equipment and 8 new utility model patents and one invention patent relating to radial tire cords.

As of the Latest Practicable Date, we have obtained the registration of six trademarks in the PRC, Hong Kong, Taiwan and Mexico. We have also obtained a certificate of registration issued by the International Bureau of the World Intellectual Property Organization pursuant to the Madrid Agreement and the Protocol Relating to that Agreement. We have also applied for the registration of various trademarks in the PRC and other countries, including Canada and the Republic of South Africa.

The period required for the registration of patents and trademarks varies from country to country and there are no set rules and regulations specifying the period required for obtaining the registrations. According to our experience in respect of applications for registration of our patents and trademarks in the PRC, it may usually take approximately two years from the date of application to the date of registration of a trademark. In respect of patents, the period from the date of application to registration ranges from approximately one year to three years, depending on the type of patent.

We are also the registered owner of www.xingda.com.cn.

We do not license our own intellectual property rights to, nor do we license any intellectual property rights from, any third parties. We are not involved in nor are we aware of any litigation or claims relating to the infringement of intellectual property rights that may be pending or threatened against us or any of our affiliates.

For further details of our intellectual property rights, please refer to the paragraph headed "B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY AND ITS SUBSIDIARIES — 2. Intellectual property rights" in Appendix VI to this prospectus.

INSURANCE

We maintain insurance covering our properties, product liability, products in transit and employer's liability. In accordance with the relevant social security regulations in the PRC, we also provide social insurance to our employees covering areas such as industrial injuries, medical, maternity, retirement and unemployment. We do not have any insurance in relation to business interruption as we are not legally required to have such insurance under PRC law and the Directors believe that it is not standard practice for PRC radial tire cord manufacturers to have such insurance.

Having regard to our assets, the Directors believe that our insurance coverage over our assets is adequate.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, we were not involved in any material litigation or claims or arbitration proceedings, and the Directors are not aware of any litigation or claims or arbitration proceedings that may be threatened or pending against us or any of the Directors that could have a material adverse effect on our financial condition or results of operations.

AWARDS AND CERTIFICATIONS

We have obtained various awards for our research and development capabilities, production techniques and operational performance including:

- Jiangsu Xingda was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in relation to 子午綫輪胎專用高性能新結構鋼簾綫生產技術開發 (the development of production technology for high-performance (new structures) radial tire cords for use in radial tires*) by the State Council of the PRC in January 2005;

- Jiangsu Xingda was awarded 科技進步獎一等獎 (the Science and Technology Improvement Award (First Class)*) in relation to 子午綫輪胎專用高性能新結構鋼簾綫生產技術開發 (the development of production technology for high-performance (new structures) radial tire cords for use in radial tires*) by the China Petroleum and Chemical Industry Association in December 2003;

- 全鋼(新結構)高性能子午綫輪胎專用鋼絲簾綫 (the full steel high-performance (new structures) radial tire cords for use in radial tires*) was awarded as 重點國家級火炬計劃項目 (a Key Project under the State Torch Scheme*) by the Torch High Technology Industry Development Centre of the Ministry of Science and Technology of the PRC in April 2003;

- 鍍青銅高強度回火胎圈鋼絲 (the bronze-plated high strength bead wires*) was awarded as 優秀火炬計劃項目 (an Excellent Project of the Torch Scheme*) by the Ministry of Science and Technology of the PRC in September 2003; and

- Jiangsu Xingda was awarded as 火炬計劃優秀高新技術企業 (an Excellent High Advanced Technology Enterprise of the Torch Scheme*) by the Ministry of Science and Technology of the PRC in September 2003.

We have obtained the following management system certifications:

- the quality management system of Jiangsu Xingda was certified as being in conformity with the GB/T19001-2000 — ISO 9001:2000 Standard by CAQC Certification Inc. in April 2004;

- the quality management system of Jiangsu Xingda was certified as being in conformity with the QS-9000: 1998 Standard by CAQC Certification Inc. in April 2004; and

- the environment management system of Jiangsu Xingda was certified as being in conformity with the GB/T24001-1996 — ISO 14001:1996 Standard by CAQC Certification Inc. in April 2004.

REGULATORY COMPLIANCE

We have obtained all relevant and valid government approvals, permits, licenses and certificates necessary for the conduct of our operations from the local authorities in the locations where our production facilities are based. We have complied with all the relevant PRC laws, rules and regulations applicable to our business during the Track Record Period.

CORPORATE STRUCTURE

General

Our Company was incorporated in the Cayman Islands on April 19, 2005. After we had undergone the Reorganization in preparation for the Listing, our Company became the ultimate holding company of Jiangsu Xingda, our principal operating subsidiary, through our Company's shareholding in Faith Maple. Further details of our corporate structure and the Reorganization are set out in this sub-section and in the sub-section headed "Reorganization" below.

Jiangsu Xingda

(a) *Establishment*

On March 27, 1998, Jiangsu Xingda was established as a joint stock limited liability company in the PRC with a registered capital of RMB67,300,000 (divided into 67,300,000 Jiangsu Xingda Shares), of which RMB31,000,000 was contributed by Xingda Steel Tyre Cord Group by way of its net operational assets, RMB11,800,000 was contributed in cash by the ESC Members at that time, RMB23,000,000 was contributed in cash by Xing Hong Da and the remaining RMB1,000,000 and RMB500,000 were contributed in cash by 興化市自行車鏈輪曲柄廠 (Xinghua City Bicycle Chainwheel & Crank Factory*) ("Xinghua Bicycle Factory") and 興化市戴南建築工程公司 (Xinghua Municipality Dainan Construction Engineering Company*) ("Dainan Construction Company"), respectively. Of the 67,300,000 Jiangsu Xingda Shares, 31,000,000 thereof were then held by TIAC as collectively owned stock, 11,800,000 thereof were held by Xingda Labour Union (for and on behalf of the Employee Shareholding Committee), 23,000,000 thereof were held by Xing Hong Da, as to 1,000,000 thereof held by Xinghua Bicycle Factory and 500,000 thereof were held by Dainan Construction Company, representing approximately 46.06%, 17.53%, 34.18%, 1.49% and 0.74%, respectively of the registered capital of Jiangsu Xingda.

Details of the contributing parties and/or shareholders of Jiangsu Xingda at the time of establishment are as follows:

(i) *Xingda Steel Tyre Cord Group/TIAC*

Xingda Steel Tyre Cord Group was a collectively owned enterprise owned by its employees, and its net operational assets contributed as registered capital of Jiangsu Xingda were owned by such employees. Since Xingda Steel Tyre Cord Group was undergoing corporate restructuring during the establishment process of Jiangsu Xingda, the People's Government of Dainan Town, Xinghua City appointed TIAC, a collectively owned enterprise owned by the employees of TIAC, to hold the 31,000,000 Jiangsu Xingda Shares as collectively owned stock. Xingda Steel Tyre Cord Group was de-registered on March 25, 1998.

(ii) *ESC Members/Xingda Labour Union (for and on behalf of Employee Shareholding Committee)*

To be an ESC Member, a person would have to be an employee of Jiangsu Xingda/its branch companies/its wholly-owned enterprises and have voluntarily contributed an amount of RMB5,000 to RMB200,000 to the original registered capital of Jiangsu Xingda or subsequently acquired a beneficial interest in Jiangsu Xingda Shares. For the purpose of coordinating the interests of the ESC Members in Jiangsu Xingda, the Employee Shareholding Committee was established on October 13, 1997 by Xingda Labour Union with the approval of 泰州市經濟體制改革委員會 (Taizhou Municipality Economic System Reform Commission) and 泰州市總工會 (Taizhou Municipality Labour Union) whereby the ESC Members' interests and rights (including the exercise of the voting rights) in Jiangsu Xingda Shares beneficially owned by them were regulated and governed amongst themselves by the ESC Articles. The PRC legal advisors of our Company have advised that the ESC Articles were valid and legally binding on all the ESC Members under the relevant PRC laws and regulations.

Pursuant to the provisions of the ESC Articles, the ESC Chairman shall represent the ESC Members from time to time as "a single shareholder" to attend and vote at the general meetings of Jiangsu Xingda. For the period from December 15, 2002 to the date of completion of the Faith Maple Acquisition, Zhai Pei Yun (翟培雲), being a supervisor of the corporate administration department (企管部部長) of Jiangsu Xingda, was the ESC Chairman. He became the chairman of Xingda Labour Union on June 19, 2003 and remained as the chairman of Xingda Labour Union as of the Latest Practicable Date. Please refer to paragraph (c) below for details of the exercise of the voting rights of the ESC Members at the general meetings of Jiangsu Xingda.

As advised by the PRC legal advisors, the Employee Shareholding Committee does not have a legal personality of its own nor has any civil capacity or rights under the PRC laws. The Employee Shareholding Committee does not have a separate legal status independent of its ESC Members.

Pursuant to the ESC Articles, the ESC Members' equity interests in the Jiangsu Xingda Shares were all held in the name of Xingda Labour Union. Accordingly, the 11,800,000 Jiangsu Xingda Shares (the registered capital in relation to which was contributed by the ESC Members at the time of establishment of Jiangsu Xingda) were held by Xingda Labour Union on behalf of the ESC Members. Our Company has been advised by its PRC legal advisors that such an arrangement was made in accordance with all, and did not violate any, relevant PRC laws and regulations, and that the historical and current shareholding structure of Jiangsu Xingda was and is in compliance with the relevant PRC laws and regulations.

A register of ESC Members is maintained by Jiangsu Xingda. The register will be updated by the accountant of Xingda Labour Union, who is also the accountant of Jiangsu Xingda, immediately after any transfer of interest in Jiangsu Xingda Shares by and/or to any of the ESC Members. The accountant of Xingda Labour Union will notify Chairman Liu and Mr. Zhang in respect of any updating of the register.

(iii) *Xing Hong Da*

Xing Hong Da was established on September 24, 1997 as a limited liability company in the PRC. It has a registered capital of RMB45,000,000, of which RMB36,000,000 was contributed by Mr. Ge Hong, a director of Jiangsu Xingda, and RMB9,000,000 was contributed by Ms. Liu Shunying, the mother of Mr. Ge Hong, representing 80% and 20% of the registered capital of Xing Hong Da, respectively. According to its business license, Xing Hong Da's scope of business is the investments in real estate and other industries, domestic trade, and the provision of corporate management consultancy services.

As of the Latest Practicable Date, Xing Hong Da was a substantial shareholder with an equity interest of 22.29% of the registered capital of Jiangsu Xingda. We had previously approached Xing Hong Da and expressed our intention to acquire Xing Hong Da's equity interests in Jiangsu Xingda. However, no agreement on the transfer of Xing Hong Da's equity interest in Jiangsu Xingda could be reached between Xing Hong Da and us.

As mentioned in Note (6) to the first chart set out in paragraph headed "Capitalization Issue" under the sub-section headed "Reorganization" of this section, so far as our Company is aware, Xing Hong Da was involved in a litigation in the PRC unrelated to us as of the Latest Practicable Date. As a result of such litigation, Xing Hong Da's shareholding in Jiangsu Xingda was frozen pursuant to a prohibition judgment issued by the People's Court of the PRC, and no transfer of such shareholding in Jiangsu Xingda could be effected until the prohibition order is lifted by the People's Court of the PRC.

(iv) *Xinghua Bicycle Factory and Dainan Construction Company*

Each of Xinghua Bicycle Factory and Dainan Construction Company was then a collectively owned enterprise established in the PRC. They disposed of all their Jiangsu Xingda Shares to Mr. Zhang at par (i.e., RMB1 per Jiangsu Xingda Share) in September 2002 and have ceased to be shareholders of Jiangsu Xingda since then.

(b) *Chronology of changes in the equity interests of ESC Members in Jiangsu Xingda prior to completion of the Faith Maple Acquisition*

(i) At the time of the establishment of Jiangsu Xingda in 1998, the ESC Members were in aggregate interested in 11,800,000 Jiangsu Xingda Shares, representing approximately 17.53% of the then registered capital of Jiangsu Xingda, which were held by Xingda Labour Union on their behalf.

(ii) In November 1999, the registered capital of Jiangsu Xingda was increased from RMB67,300,000 to RMB134,600,000. The number of Jiangsu Xingda Shares held by Xingda Labour Union on behalf of the ESC Members was also increased to 59,100,000, representing approximately 43.91% of the then registered capital of Jiangsu Xingda.

(iii) On March 14, 2002, Xingda Labour Union (for and on behalf of the ESC Members) entered into an agreement with Xing Hong Da to acquire an additional 3,000,000 Jiangsu Xingda Shares from Xing Hong Da for a consideration of RMB3 million. As a result, the ESC Members were in aggregate interested in 62,100,000 Jiangsu Xingda Shares, representing approximately 46.14% of the then registered capital of Jiangsu Xingda.

(iv) On July 22, 2002, Xingda Labour Union (for and on behalf of the ESC Members) entered into an agreement with Taizhou Municipality State-owned Assets Operating Limited ("Taizhou State-owned Company") to transfer 1,000,000 Jiangsu Xingda Shares to Taizhou State-owned Company for a consideration of RMB1 million. Accordingly, the ESC Members were in aggregate interested in 61,100,000 Jiangsu Xingda Shares, representing approximately 45.39% of the then registered capital of Jiangsu Xingda.

(v) The equity interests of the ESC Members in Jiangsu Xingda since its establishment as described above were all held by Xingda Labour Union on their behalf pursuant to the provisions set out in the ESC Articles. Since the Employee Shareholding Committee does not have a legal status nor civil capacity under the PRC laws which is separate and independent of its ESC Members, the PRC legal advisors of our Company have advised that the Employee Shareholding Committee cannot, as a legal entity, hold the Jiangsu Xingda Shares on behalf of the ESC Members. Accordingly, the interests of the ESC Members in the Jiangsu Xingda Shares were, since the establishment of Jiangsu Xingda, held by and in the name of Xingda Labour Union up to completion of the Faith Maple Acquisition.

(c) *Voting rights of the ESC Members at the general meetings of Jiangsu Xingda prior to completion of the Faith Maple Acquisition*

Prior to completion of the Faith Maple Acquisition, the ESC Members maintained in aggregate more than 50% of the voting rights at the general meetings of Jiangsu Xingda by virtue of (i) the number of Jiangsu Xingda Shares held by Xingda Labour Union (for and on behalf of the ESC Members) and (ii) the surrender of voting rights attached to those Jiangsu Xingda Shares held by TIAC in favor of Xingda Labour Union (for and on behalf of the ESC Members) as described below.

(i) *Voting arrangements among the ESC Members under the ESC Articles*

Pursuant to the provisions of the ESC Articles, the ESC Chairman shall represent the Employee Shareholding Committee to attend and vote at the general meetings of Jiangsu Xingda as "a single shareholder". The 98 Owners orally agreed that they would discuss the subject matter and try to reach a final and unanimous decision. Pursuant to the verbal agreement among the 98 Owners, if there was no such decision, voting would take place among the ESC Members in order to reach a final and unanimous decision, and each Jiangsu Xingda Share shall carry one vote and the simple majority rule would be adopted. The final and unanimous decision of the ESC Members which resulted from the discussion and/or from voting would be passed to the ESC Chairman who would represent the 98 Owners to attend and vote at the general meetings of Jiangsu Xingda as "a single shareholder" of Jiangsu Xingda.

(ii) *Voting arrangements between TIAC and Xingda Labour Union (on behalf of the ESC Members)*

Due to the lack of experience and expertise in the radial tire cord business, TIAC was a passive investor and did not participate in the daily management and operation of Jiangsu Xingda since the establishment of Jiangsu Xingda. For this reason, TIAC surrendered its voting rights at the general meetings of Jiangsu Xingda to Xingda Labour Union (on behalf of the ESC Members) since the establishment of Jiangsu Xingda. The ESC Members (acting through Xingda Labour Union) had the sole discretion in exercising TIAC's voting rights at the general meetings of Jiangsu Xingda.

TIAC entered into an agreement with Xingda Labour Union (on behalf of the Employee Shareholding Committee) on January 1, 2000, which is supplemented by a supplemental agreement dated August 19, 2005, to record the then existing voting arrangements between TIAC and the Employee Shareholding Committee (acting through Xingda Labour Union) and their intention to continue such voting arrangements after January 1, 2000 for an initial term of six years, which may be extended for a further term of three years.

The PRC legal advisors of our Company advised that the voting arrangements between TIAC and the ESC Members (acting through Xingda Labour Union) were in accordance with, and did not violate any, relevant PRC laws and regulations.

(d) *Equity interests of the 98 Owners in Jiangsu Xingda and the Five BVI Companies after the execution of the Trust Agreements and completion of the Faith Maple Acquisition*

(i) In anticipation of the Reorganization and, in particular, the Faith Maple Acquisition, each of the 98 Owners (except the Relevant Individuals and Mr. Zhang) entered into the Trust Agreements, pursuant to which, each of such 98 Owners entrusted and authorized a Relevant Individual to, in accordance with his/her instructions, (a) hold, manage and dispose of all (or, in the case of Mr. Hang only, part) of his/her Jiangsu Xingda Shares on his/her behalf; and (b) hold, manage and dispose of the interests in any entity which each of such 98 Owners may be interested as a result of the disposal of all (or, in the case of Mr. Hang only, part) of his/her Jiangsu Xingda Shares (the "Relevant Entity") by the Relevant Individual on his/her behalf.

(ii) As a result of the Faith Maple Acquisition, the 98 Owners became beneficially interested in the Five BVI Companies which in turn holds approximately 71% shareholding of our Company immediately prior to the Listing. Based on the verbal agreement among the 98 Owners regarding the Five Parties holding the interest in the Five BVI Companies on their behalf, and the Five Parties' Agreement which subsequently recorded such verbal agreement, the beneficial interests of the 98 Owners in the Five BVI Companies (except the Relevant Individuals and Mr. Zhang) are held and managed by the Relevant Individuals, and each of the Relevant Individuals, Mr. Zhang and Mr. Hang, as they are senior management of Jiangsu Xingda, held and managed his own interests in the Five BVI Companies on his own save and except that Mr. Hang also appointed Chairman Liu to hold, manage and dispose of approximately 1.27% out of a total of 8.03% beneficial interests in the Five BVI Companies beneficially owned by him. Since July 1, 2005, Chairman Liu and Mr. Zhang also held and managed approximately 1.89% and 2.83%, respectively, beneficial interests in the Five BVI Companies on behalf of Mr. Wu after Mr. Zhang transferred a total of approximately 4.72% beneficial interests in the Five BVI Companies to Mr. Wu upon Mr. Wu joining us on July 1, 2005.

(e) *The voting arrangements among the 98 Owners, the Five Parties and the Five BVI Companies after the execution of the Trust Agreements, completion of the Faith Maple Acquisition and execution of the Five Parties' Agreement*

(i) After the execution of the Trust Agreements but before completion of the Faith Maple Acquisition, the discussion/voting arrangements among the 98 Owners (with each Jiangsu Xingda Share carrying one vote) as described in sub-paragraph (c)(i) above remained in place in order to reach a final and unanimous opinion among the 98 Owners. The Relevant Individuals would collect and pass the final and unanimous decision reached by all the 98 Owners to the ESC Chairman, who would then represent the 98 Owners to attend and vote at the general meetings of Jiangsu Xingda as "a single shareholder" of Jiangsu Xingda.

(ii) After completion of the Faith Maple Acquisition, in order to maintain and record the spirit of unity among the 98 Owners and the voting arrangements among the 98 Owners under the ESC Articles and the verbal agreement as described in sub-paragraph(c)(i) above as they were existing prior to completion of the Faith Maple Acquisition, the Five Parties (including the Relevant Individuals), being the sole legal owners of the respective Five BVI Companies, entered into the Five Parties' Agreement (which was executed on August 29, 2005 and supplemented by a supplemental agreement dated November 15, 2005). According to the Five Parties' Agreement, the discussion/voting arrangements among the 98 Owners as described in sub-paragraph (e)(i) above will maintain and continue in order to reach a final and unanimous decision among the 98 Owners. The final and unanimous decision reached by all the 98 Owners will then be passed to the Five Parties (including the Relevant Individuals), who will then represent all of the 98 Owners and (after July 1, 2005) Mr. Wu to attend and vote at the general meetings of the relevant Five BVI Companies.

(iii) In addition, pursuant to the Five Parties' Agreement, the Five Parties (including the Relevant Individuals), being the sole legal owners of the respective Five BVI Companies, agreed to procure the Five BVI Companies to vote unanimously at the general meetings of the Relevant Entity (including Faith Maple and our Company).

Shareholders of Jiangsu Xingda (other than Faith Maple)

From January 1, 2004 to June 20, 2004, the shareholders of Jiangsu Xingda were TIAC, Xing Hong Da, Xingda Labour Union (for and on behalf of the ESC Members), Taizhou State-owned Company and Mr. Zhang and they held approximately 22.29%, 22.29%, 45.39%, 8.17% and 1.86% of the registered capital of Jiangsu Xingda, respectively, during the same period.

From June 21, 2004 to December 9, 2004, the shareholders of Jiangsu Xingda were TIAC, Xing Hong Da, Xingda Labour Union, Xingda Labour Union (for and on behalf of the ESC Members), Mr. Zhang (for himself and Xingda Labour Union respectively), Mr. Liu Xiang (for and on behalf of Xingda Labour Union), Mr. Tao (for and on behalf of Xingda Labour Union) and Mr. Wu (for and on behalf of Xingda Labour Union) and they held approximately 11.14%, 22.29%, 8.17%, 45.39%, 4.83%, 2.97%, 2.97% and 2.23% of the registered capital of Jiangsu Xingda, respectively, during the same period. Of the 4.83% shareholding held by Mr. Zhang from June 21, 2004 to December 9, 2004, 2.97% was held by Mr. Zhang for and on behalf of Xingda Labour Union.

From December 10, 2004 to November 21, 2005, the shareholders of Jiangsu Xingda (other than Faith Maple) were Xing Hong Da, TIAC, Xingda Labour Union and Mr. Zhang and they held approximately 22.29%, 11.14%, 8.17% and 0.000074% of the registered capital of Jiangsu Xingda, respectively, during the same period.

From November 22, 2005 to December 31, 2005, the shareholders of Jiangsu Xingda (other than Faith Maple) were Xing Hong Da, Xingda Labour Union, Mr. Zhang and TIAC and they held approximately 22.29%, 8.17%, 0.000074% and 0.000074% of the registered capital of Jiangsu Xingda, respectively, during the same period.

Xingda Labour Union ceased to hold any interest in the registered capital of Jiangsu Xingda for and on behalf of the ESC Members upon completion of the Faith Maple Acquisition on December 10, 2004.

Xinghua Lianxing and Shanghai Xingda

Xinghua Lianxing was established on April 15, 2002 as a limited liability company in the PRC with a registered capital of RMB1,000,000 for the purpose of manufacturing and processing machinery, equipment and tools, for use by Jiangsu Xingda. On March 17, 2005, the registered capital of Xinghua Lianxing was increased to RMB3,000,000, of which RMB1,650,000 was contributed by Jiangsu Xingda and RMB1,350,000 was contributed by Xingda Labour Union, representing 55% and 45% of the registered capital of Xinghua Lianxing, respectively. On November 3, 2005, Jiangsu Xingda acquired RMB1,200,000 of the registered capital of Xinghua Lianxing from Xingda Labour Union. As of the Latest Practicable Date, Jiangsu Xingda and Xingda Labour Union held 95% and 5% of the registered capital of Xinghua Lianxing respectively.

Driven by the tax benefits offered by the local tax bureaus in Shanghai, our management decided to set up a subsidiary in Shanghai. As such, Shanghai Xingda was established on July 8, 2002 as a limited liability company in the PRC for the purpose of promoting sales of radial tire cords produced by us and serving our customer(s) in Shanghai. Shanghai Xingda has a registered capital of RMB500,000, of which RMB450,000 was contributed by Jiangsu Xingda and RMB50,000 was contributed by Xinghua Lianxing, representing 90% and 10% of the registered capital of Shanghai Xingda, respectively.

REORGANIZATION

We underwent the Reorganization to rationalize our corporate structure for the purpose of the Listing which involved the following major steps:

(a) *Incorporation of the Five BVI Companies, Faith Maple and Win Wide and allotment of shares*

On January 2, 2004, the Five BVI Companies were incorporated in the BVI.

On January 26, 2004, Faith Maple was incorporated in the BVI.

On March 10, 2004, Win Wide was incorporated in the BVI.

On June 16, 2004, one ordinary share in each of Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative and Win Wide was allotted and issued to Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang, Mr. Hang and Mr. Lu.

On June 16, 2004, an aggregate of 100 Faith Maple Shares were allotted and issued at par to the Five BVI Companies and Win Wide as follows:

Subscribers	No. of Faith Maple Shares issued
Great Trade	30
In-Plus	17
Perfect Sino	14
Power Aim	5
Wise Creative	5
Win Wide	29
	100

(b) *Faith Maple Acquisition and the Five Parties' Agreement*

Faith Maple acquired an aggregate of 78,599,900 Jiangsu Xingda Shares from various shareholders of Jiangsu Xingda, particulars of which are set out below:

(i) Immediately before the Faith Maple Acquisition, Jiangsu Xingda was held by Xingda Labour Union (for and on behalf of the ESC Members) as to 61,100,000 Jiangsu Xingda Shares, Xing Hong Da as to 30,000,000 Jiangsu Xingda Shares, TIAC as to 15,000,000 Jiangsu Xingda Shares, Xingda Labour Union (for itself) as to 11,000,000 Jiangsu Xingda Shares, Mr. Zhang as to 6,500,000 Jiangsu Xingda Shares (of which 4,000,000 Jiangsu Xingda Shares were held on behalf of Xingda Labour Union), Mr. Liu Xiang (for and on behalf of Xingda Labour Union) as to 4,000,000 Jiangsu Xingda Shares, Mr. Tao (for and on behalf of Xingda Labour Union) as to 4,000,000 Jiangsu Xingda Shares and Mr. Wu (for and on behalf of Xingda Labour Union) as to 3,000,000 Jiangsu Xingda Shares, representing approximately 45.40%, 22.29%, 11.14%, 8.17%, 4.83%, 2.97%, 2.97% and 2.23%, respectively, of the registered capital of Jiangsu Xingda.

Mr. Zhang first became a registered shareholder of Jiangsu Xingda in September 2002 when he acquired 1,000,000 Jiangsu Xingda Shares from Xinghua Bicycle Factory, 500,000 Jiangsu Xingda Shares from Dainan Construction Company and 1,000,000 Jiangsu Xingda Shares from TIAC.

Mr. Liu Xiang, Mr. Tao and Mr. Wu first became registered shareholders of Jiangsu Xingda in June 2004 when, together with Mr. Zhang, they acquired for and on behalf of Xingda Labour Union 4,000,000, 4,000,000, 3,000,000, and 4,000,000 Jiangsu Xingda Shares from TIAC, respectively. All of Mr. Zhang, Mr. Liu Xiang, Mr. Tao and Mr. Wu acted as agent of Xingda Labour Union in such acquisition. The purpose of such arrangements was to distinguish such acquisition from Xingda Labour Union's acquisition of 11,000,000 Jiangsu Xingda Shares in its own name from Taizhou State-owned Company since the acquisition from Taizhou State-owned Company might involve complicated approval procedures which might delay the Reorganization.

Xingda Labour Union first became a registered shareholder of Jiangsu Xingda upon its establishment, holding 11,800,000 Jiangsu Xingda Shares for and on behalf of the ESC Members. It first became a beneficial shareholder of Jiangsu Xingda in July 2002 when it acquired 10,000,000 Jiangsu Xingda Shares in its own name from Xing Hong Da. On July 22, 2002, it entered into an agreement with Taizhou State-owned Company to dispose of all such shares beneficially owned by it to Taizhou State-owned Company in order to use the proceeds from the disposal to repay certain debts owed to an independent third party.

Subsequently, in pursuit of the commercial decisions of Xingda Labour Union and Taizhou State-owned Company, Xingda Labour Union entered into an agreement with Taizhou State-owned Company to acquire 11,000,000 Jiangsu Xingda Shares in its own name from Taizhou State-owned Company in June 2004. As Taizhou State-owned Company was a PRC state-owned enterprise, the transfer of 11,000,000 Jiangsu Xingda Shares previously held by it would constitute a transfer of PRC state-owned assets, which might entail additional approval procedures and complications, and might affect the timing of completion of the Reorganization. At the relevant time, apart from Xingda Labour Union, neither the ESC Members nor any other shareholder of Jiangsu Xingda indicated any intention to purchase the said 11,000,000 Jiangsu Xingda Shares from Taizhou State-owned Company. During the process of the Reorganization, Faith Maple proposed to acquire the said 11,000,000 Jiangsu Xingda Shares from Xingda Labour Union. However, no agreement could be reached and Xingda Labour Union intends to continue to hold such interest in its own name as a long-term investment.

Xingda Labour Union, being the legal and beneficial owner of the said 11,000,000 Jiangsu Xingda Shares, is entitled to attend and vote at the general meetings of Jiangsu Xingda. Xingda Labour Union is a legal entity and its members consist of all employees of Jiangsu

Xingda from time to time. The chairman of Xingda Labour Union, currently being Mr. Zhai Pei Yun (翟培雲), shall represent all members of Xingda Labour Union from time to time to attend and vote on their behalf as a single shareholder at the general meetings of Jiangsu Xingda.

(ii) On June 28, 2004, Faith Maple entered into a share acquisition agreement with Xingda Labour Union (for and on behalf of the then ESC Members) whereby Faith Maple agreed to acquire 61,100,000 Jiangsu Xingda Shares (representing approximately 45.39% of the registered capital in Jiangsu Xingda) held in the name of Xingda Labour Union for and on behalf of the then ESC Members at a consideration of RMB250,510,000. The consideration was determined by reference to the net asset value of Jiangsu Xingda as of December 31, 2003 of approximately RMB604,000,000 as valued by an independent valuer in the PRC, with a discount of approximately 10%.

(iii) On June 28, 2004, Faith Maple entered into a share acquisition agreement with Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Wu whereby Faith Maple agreed to acquire an aggregate of 17,499,900 Jiangsu Xingda Shares (representing approximately 13% of the registered capital in Jiangsu Xingda) held by the aforesaid four individuals at a total consideration of RMB71,749,590. Of such 17,499,900 Jiangsu Xingda Shares, 15,000,000 were held by the aforesaid four individuals for and on behalf of Xingda Labour Union (details of which are set out in paragraph (i) above) and 2,499,900 were held by Mr. Zhang for himself. The consideration was determined by reference to the net asset value of Jiangsu Xingda as of December 31, 2003 of approximately RMB604,000,000 as prepared by an independent valuer in the PRC, with a discount of approximately 10%.

(iv) By an approval (Shang Zi Pi [2004] No. 1769) issued by the MOC on November 23, 2004, the share acquisitions mentioned in sub-paragraphs (b)(ii) and (b)(iii) above and the conversion of Jiangsu Xingda into a sino-foreign joint stock limited company were approved.

(v) On November 24, 2004, the certificate of approval of Jiangsu Xingda was issued by the MOC.

(vi) On December 10, 2004, the new business license was issued to Jiangsu Xingda whereupon Jiangsu Xingda became a sino-foreign joint stock limited company under the PRC law.

(vii) On May 18, 2005, Jiangsu Xingda and Xingda Labour Union (for and on behalf of the then ESC Members) entered into a donation agreement whereby it was agreed that an amount of RMB212,000,000, being the balance of purchase price paid by Faith Maple under the share acquisition agreement dated June 28, 2004 (as mentioned in sub-paragraph (b)(ii) above) after deducting all relevant costs, expenses and levies, shall be donated by Xingda Labour Union for and on behalf of the then ESC Members to Jiangsu Xingda for the purposes of its development and staff incentives. It is not the intention of the then ESC Members to cash out as a result of the transfer of its equity interests in Jiangsu Xingda to Faith Maple. As such, the then ESC Members agreed to make such donation without consideration and to waive all its claims in relation to such donation. Pursuant to the donation agreement, Jiangsu Xingda has agreed to compensate Xingda Labour Union and each of the then ESC Members (which include the Five Parties, who are connected persons of our Company) in full in respect of any direct loss or damage that they may suffer in relation to such donation, up to the amount actually received by Jiangsu Xingda from such donation. The PRC legal advisors of our Company have advised that the then ESC Members cannot make any claim under the donation agreement against Jiangsu Xingda as they are not parties to the donation agreement.

Since December 10, 2004, being the date of completion of the Faith Maple Acquisition, and pursuant to the Five Parties' Agreement, the Five Parties agreed to hold, manage and dispose of their respective direct and indirect beneficial interests in the Five BVI Companies, Faith Maple and our Company on behalf of the 98 Owners (including themselves) in accordance with their proportional interests in Jiangsu Xingda immediately prior to the Faith Maple Acquisition. On July 1, 2005, Mr. Zhang transferred his beneficial interest of 4.72% out of 8.65% in the Five BVI Companies to Mr. Wu when Mr. Wu joined us. Mr. Wu then appointed Chairman Liu and Mr. Zhang to hold 1.89% and 2.83% beneficial interests in the Five BVI Companies, respectively on his behalf. As such, since July 1, 2005, the Five Parties have been holding for and on behalf of the 98 Owners (including themselves) and Mr. Wu their respective interests in the Five BVI Companies and Faith Maple according to the terms of the Five Parties' Agreement. As of the Latest Practicable Date, Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Hang and Mr. Zhang were beneficially interested in 16.69%, 15.72%, 12.89%, 8.03% and 3.93% of the aggregate shareholding interests in the Five BVI Companies respectively, with the remaining 42.74% interest held by them as trustees for and on behalf of the 98 Owners (including themselves) and Mr. Wu. For details of the interests of the 98 Owners and Mr. Wu in the Five BVI Companies, please refer to the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 6. 98 Owners" in Appendix VI to this prospectus.

It was Chairman Liu's proposal that the 98 Owners' indirect beneficial interests in our Company be held and managed by the persons representative of the major functional operations of Jiangsu Xingda for and on behalf of the 98 Owners. Since the Five Parties are, in broad terms, the persons in charge of the main operational divisions of Jiangsu Xingda, they were appointed to hold and manage (through the Five BVI Companies) the 98 Owners' indirect beneficial interests in our Company in accordance with the Five Parties' Agreement.

(c) *Relationship among the ESC Articles, the Trust Agreements and the Five Parties' Agreement*

(i) *ESC Articles*

Prior to completion of the Faith Maple Acquisition, the ESC Articles were the document regulating and governing the ESC Members' beneficial interests and rights in Jiangsu Xingda held by Xingda Labour Union. In particular, they provide that the ESC Chairman shall represent all the ESC Members to attend and vote at the general meetings of Jiangsu Xingda as a "single shareholder". However, it does not contain any detailed provisions as to how the ESC Members' opinions are to be collated and reflected.

(ii) *Five Parties' Agreement*

After completion of the Faith Maple Acquisition, the ESC Articles ceased to apply. The Five Parties' Agreement has since then replaced the ESC Articles to become the document regulating and governing the beneficial interests and rights of the 98 Owners in Jiangsu Xingda. Such interests are no longer held by Xingda Labour Union but are held through the offshore holding structure (the Five BVI Companies, our Company and Faith Maple).

It is expressly provided in the Five Parties' Agreement, amongst other things, that:

(a) the respective indirect interests of the 98 Owners in Jiangsu Xingda shall continue to be regulated and governed in accordance with the spirit of the ESC Articles;

(b) the Five BVI Companies are owned by the Five Parties for and on behalf of all the 98 Owners (in the same proportions of their interests in Jiangsu Xingda as immediately prior to the Faith Maple Acquisition) and Mr. Wu (since his acquisition of 4.72% beneficial interest in the Five BVI Companies from Mr. Zhang on July 1, 2005); and

(c) the Five Parties shall procure the Five BVI Companies to vote unanimously at the general meetings of our Company and Faith Maple.

As advised by our PRC legal advisers, the verbal agreement amongst the 98 Owners regarding the Five Parties holding the interest in the Five BVI Companies on behalf of the 98 Owners (based on the spirit of the ESC Articles which ceased to apply after the Faith Maple Acquisition) had since the completion of the Faith Maple Acquisition (i.e. December 10, 2004), replaced the ESC Articles. Such verbal agreement was subsequently recorded in the Five Parties' Agreement dated August 29, 2005.

Our PRC legal advisers also advised that as the ESC Articles did not contain detailed provision regarding how the ESC Members' votes and opinions were to be collected and reflected, the verbal agreement regarding the collection and counting of votes (which was subsequently recorded in the Supplemental Trust Agreement dated December 30, 2005) served to further clarify and supplement the ESC Articles in terms of the voting procedures.

(iii) *Trust Agreements*

The Trust Agreements were executed, in anticipation of the Reorganisation and the Faith Maple Acquisition, to supplement the ESC Articles. The main purpose of the Trust Agreements is twofold: (a) to provide for the individual arrangement between each of the 98 Owners (except the three Relevant Individuals and Mr. Zhang) (each an "**Appointor**") of the one part and each of the three Relevant Individuals of the other part regarding the Appointors' interests in Jiangsu Xingda; and (b) to formally record in writing the internal voting mechanism of the 98 Owners in order to reach a final and unanimous decision amongst themselves.

According to the Trust Agreements, each of the three Relevant Individuals would collect votes from his corresponding Appointors. The votes so collected would, together with the votes representing those Jiangsu Xingda Shares beneficially owned by the three Relevant Individuals, Mr. Zhang and Mr. Hang (in respect of such part of his beneficial interest in Jiangsu Xingda not subject to the trust agreements), be counted. Based on the simple majority rule, a final and unanimous decision binding on all the 98 Owners as a whole would be reached.

After reaching a final and unanimous decision of all the 98 Owners as a whole, such decision would be either passed to (a) the ESC Chairman (prior to completion of the Faith Maple Acquisition) or (b) the Five Parties (after completion of the Faith Maple Acquisition). In the case of (a) above, the ESC Chairman would, pursuant to the ESC Articles, attend and vote at the general meetings of Jiangsu Xingda as a "single shareholder" in accordance with the final and unanimous decision of all of the 98 Owners. In the case of (b) above, the Five Parties, would pursuant to the Five Parties' Agreement, attend the general meetings of the respective Five BVI Companies and vote in accordance with the final and unanimous decision of all of the 98 Owners as a whole, and would procure the Five BVI Companies to vote unanimously in accordance with such decision at the general meetings of our Company and Faith Maple accordingly.

As illustrated above, the exercise of voting rights by all of the 98 Owners in an unanimous manner has remained unchanged immediately prior to and after completion of the Faith Maple Acquisition as provided under the ESC Articles and the Five Parties' Agreement respectively. The Trust Agreements only contain provisions for the individual arrangements among the Appointors and the three Relevant Individuals, and formally record in writing the different procedures for the collection of opinions from and the reaching of a final and unanimous decision of the 98 Owners as a whole at different times.

As advised by the PRC legal advisers to our Company, the three Relevant Individuals have the authority to, without the direction or confirmation of their respective Appointors, enter into the Five Parties' Agreement for and on behalf of the 98 Owners and entrust the Five Parties to hold their respective interests in the Five BVI Companies for and on behalf of all the 98 Owners in the manner set out therein. The PRC legal advisers to our Company also advised that the Five Parties' Agreement is legal, valid and binding on all the Appointors and the Five Parties, and that the execution, delivery and performance of obligations under the Five Parties Agreement is in compliance with and does not violate any relevant PRC laws and regulations and in accordance with the spirit of the ESC Articles.

(d) *Changes in issued share capital and shareholding in Faith Maple*

(i) On December 9, 2004, an aggregate of 9,900 Faith Maple Shares were allotted and issued at par to the Five BVI Companies.

(ii) On December 9, 2004, Win Wide transferred an aggregate of 28 Faith Maple Shares to the Five BVI Companies at a total consideration of US$5.00 (approximately RMB39.5).

(iii) After completion of the Faith Maple Acquisition, on December 16, 2004, 606 Faith Maple Shares were allotted and issued to Win Wide at a subscription price of US$1,660,000 (approximately RMB13,118,150). The subscription price was based on the net asset value per Faith Maple Share at that time.

(iv) On December 16, 2004, 3,477 Faith Maple Shares were allotted and issued to Surfmax-Estar Fund A at a subscription price of US$9,500,000 (approximately RMB75,073,750) which represented a discount of approximately 89% to the maximum Offer Price. The subscription price was based on the net asset value per Faith Maple Share at that time. Surfmax-Estar Fund A is our financial investor. The subscription is an investment by Surfmax-Estar Fund A in us.

(v) The following chart summarizes the steps mentioned in sub-paragraphs (c)(i) to (c)(iv) above and the movements in the shareholdings in Faith Maple up to December 16, 2004:

	Great Trade	**In-Plus**	**Perfect Sino**	**Power Aim**	**Wise Creative**	**Win Wide**	**Surfmax-Estar Fund A**
No. of Faith Maple Shares issued on June 16, 2004	30	17	14	5	5	29	—
No. of Faith Maple Shares issued on December 9, 2004	4,183	2,371	1,952	697	697	—	—
No. of Faith Maple Shares acquired (disposed) on December 9, 2004	12	7	5	2	2	(28)	—
No. of Faith Maple Shares issued on December 16, 2004	—	—	—	—	—	606	3,477
No. of Faith Maple Shares held after the aforesaid share issues and transfers	4,225 (30.00%)	2,395 (17.00%)	1,971 (14.00%)	704 (5.00%)	704 (5.00%)	607 (4.31%)	3,477 (24.69%)

(e) *Incorporation of our Company and allotment of shares*

On April 19, 2005, our Company was incorporated with the name of Xingda International Limited with an authorized share capital of US$50,000 divided into 50,000 US$ Shares.

On April 25, 2005, one US$ Share was allotted and issued to the initial subscriber which was subsequently transferred to Win Wide on the same date.

On April 28, 2005, an aggregate of 99 US$ Shares were allotted and issued at par to the Five BVI Companies, Win Wide and Surfmax-Estar Fund A as follows:

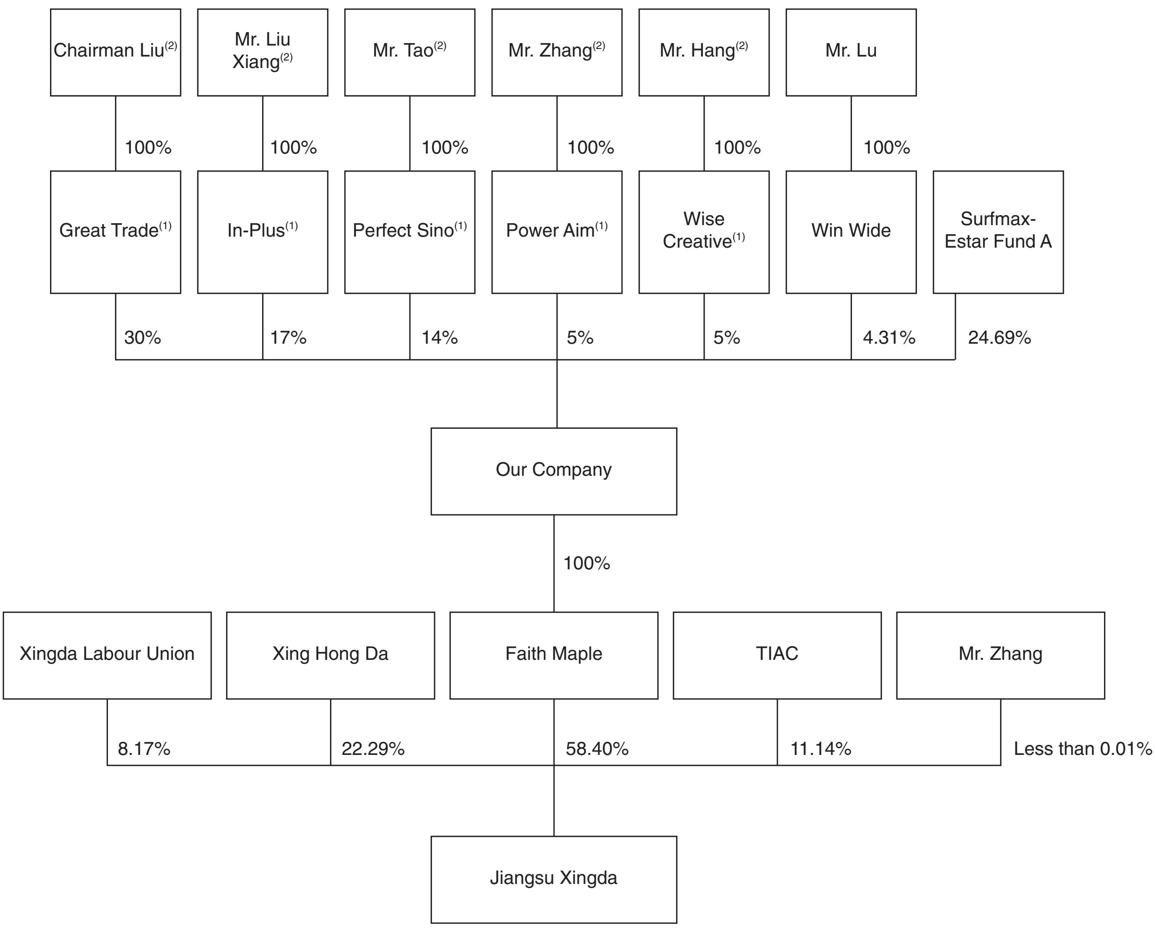
Subscribers	No. of US$ Shares issued by our Company
Great Trade	30
Surfmax-Estar Fund A	25
In-Plus	17
Perfect Sino	14
Power Aim	5
Wise Creative	5
Win Wide	3
	99

(f) *Share swap between our Company and Faith Maple*

On April 28, 2005, a share swap agreement was entered into between, among others, our Company and the then shareholders of Faith Maple (the "Vendors") whereby, among other things, our Company agreed to acquire from the Vendors an aggregate of 14,083 Faith Maple Shares (representing the entire issued share capital of Faith Maple) and, as consideration of the said acquisition, our Company agreed to allot and issue an aggregate of 9,900 US$ Shares to the Vendors, credited as fully paid, as follows:

Vendors	No. of Faith Maple Shares transferred	No. of US$ Shares issued by our Company as consideration	Total no. of US$ Shares held by the Vendors upon completion of share swap	Vendors' shareholdings in our Company upon completion of share swap
Great Trade	4,225	2,970	3,000	30%
Surfmax-Estar Fund A	3,477	2,444	2,469	24.69%
In-Plus	2,395	1,683	1,700	17%
Perfect Sino	1,971	1,386	1,400	14%
Power Aim	704	495	500	5%
Wise Creative	704	495	500	5%
Win Wide	607	427	431	4.31%
	14,083	**9,900**	**10,000**	**100%**

Upon completion of the said share swap agreement, our Company became the sole shareholder of Faith Maple and our ultimate holding company. The following chart shows the shareholding structure of our Company, Faith Maple and Jiangsu Xingda immediately after the said share swap:



Notes:

(1) Each of Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative is owned as to 100% by Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Hang respectively for and on behalf of the 98 Owners (including themselves) since December 10, 2004, being the date of completion of the Faith Maple Acquisition, and Mr. Wu (who acquired an aggregate of 4.72% beneficial interest in the Five BVI Companies from Mr. Zhang on July 1, 2005, which is held as to 1.89% and 2.83% by Chairman Liu and Mr. Zhang respectively) subject to the terms and conditions of the Five Parties' Agreement.

(2) According to the Five Parties' Agreement, each of the Five Parties agreed to hold and manage the beneficial interest of all the 98 Owners and Mr. Wu in our Company (held through the Five BVI Companies) in the proportions set out in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 6. 98 Owners" in Appendix VI to this prospectus, with the objective of maintaining the spirit of unity and the voting arrangements amongst the 98 Owners as previously existing amongst the 98 Owners under the ESC Articles.

(g) *Issue of Convertible Bonds to Tetrad and Henda*

On April 28, 2005, our Company and the Five Parties entered into the Tetrad Bond Agreement and the Henda Bond Agreement with Tetrad and Henda respectively in respect of the issue of the Original Tetrad Bond and the Henda Bond, as the case may be, by our Company in an aggregate principal amount of US$60,000,000 (approximately RMB474,150,000). Such amount was reduced to US$54,000,000 (approximately RMB426,735,000) pursuant to the supplemental agreements dated August 5, 2005. Accordingly, the Original Tetrad Bond and the Henda Bond were issued to Tetrad and Henda in the principal amounts of US$45,000,000 (approximately RMB355,612,500) and US$9,000,000 (approximately RMB71,122,500) respectively. The proceeds from the issue of such convertible bonds shall be used for our capital expenditure and our general working capital purposes, our reorganization in preparation for the Listing, the payment of interest accrued on our debts, payment of the consideration for the acquisition by Faith Maple of 61,100,000 Jiangsu Xingda Shares from the Employee Shareholding Committee (acting through Xingda Labour Union), payment of the consideration for the acquisition by Faith Maple of 14,999,900 Jiangsu Xingda Shares from TIAC and payment of all expenses incurred by us in relation to the above and the Listing, but not for purchasing any Shares from any of the Five Parties prior to the Listing Date.

On May 7, 2005, the first tranche of the aforesaid convertible bonds in an aggregate principal amount of US$30,400,000 (approximately RMB240,236,000) was issued, of which the first tranche of the Original Tetrad Bond in the principal amount of US$25,333,333 (approximately RMB200,196,664) was issued to Tetrad and the first tranche of the Henda Bond in the principal amount of US$5,066,667 (approximately RMB40,039,336) was issued to Henda pursuant to the Tetrad Bond Agreement and the Henda Bond Agreement, respectively.

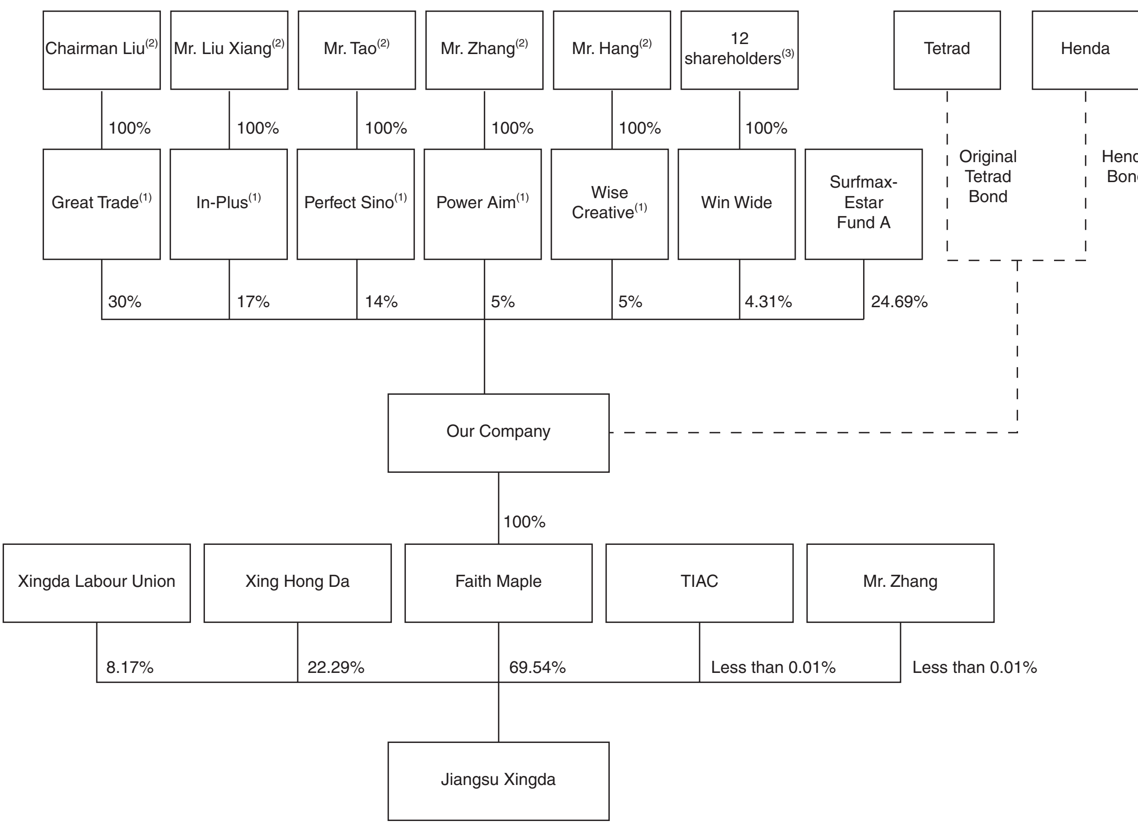
On August 5, 2005, our Company entered into supplemental agreements with, among others, Tetrad and Henda, respectively whereby, among other things, the second tranche of the Original Tetrad Bond was reduced to US$19,666,667 (approximately RMB155,415,836) and the second tranche of the Henda Bond was reduced to US$3,933,333 (approximately RMB31,083,164).

The second tranche of the aforesaid convertible bonds in an aggregate principal amount of US$23,600,000 (approximately RMB186,499,000) was issued, of which the second tranche of the Original Tetrad Bond in the principal amount of US$19,666,667 (approximately RMB155,415,836) was issued to Tetrad on December 29, 2005 and the second tranche of the Henda Bond in the principal amount of US$3,933,333 (approximately RMB31,083,164) was issued to Henda on January 18, 2006 pursuant to the Tetrad Bond Agreement and the Henda Bond Agreement, respectively and the supplemental agreements dated August 5, 2005 and as of December 29, 2005.

Tetrad and Henda will not enjoy any special rights (e.g. the right to nominate directors of our Company).

(h) *Increase of Faith Maple's equity stake in Jiangsu Xingda*

On May 22, 2005, Faith Maple and TIAC entered into a share transfer agreement whereby TIAC agreed to transfer 14,999,900 Jiangsu Xingda Shares (representing approximately 11.14% shareholding in Jiangsu Xingda) to Faith Maple at a consideration of RMB97,499,350. The consideration was determined by reference to the net asset value of Jiangsu Xingda as of December 31, 2004 of approximately RMB967,300,000 as valued by an independent valuer in the PRC, with a discount of approximately 10%. On November 2, 2005, MOC issued an approval (Shang Zi Pi [2005] No. 2481) approving such share transfer. Upon completion of the said transfer on November 22, 2005, the shareholding of Faith Maple in Jiangsu Xingda increased from approximately 58.40% to approximately 69.54%. The following chart shows the shareholding structure of our Company, Faith Maple and Jiangsu Xingda immediately after the aforesaid acquisition:



Notes:

(1) Each of Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative is owned as to 100% by Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Hang respectively for and on behalf of the 98 Owners (including themselves) since December 10, 2004, being the date of completion of the Faith Maple Acquisition, and Mr. Wu (who acquired an aggregate of 4.72% beneficial interest in the Five BVI Companies from Mr. Zhang on July 1, 2005, which is held as to 1.89% and 2.83% by Chairman Liu and Mr. Zhang respectively) subject to the terms and conditions of the Five Parties' Agreement.

(2) According to the Five Parties' Agreement, each of the Five Parties agreed to hold and manage the beneficial interest of all the 98 Owners and Mr. Wu in our Company (held through the Five BVI Companies) in the proportions set out in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 6. 98 Owners" in Appendix VI to this prospectus, with the objective of maintaining the spirit of unity and the voting arrangements amongst the 98 Owners as previously existing amongst the 98 Owners under the ESC Articles.

(3) On May 30, 2005, new shares in Win Wide were issued to 14 parties. On August 19, 2005, two of the then shareholders of Win Wide transferred all their shares in Win Wide to Mr. Wu, whereupon Win Wide was held by 12 shareholders, including Mr. Wu, Mr. Lu and Ms. Yang, Yanmei May (the spouse of Mr. Lu). As of the completion of Faith Maple's acquisition of Jiangsu Xingda Shares mentioned in paragraph (h) above, Win Wide was legally and beneficially owned as to approximately 13.86% by Mr. Wu, 9.34% by Mr. Lu, 18.07% by Ms. Yang, Yanmei May (the spouse of Mr. Lu) and the remaining 58.73% by nine shareholders who were Independent Third Parties.

(i) *Change of corporate names*

For the purpose of adopting the Chinese name of our Company, the name of our Company was changed on May 18, 2005 from Xingda International Limited to Xingda Group Limited, which was immediately changed on the same date to Xingda International Limited (興達國際有限公司).

On August 18, 2005, the name of our Company was changed from Xingda International Limited (興達國際有限公司) to Xingda International Holdings Limited (興達國際控股有限公司).

(j) *Registration with SAFE*

As of the Latest Practicable Date, the Five Parties had completed the filing with SAFE as required under the PRC laws in respect of the establishment of and investment in overseas companies by PRC residents and the injection of PRC domestic equity interests into such overseas companies.

(k) *Transfers of Shares from Win Wide and GSSIA Bond from Tetrad*

On September 13, 2006, Win Wide, Tetrad and GSSIA entered into the GSSIA Transfer Agreement pursuant to which, among other things, Win Wide agreed to transfer 339 US$ Shares, being part of the 431 US$ Shares then held by Win Wide, to GSSIA at a consideration of US$8,691,531 (approximately RMB68,684,824), which represented a discount of approximately 28% to the maximum Offer Price, and Tetrad agreed to transfer the GSSIA Bond, being part of the first tranche of the Original Tetrad Bond, to GSSIA at a consideration of US$6,308,469 (approximately RMB49,852,676).

On September 13, 2006, our Company, the Five Parties and GSSIA entered into the GSSIA Side Agreement in respect of the transfers under the GSSIA Transfer Agreement whereby, among other things, our Company and the Five Parties have given certain representations and warranties in respect of our Company and its subsidiaries and certain undertakings and obligations in favor of GSSIA in respect of further issue of Shares or convertible securities and transfer or disposal of Shares prior to the Listing. Apart from the right to claim against the Five Parties and our Company in respect of any breaches of the representations, warranties and undertakings given under the GSSIA Side Agreement, there are no special rights granted to GSSIA. Also, GSSIA would not be entitled to nominate any representative to the Board and no other arrangement was entered into or proposed to be entered into between GSSIA and our Company concerning our management.

Upon completion of the GSSIA Transfer Agreement, the shareholdings of our Company were as follows:

Shareholders	No. of US$ Shares held	Percentage shareholdings
Great Trade	3,000	30%
Surfmax-Estar Fund A	2,469	24.69%
In-Plus	1,700	17%
Perfect Sino	1,400	14%
Power Aim	500	5%
Wise Creative	500	5%
Win Wide	92	0.92%
GSSIA	339	3.39%
	10,000	100%

The principal terms and conditions of the Convertible Bonds are set out in the section headed "Principal terms and conditions of the Convertible Bonds" in this prospectus.

On September 14, 2006, our Company, the Five BVI Companies, Win Wide, Surfmax-Estar Fund A, Tetrad and Henda entered into an agreement whereby it was agreed that with effect from the date of completion of the transfers under the GSSIA Transfer Agreement, each of our Company, Win Wide, Surfmax-Estar Fund A and Tetrad shall, to the extent permitted by applicable laws, regulations and rules, use all reasonable commercial endeavors to support Henda in participating in the Listing to subscribe for Shares of an aggregate value up to US$6 million subject to the consent of the sponsor(s), underwriter(s) and/or global co-ordinator(s) in respect of the Listing, the market conditions prevailing from time to time, all applicable laws, regulations, the Listing Rules and any requirements of the Stock Exchange or any other applicable authorities and also subject to formal agreement(s) to be entered into in relation thereto and on terms satisfactory to the parties thereto.

(l) *Establishment of Xingda International (Shanghai)*

On September 15, 2006, Xingda International (Shanghai) was established as a wholly foreign owned enterprise in the PRC, which is a wholly-owned subsidiary of Faith Maple and an indirect wholly-owned subsidiary of our Company. It has a registered capital of US$12,000,000 and is principally engaged in the research, development and production of new and advanced super tensile steel cords.

The Directors currently expect that Xingda International (Shanghai) will commence commercial operation in the first quarter of 2007.

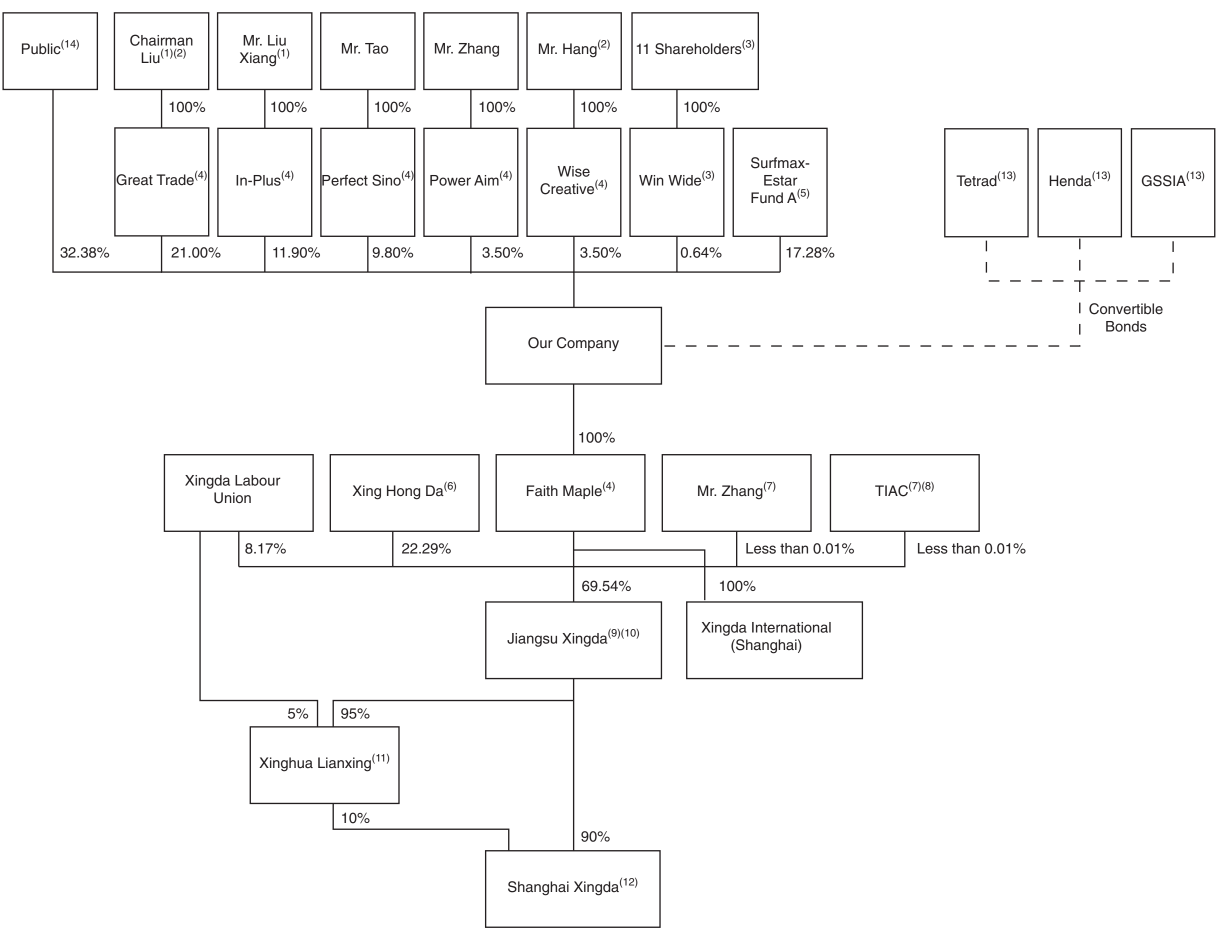
(m) *Change of par value*

On December 3, 2006, written resolutions were passed by the shareholders of our Company to change the par value of the shares of our Company from US$1.00 to HK$0.10, details of which are set out in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 2. Changes in share capital of our Company" in Appendix VI to this prospectus.

(n) *Capitalization Issue*

Pursuant to the written resolutions of the Shareholders passed on December 3, 2006 and conditional on the conditions set out in the paragraph headed "Conditions" under the section headed "Structure of the Global Offering" and conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorized to allot and issue an aggregate of 899,220,000 Shares by way of capitalization of the amount of HK$89,922,000 (approximately RMB91,288,814) from the amount standing to the credit of the share premium account of our Company, details of which are set out in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 4. Written resolutions of the Shareholders passed on December 3, 2006" in Appendix VI to this prospectus.

The following chart sets out our shareholding structure immediately after the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option and the right to convert the Convertible Bonds are not exercised:



Notes:

(1) Mr. Liu Xiang is Chairman Liu's son.

(2) Mr. Hang is Chairman Liu's son-in-law. He is a sales manager of Jiangsu Xingda and is principally responsible for the sales of our products to small and medium sized customers.

(3) On November 13, 2006, one of the then shareholders of Win Wide transferred all his shares in Win Wide to Mr. Lu, whereupon Win Wide was held by 11 shareholders. As of the Latest Practicable Date, Win Wide was legally and beneficially owned as to approximately 13.86% by Mr. Wu, 45.48% by Mr. Lu, 18.07% by Ms. Yang, Yanmei May (the spouse of Mr. Lu) and the remaining 22.59% by eight shareholders who were Independent Third Parties.

(4) Each of Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative and Faith Maple is an investment holding company. Since December 10, 2004, being the date of completion of the Faith Maple Acquisition, each of Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative has been owned as to 100% by Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Hang, respectively, for and on behalf of the 98 Owners (including themselves) and Mr. Wu (who acquired an aggregate of 4.72% beneficial interest in the Five BVI Companies from Mr. Zhang on July 1, 2005, which is held as to 1.89% and 2.83% by Chairman Liu and Mr. Zhang respectively) subject to the terms and conditions of the Five Parties' Agreement.

(5) Surfmax-Estar Fund A is our financial investor. It is principally engaged in identifying and engaging in venture capital opportunities. China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO"), through its overseas affiliate, is a capital member of Surfmax-Estar Fund A whereas Surfmax Corporation, a company wholly owned by Mr. Lu, is the member manager of Surfmax-Estar Fund A.

Surfmax-Estar Fund A has pursuant to the shareholders agreement dated April 28, 2005 in respect of our Company nominated Mr. Lu and Ms. Wu Xiaohui as non-executive Directors. Such nomination right will cease upon Listing and thereafter, the nomination of Directors will be made by the nomination committee of our Company.

All special rights of Surfmax-Estar Fund A will be terminated upon Listing.

(6) Xing Hong Da was approved to engage in investments in real estate and other industries, domestic trade, and the provision of corporate management consultancy services. As of the Latest Practicable Date, Xing Hong Da was involved in a litigation in the PRC in which the claimant applied for asset preservation and, as a result of which, Xing Hong Da's shareholding in Jiangsu Xingda was frozen pursuant to a prohibition judgment issued by the People's Court of the PRC and any transfers thereof were prohibited. Our Company has been advised by its PRC legal advisors that, pursuant 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 People's Court on Several Issues Concerning the Execution For Trial Implementation) ("Trial Implementation Provisions"), such prohibition judgment is only limited to forbidding Jiangsu Xingda from (i) taking procedures to effect transfers of the frozen shares and (ii) paying any dividend to Xing Hong Da after the date of receipt by Jiangsu Xingda of the prohibition judgment. Hence, such prohibition imposed by the People's Court of the PRC would not have any effect on the normal production and operating activities of Jiangsu Xingda or the rights of the other shareholders of Jiangsu Xingda and neither would such prohibition have any potential legal impact on us under PRC laws.

Jiangsu Xingda declared and paid a total of RMB6 million to Xing Hong Da as dividends for the year ended December 31, 2004. As advised by our Company's PRC legal advisors, the legal consequence on us for such dividend payment is confined to a monetary liability of up to RMB6 million. The Five BVI Companies and the Five Parties have agreed to indemnify our Company (for itself and on behalf of its subsidiaries) in respect of, inter alia, any loss and/or charges which it may sustain in relation to such payment of dividend.

(7) As of the Latest Practicable Date, each of TIAC and Mr. Zhang held 100 Jiangsu Xingda Shares, each representing less than 0.01% of the registered capital of Jiangsu Xingda. Our Company has been advised by its PRC legal advisors that a joint stock limited company shall have at least five promoters upon its establishment and five shareholders throughout its existence. TIAC and Mr. Zhang therefore remain as shareholders of Jiangsu Xingda, each holding a small number of Jiangsu Xingda Shares.

(8) TIAC was approved to engage in the sale of permitted agricultural by-products and provision of consultation services for the development of other industries.

(9) Jiangsu Xingda is our principal operating subsidiary and is principally engaged in manufacturing and distributing radial tire cords and bead wires. We own 69.54% of the voting shares of Jiangsu Xingda through Faith Maple and have the right to nominate four of the seven directors of Jiangsu Xingda whereas Xing Hong Da, Xingda Labour Union and TIAC are entitled to nominate the remaining three directors.

(10) As of the Latest Practicable Date, Jiangsu Xingda held 401,280 legal person shares of a par value of RMB1.00 each in Qingdao Yellowsea, representing approximately 0.19% of the entire issued share capital of Qingdao Yellowsea. Jiangsu Xingda had no shareholding in Qingdao Yellowsea at the time when Xingda Steel Tyre Cord Group (the predecessor of Jiangsu Xingda) became an approved supplier of Qingdao Yellowsea in respect of radial tire cords.

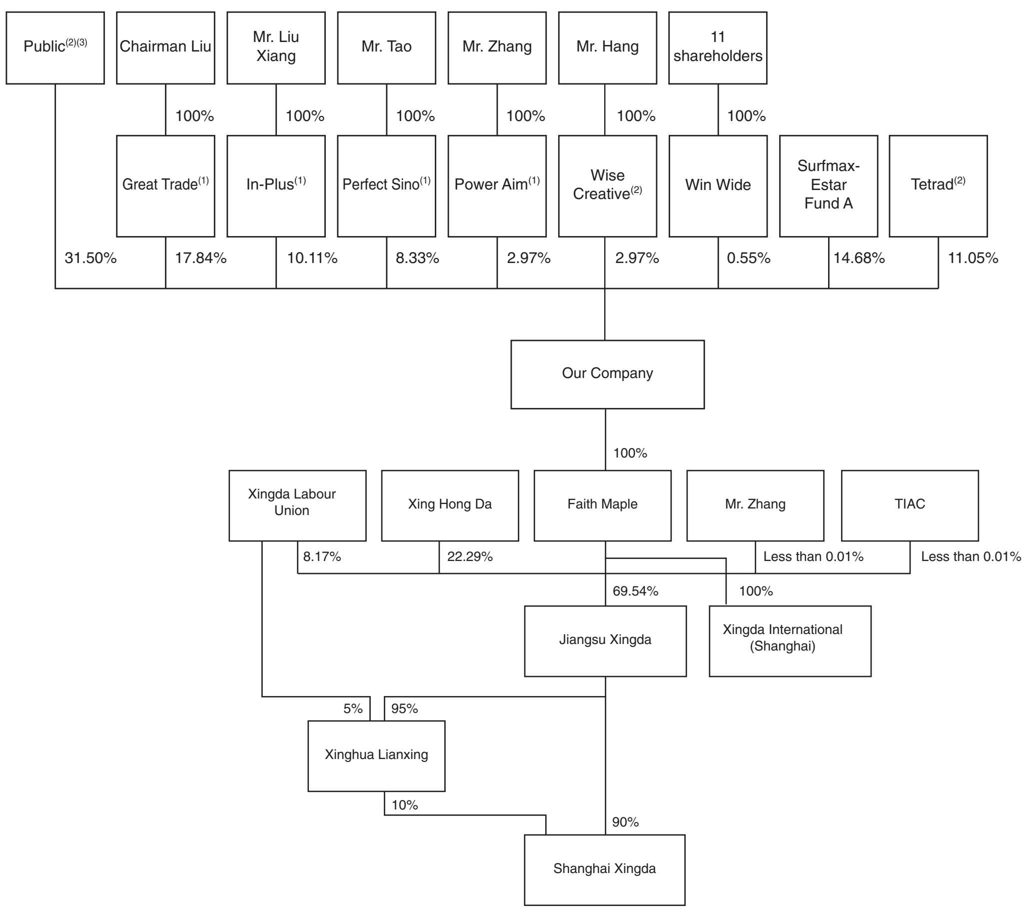
(11) Xinghua Lianxing is principally engaged in manufacturing and processing machinery and accessories for use by Jiangsu Xingda.

(12) Shanghai Xingda is principally engaged in promoting sales of radial tire cords produced by us and serving our customers in Shanghai. Jiangsu Xingda is directly interested in 90%, and (through Xinghua Lianxing) indirectly interested in 9.5%, of the total equity interest of Shanghai Xingda.

(13) Tetrad, Henda and GSSIA are financial investors of the Company.

(14) Public includes the general public (30.01%) and GSSIA (2.37%). GSSIA is subject to certain lock-up undertakings, details of which are set out in the sections headed “Principal terms and conditions of the Convertible Bonds” and “Underwriting”.

Tetrad has irrevocably and unconditionally undertaken that it shall not exercise any conversion rights attached to the Tetrad Bond if as a result of such exercise, our Company will not maintain the minimum public float as may be required under the Listing Rules from time to time, and any of the Five Parties, Win Wide or Surfmax-Estar Fund A will be prohibited from disposing of or procuring the disposal of Shares pursuant to their undertaking to maintain the minimum public float under the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules and/or Part XIII and/or Part XIV of the SFO at any time during the relevant periods. Please refer to the section headed "Principal Terms and Conditions of the Convertible Bonds" in this prospectus for further details. Taking into account the aforementioned undertaking provided by the Five Parties and Win Wide and assuming that the Tetrad Bond, the Henda Bond and the GSSIA Bond are fully converted into Shares, the shareholding structure of our Company after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) is as follows:



Notes:

(1) Each of Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative is owned as to 100% by Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Hang, respectively, for and on behalf of the 98 Owners (including themselves) since December 10, 2004, being the date of completion of the Faith Maple Acquisition and Mr. Wu (who acquired an aggregate of 4.72% beneficial interest in the Five BVI Companies from Mr. Zhang on July 1, 2005, which is held as to 1.89% and 2.83% by Chairman Liu and Mr. Zhang respectively) subject to the terms and conditions of the Five Parties' Agreement.

(2) An aggregate of 227,257,330 Shares will be issued by our Company upon the exercise in full of the conversion rights under the Convertible Bonds, representing approximately 15.02% of the issued share capital of our Company after completion of the Capitalization Issue and the Global Offering.

(3) Public includes the general public (25.52%), GSSIA (3.48%) and Henda (2.50%). GSSIA and Henda are subject to certain lock-up undertakings, details of which are set out in the sections headed "Principal terms and conditions of the Convertible Bonds" and "Underwriting".

On April 28, 2005, our Company and the Five Parties entered into the Tetrad Bond Agreement and the Henda Bond Agreement with Tetrad and Henda respectively in respect of the issue of the Original Tetrad Bond and the Henda Bond (as the case may be) by our Company in an aggregate principal amount of US$60,000,000 (approximately RMB474,150,000), which amount was reduced to US$54,000,000 (approximately RMB426,735,000) pursuant to the supplemental agreements dated August 5, 2005. The Original Tetrad Bond and the Henda Bond shall be issued to Tetrad and Henda in the principal amounts of US$45,000,000 (approximately RMB355,612,500) and US$9,000,000 (approximately RMB71,122,500) respectively.

On May 7, 2005, the first tranche of the aforesaid convertible bonds in an aggregate principal amount of US$30,400,000 (approximately RMB240,236,000) was issued, of which the first tranche of the Original Tetrad Bond in the principal amount of US$25,333,333 (approximately RMB200,196,664) was issued to Tetrad and the first tranche of Henda Bond in the principal amount of US$5,066,667 (approximately RMB40,039,336) was issued to Henda pursuant to the Tetrad Bond Agreement and the Henda Bond Agreement, respectively.

On August 5, 2005, our Company entered into supplemental agreements with, among others, Tetrad and Henda, respectively whereby, among other things, the second tranche of the Original Tetrad Bond was reduced to US$19,666,667 (approximately RMB155,415,836) and the second tranche of the Henda Bond was reduced to US$3,933,333 (approximately RMB31,083,164).

The second tranche of the aforesaid convertible bonds in an aggregate principal amount of US$23,600,000 (approximately RMB186,499,000) was issued, of which the second tranche of the Original Tetrad Bond in the principal amount of US$19,666,667 (approximately RMB155,415,836) was issued to Tetrad on December 29, 2005 and the second tranche of Henda Bond in the principal amount of US$3,933,333 (approximately RMB31,083,164) was issued to Henda on January 18, 2006 pursuant to the Tetrad Bond Agreement and the Henda Bond Agreement, respectively and the supplemental agreements dated August 5, 2005 and as of December 29, 2005.

On September 13, 2006, Win Wide, Tetrad and GSSIA entered into the GSSIA Transfer Agreement pursuant to which, among other things, Tetrad agreed to transfer the GSSIA Bond, being part of the first tranche of the Original Tetrad Bond, to GSSIA at a consideration of US$6,308,469 (approximately RMB49,852,676). Completion of the transfer of the GSSIA Bond took place on September 14, 2006.

Upon completion of the transfer of the GSSIA Bond mentioned above, GSSIA and Tetrad became the holders of the GSSIA Bond and the Tetrad Bond respectively.

On September 14, 2006, our Company and the Five Parties entered into supplemental agreements with Tetrad and Henda respectively whereby, among other things, amendments were made to (i) certain terms and conditions of the Tetrad Bond Agreement and the Henda Bond Agreement, as the case may be, and (ii) certain terms and conditions of the Original Tetrad Bond and the Henda Bond, as the case may be.

On December 4, 2006, our Company and the Five Parties entered into an amendment agreement with each of Tetrad, Henda and GSSIA whereby the parties agreed to amend the conversion price in respect of the Tetrad Bond, Henda Bond and GSSIA Bond (as the case may be), and in the event that the Offer Price is less than HK$2.65, the Five Parties agree to compensate each of Tetrad, Henda and GSSIA, within seven days of any exercise of the conversion rights under the Tetrad Bond, Henda Bond and GSSIA Bond respectively, by way of:

(i) payment of cash representing an amount ("**Cash Amount**") to be determined by multiplying such shortfall by the number of Shares which will be issued and allotted upon such exercise of the conversion rights under the relevant Convertible Bond pursuant to its conditions;

(ii) if Tetrad, Henda or GSSIA elects at the time of exercise of the conversion rights under the relevant Convertible Bond to receive Shares instead of cash, procuring transfer of Shares, the number of which is determined by dividing the Cash Amount by the subscription price per Share at the Listing, to Tetrad, Henda or GSSIA, as the case may be (subject to all applicable laws, regulations, Rule 10.07 of the Listing Rules (or any similar requirement under the Listing Rules from time to time) or any lock-up arrangements as may be imposed by the Stock Exchange or any other regulatory authorities in relation to the Listing); or

(iii) payment of Cash Amount to Tetrad, Henda or GSSIA, as the case may be, partially in cash and partially by transfer of Shares, the number of which is determined by dividing the remaining balance of the Cash Amount that is not paid in cash by the subscription price per Share at the Listing if Tetrad, Henda or GSSIA so elects at the time of exercise of the conversion rights under the relevant Convertible Bond.

The Five Parties also agreed, among other things, to be responsible for the payment of and to indemnify Tetrad, Henda and GSSIA against, any stamp, issue, registration, documentary or transfer taxes and duties (together with any related costs reasonably incurred) that are payable on or in connection with the payment of the Cash Amount and/or the transfer of the Shares pursuant to the said amendment agreement and the execution, delivery and performance by Tetrad, Henda and GSSIA of such amendment agreement. The Five Parties' obligations and liabilities in this regard shall be several, and neither joint nor joint and several for all purposes, in the proportions specified in such amendment agreement.

The principal terms and conditions of the Convertible Bonds are as follows:

Issuer	Our Company
Subscribers/holders . . .	Tetrad, Henda and GSSIA

Principal amount	*Tetrad Bond:* US$39,742,942 (approximately RMB314,068,599), of which US$20,076,275 (approximately RMB158,652,763) is the remaining principal amount of the first tranche of the Original Tetrad Bond after completion of the transfer under the GSSIA Transfer Agreement, and US$19,666,667 (approximately RMB155,415,836) is the second tranche of the Original Tetrad Bond *Henda Bond:* US$9,000,000 (approximately RMB71,122,500) issued in two tranches in the amounts of US$5,066,667 (approximately RMB40,039,336) and US$3,933,333 (approximately RMB31,083,164), respectively *GSSIA Bond:* US$5,257,058 (approximately RMB41,543,901), being part of the Original Tetrad Bond transferred by Tetrad to GSSIA under the GSSIA Transfer Agreement
Interest	*Tetrad Bond and Henda Bond:* Tetrad Bond and Henda Bond will bear interest from the respective dates of issue of the first and second tranches of the Original Tetrad Bond and the Henda Bond, as the case may be, at a rate of 1% per annum on the principal amount of the relevant tranches of Convertible Bonds outstanding on the interest payment date, payable by our Company once every 12 months in arrears at the end of each 12 month period. *GSSIA Bond:* The GSSIA Bond will bear interest from September 14, 2006, being the date of completion of the transfers under the GSSIA Transfer Agreement, at a rate of 1% per annum on the principal amount of the GSSIA Bond outstanding on the interest payment date, payable by our Company once every 12 months in arrears at the end of each 12 month period.
Maturity date	*Tetrad and Henda Bond:* The banking day immediately preceding the third anniversary of the date of issue of the first tranche or the second tranche (as the case may be) of each of the Tetrad Bond and the Henda Bond, which may be extended by Tetrad or Henda for a period of one year by giving notice in writing to our Company not less than 14 days prior to the maturity date.

GSSIA Bond:
The banking day immediately preceding the third anniversary of the date of issue of the first tranche of the Original Tetrad Bond, which may be extended by GSSIA for a period of one year by giving notice in writing to our Company not less than 14 days prior to the maturity date.

Conversion rights . . . . .

Tetrad Bond and Henda Bond:
If the Listing Date is within two years from the date of issue of the first tranches of the Tetrad Bond and the Henda Bond on May 7, 2005 ("First Tranche Issue Date"), the conversion rights in respect of the whole or any part of the respective principal amounts outstanding under the Tetrad Bond and the Henda Bond cannot be exercised prior to the Listing Date and such outstanding amounts may be converted into Shares in accordance with the following:

(i) at any time during the period from six months after the Listing Date to 30 days prior to the maturity date of the Tetrad Bond or the Henda Bond (as the case may be), each of Tetrad and Henda may require our Company to convert the whole or any part of up to 50% of the principal amount outstanding under the Tetrad Bond or the Henda Bond (as the case may be) into Shares at the conversion price mentioned below;

(ii) at any time during the period from 12 months after the Listing Date to 30 days prior to the maturity date of the Tetrad Bond or the Henda Bond (as the case may be), each of Tetrad and Henda may require our Company to convert the whole or any part of the principal amount outstanding under the Tetrad Bond or the Henda Bond (as the case may be) into Shares at the conversion price mentioned below.

If Listing does not take place within two years from the First Tranche Issue Date, each of Tetrad and Henda may require our Company to convert the entire principal amount outstanding under the Tetrad Bond or the Henda Bond (as the case may be) into Shares at the conversion price mentioned below at any time during the period after expiry of two years from the First Tranche Issue Date to 30 days prior to the maturity date.

No fraction of a Share will be issued on conversion but (except in cases where any such cash payment would amount to less than HK$10) a cash payment will be made to Tetrad or Henda (as the case may be) in respect of such fraction.

GSSIA Bond:
If the Listing Date is within two years from the First Tranche Issue Date, GSSIA may, at any time during the period from the expiry of a six month period after the Listing Date to 30 days prior to the maturity date of the GSSIA Bond, require our Company to convert the entire principal amount (or any part thereof) outstanding under the GSSIA Bond into Shares at the conversion price mentioned below in accordance with the conditions of the GSSIA Bond.

If the Listing Date does not take place within two years from the First Tranche Issue Date, GSSIA may, at any time during the period after two years from the First Tranche Issue Date to 30 days prior to the maturity date of the GSSIA Bond, convert the entire principal amount (or any part thereof) outstanding under the GSSIA Bond into Shares at the conversion price mentioned below in accordance with the conditions of the GSSIA Bond.

No fraction of a Share will be issued on conversion but (except in cases where any such cash payment would amount to less than HK$10) a cash payment will be made to GSSIA in respect of such fraction.

Conversion price . . . . Subject to the adjustment mentioned below, the conversion price shall be HK$1.853.

Such conversion price is determined on the assumption that our Company has 900,000,000 Shares in issue immediately before the Global Offering. In the event the number of Shares in issue immediately before the Global Offering differs from such assumption, the conversion price of HK$1.853 shall be adjusted to such extent as required to ensure that Tetrad, Henda and GSSIA derive the same economic benefit as would have been the case had such assumption been correct.

Redemption . . . . Tetrad, Henda or GSSIA may, on the maturity date mentioned above, require our Company to redeem the first or second tranche of Tetrad Bond or of Henda Bond, or the GSSIA Bond (as the case may be) at the redemption amount on the basis of the formula described below if:

(i) such first or second tranche of the Tetrad Bond or of the Henda Bond, or the GSSIA Bond (as the case may be) has not been converted in whole prior to its maturity date;

(ii) Tetrad, Henda or GSSIA had sought prior consent of our Company for a transfer of such first or second tranche of the Tetrad Bond or of the Henda Bond, or the GSSIA Bond (as the case may be) prior to the Listing Date to a person other than those prescribed which was refused by our Company; or

(iii) there is a change in control of our Company other than as a result of the Listing.

If redemption takes place on or after the first anniversary of (i) in respect of the Tetrad Bond and the Henda Bond, the date of issue of the first or second tranche of Tetrad Bond or of Henda Bond (as the case may be) or (ii) in respect of the GSSIA Bond, the First Tranche Issue Date:

the redemption amount = $(A \times (1 + IRR)^{N}) - B$

where:

A = the principal amount of such first or second tranche of the Tetrad Bond or of the Henda Bond (as the case may be) or the GSSIA Bond outstanding as of the date of redemption;

IRR = 0.05, provided that if the Listing does not take place prior to the maturity date due to the Five Parties, the senior management of our Company, Win Wide and Surfmax-Estar Fund A failing to use their respective best commercial endeavors to seek a listing of the shares of our Company on the Stock Exchange as soon as practicable, subject to market conditions prevailing from time to time, the IRR shall be 0.15 instead of 0.05 and the bondholder shall have no other remedy whatsoever against any of the Five Parties or our Company in relation to such breach;

N = (i) in respect of the Tetrad Bond and the Henda Bond, number of years elapsed from the date of issue of the first or second tranche of the Tetrad Bond or of the Henda Bond (as the case may be) to the date of redemption (on the basis of the actual number of days elapsed and a 365-day year) or (ii) in respect of the GSSIA Bond number of years elapsed from the First Tranche Issue Date to the date of redemption (on the basis of the actual number of days elapsed and a 365-day year); and

B = the aggregate of all interests paid by our Company prior to such redemption on and attributable to the principal amount of such first or second tranche of the Tetrad Bond or of the Henda Bond (as the case may be) or the GSSIA Bond outstanding as of the date of redemption.

In respect of the Tetrad Bond and the Henda Bond, if redemption takes place before the first anniversary of the date of issue of the first or second tranche of the Tetrad Bond or of the Henda Bond (as the case may be):

the redemption amount = A + (A x 0.05 ÷ 365 x M)

where:

A = the principal amount of such first or second tranche of the Tetrad Bond or of the Henda Bond (as the case may be) outstanding as of the date of redemption; and

M = number of actual number of days elapsed from the date of issue of the first or second tranche of the Tetrad Bond or of the Henda Bond (as the case may be).

Transferability . . . . The Convertible Bonds may be transferred subject to, among other things, compliance with the requirements under the Listing Rules, all applicable laws and regulations, the prior approval for listing in respect of the conversion shares upon Listing, and the prior written approval of our Company.

Voting power . . . . None of Tetrad, Henda and GSSIA is entitled to vote at any meetings of our Company by reason only of it being a holder of the Tetrad Bond, Henda Bond or GSSIA Bond (as the case may be).

Adjustment	The conversion price of the Convertible Bonds will be subject to adjustment upon the occurrence of consolidation or subdivision of the Shares, capitalization of profits or reserves, capital distribution, rights issue or grant of option, warrants or other rights to subscribe or purchase Shares or subsequent issue of securities in our Company as provided in the terms and conditions of the Convertible Bonds.
Profit guarantee.	There is no profit guarantee nor any other forms of guarantees provided by the controlling shareholders of our Company.
Governing law	Hong Kong

Our Company has undertaken to the Stock Exchange that it will promptly notify the Stock Exchange upon becoming aware of any dealings in the Convertible Bonds by any connected persons (as defined in the Listing Rules) of our Company.

Pursuant to the supplemental agreement to each of the Tetrad Bond Agreement and the Henda Bond Agreement dated August 5, 2005, the exchange rate for the purposes of any conversion between an amount quoted in RMB or US$ that is referred to in either the Convertible Bonds, the Tetrad Bond Agreement or the Henda Bond Agreement shall be RMB8.27 = US$1.00.

Pursuant to the supplemental agreement to each of the Tetrad Bond Agreement and the Henda Bond Agreement dated as of December 29, 2005, the agreed exchange rates for any conversion between an amount quoted in RMB and HK$ and between an amount quoted in US$ and HK$ shall be RMB1.06 = HK$1 and US$1 = HK$7.8 respectively for the purpose of the Tetrad Bond Agreement and the Tetrad Bond and the Henda Bond Agreement and the Henda Bond respectively, and HK$ shall be the default currency for the purposes of determining the conversion price and the number of Shares to be issued upon conversion of the Convertible Bond and all amounts denominated in RMB or US$ shall be converted into HK$ at the agreed exchange rates for such purposes. In particular, the 2004 IFRS Audited Net Profits shall be converted from RMB to HK$ and the principal amount of the Convertible Bond shall be converted from US$ to HK$ at the agreed exchange rates for such purposes.

Undertakings

The Tetrad Bond Agreement, the Henda Bond Agreement and the GSSIA Side Agreement provide that each of the Five Parties and Tetrad, Henda and GSSIA, respectively, undertakes to co-operate with each other and use their respective best commercial endeavors to seek a listing of the Shares on the Stock Exchange as soon as practicable, subject to market conditions prevailing from time to time. This undertaking shall be deemed to have been fully performed and shall cease to have any effect upon the submission of the relevant application for Listing to the Stock Exchange. The Five Parties and Tetrad, Henda and GSSIA, respectively, undertake to co-operate and assist in responding to any queries of the Stock Exchange to complete the listing process after submission of the said application for Listing.

In addition, each of the Five Parties has separately undertaken to each of Tetrad, Henda and GSSIA:

(a) not to sell, transfer or otherwise dispose of his Shares prior to the Listing Date and prior to the expiry of six months after the Listing Date; and

(b) not to sell more than 10% of his Shares held by him as of the Listing Date within one year from the Listing Date.

As such, each of the Five Parties has effectively undertaken not to sell, transfer or otherwise dispose of his Shares prior to the Listing Date and prior to the expiry of six months after the Listing Date. Each of Tetrad, Henda and GSSIA has agreed and consented to the sale of the relevant number of Sale Shares by the Five BVI Companies under the Over-allotment Option.

Each of the Five Parties has further undertaken to each of Tetrad, Henda and GSSIA not to sell Shares which in aggregate will constitute more than 30% of the total number of Shares held by them after the Listing for so long as not less than 80% of the principal sum of the Convertible Bonds remains outstanding.

Win Wide has separately undertaken to each of Tetrad, Henda and GSSIA:

(a) not to sell, transfer or otherwise dispose of its Shares prior to the Listing Date and prior to the expiry of six months after the Listing Date;

(b) not to sell more than 10% of the Shares held by it as of the Listing Date within one year from the Listing Date; and

(c) not to sell, transfer or otherwise dispose of its Shares prior to the Listing Date to any company or person who is directly or which can reasonably be construed as indirectly competing with our business in the PRC and other places where Jiangsu Xingda carries on its business from time to time,

for so long as not less than 80% of the principal sum of the Convertible Bonds remains outstanding.

Surfmax-Estar Fund A has separately undertaken to each of Tetrad, Henda and GSSIA:

(a) not to sell, transfer or otherwise dispose of its Shares prior to the Listing Date and prior to the expiry of six months after the Listing Date;

(b) not to sell more than 10% of the Shares held by it as of the Listing Date within one year from the Listing Date with Shares sold by it under the Over-allotment Option included in this 10% limit; and

(c) not to sell, transfer or otherwise dispose of its Shares prior to the Listing Date to any company or person who is directly or which can reasonably be construed as indirectly competing with our business in the PRC and other places where Jiangsu Xingda carries on its business from time to time.

As such, each of Surfmax-Estar Fund A and Win Wide has effectively undertaken not to sell, transfer or otherwise dispose of any of its Shares prior to the expiry of six months after the Listing Date. Each of Tetrad, Henda and GSSIA has agreed and consented to the sale of the relevant number of Sale Shares by Surfmax-Estar Fund A under the Over-allotment Option and the stock borrowing arrangements as described in this prospectus.

GSSIA has separately undertaken to each of Tetrad and Win Wide:

(i) not to sell, transfer or otherwise dispose of any of the shares in the capital of our Company acquired form Win Wide under the GSSIA Transfer Agreement (including all interests in the share capital of our Company deriving form such Shares) prior to the Listing Date; and

(ii) not to convert the whole or any part of the GSSIA Bond prior to the date falling on the expiry of six months from the Listing Date.

For details of the undertakings given by the Five Parties, the Five BVI Companies, Surfmax-Estar Fund A, Win Wide and GSSIA to the Company, the Global Coordinator, the Hong Kong Underwriters and/or the Stock Exchange (as the case may be), please refer to the paragraph headed “Undertakings” in the section headed “Underwriting” in this prospectus.

Pursuant to an undertaking dated January 13, 2006, each of the Five Parties, Surfmax-Estar Fund A, Win Wide and Tetrad has irrevocably, unconditionally and severally undertaken to each other and to our Company that, in the event that Tetrad shall exercise the conversion rights attached to the Tetrad Bond and as a result of such exercise our Company will not have the minimum public float as may be required under the Listing Rules from time to time:

(a) each of Five Parties shall procure the disposal of, and Win Wide shall dispose of, such number of Shares to the public on a pro rata basis (based on the number of Shares held by each of them as of the date the conversion notice is served by Tetrad in respect of such exercise) on or prior to the date on which Shares are issued and allotted pursuant to such exercise to enable our Company to maintain the minimum public float;

(b) Surfmax-Estar Fund A shall dispose to the public within 15 business days from the date of issue of such Shares such percentage of Shares held by it as of the date of notice which percentage shall be the same as the percentage of Shares disposed of by each of Five Parties and Win Wide bears to the number of Shares held by it as of the date of notice; and

(c) Tetrad shall dispose or procure its associates or such person(s) to whom Shares are issued and allotted pursuant to the exercise by Tetrad of the conversion rights attached to the Tetrad Bond (together with Tetrad, the "Tetrad Group") to dispose to the public within 15 business days from the date of issue of such Shares such percentage of Shares held by the Tetrad Group immediately after the issue and allotment of Shares to it pursuant to such exercise which percentage shall be the same as such disposal percentage.

Tetrad has irrevocably and unconditionally undertaken to each of the Five Parties, Surfmax-Estar Fund A, Win Wide and our Company that Tetrad shall not exercise any conversion rights if as a result of such exercise, any of Five Parties, Win Wide or Surfmax-Estar Fund A shall dispose of or procure the disposal of Shares pursuant to the undertaking above but will be prohibited from doing so under the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules and/or Part XIII and/or Part XIV of the SFO at any time during the relevant periods.

In the event that Tetrad purports to exercise the conversion rights but is prohibited under the undertaking from doing so, and a dividend is declared by our Company to which Tetrad would otherwise be entitled had it been able to exercise such conversion rights, Tetrad shall give a written notice of such purported exercise to our Company within the relevant restricted period and our Company shall within 15 business days of the date of payment of the relevant dividend pay to Tetrad a one-off special interest which shall represent:

(a) the amount of dividend that would have been paid on such Shares, being the difference between the number of Shares issuable upon such purported exercise of the conversion rights and the maximum number of Shares issuable upon the exercise of the conversion rights to the extent that our Company is able to maintain the minimum public float, less

(b) the amount of interest accrued on the Tetrad Bond for the period from the date of the written notice given by Tetrad to our Company up to the date of payment of the relevant dividend.

The nature of one-off special interest payable pursuant to the undertaking mentioned above is a kind of contractual payment payable by our Company to Tetrad calculated by reference to the amount of dividend which Tetrad would otherwise have been entitled to had the conversion been duly completed.

CONTROLLING SHAREHOLDER

In view of the arrangements under the Five Parties' Agreement, the Five Parties and the Five BVI Companies, as a group of persons entitled to exercise 30% or more of voting rights at general meetings of our Company, are together regarded as a controlling shareholder. Further details in relation to the Five Parties' Agreement are set out in sub-paragraph (c) in the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization".

The Five BVI Companies are owned as to 100% by the Five Parties, as trustees for the benefit of the 98 Owners (including themselves) and Mr. Wu subject to the terms of the Five Parties' Agreement. Mr. Liu Xiang is Chairman Liu's son and Mr. Hang is Chairman Liu's son-in-law.

Immediately following the completion of the Global Offering, the Five BVI Companies will together own approximately 49.70% of the total issued share capital of our Company (assuming that the Over-allotment Option is not exercised and no conversion of the Convertible Bonds has taken place), or approximately 46.35% of the total issued share capital of our Company (assuming that the Over-allotment Option is exercised in full and no conversion of the Convertible Bonds has taken place).

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

The Directors consider that we are capable of operating our radial tire cords business independently of the controlling shareholder (including its associate) after the Listing for the following reasons:

Operational independence

- *Procurement of raw materials* — All of the raw materials required by us for producing radial tire cords are sourced independently from domestic and international suppliers. None of the controlling shareholder(s) or other Shareholders or their respective associates is a supplier of ours.

- *Production* — We own all of our production facilities located in Dainan, Jiangsu province and run our production operation independently. In addition, we have our own research and development capacity.

- *Sales* — We have established our own sales channels in the PRC as well as in the overseas market and are able to distribute our products independently. None of the controlling shareholder(s) or other Shareholders or their respective associates is a customer of ours.

Financial independence

The Directors are of the opinion that we are financially independent of the controlling shareholder. We have established our own credit facilities with the banks. As of the Latest Practicable Date, we had no outstanding loans due to, and no outstanding guarantees given by, the controlling shareholder or other Shareholders or their respective associates.

Management independence

Four of the total of 12 Directors, namely Chairman Liu, Mr. Liu Xiang, Mr. Tao and Mr. Zhang, are, by virtue of the Five Parties' Agreement, together with Mr. Hang and the Five BVI Companies, collectively a controlling shareholder. As the remaining eight Directors constitute a majority of the Board and the senior management of our Company is also independent from the controlling shareholder and its associate, the Directors are of the opinion that we are capable of maintaining management independence from the controlling shareholder and its associates after the Listing.

DEED OF NON-COMPETITION ENTERED INTO BY THE CONTROLLING SHAREHOLDER

On December 4, 2006, (i) the Five Parties and the Five BVI Companies, together as a controlling shareholder, (ii) the Directors and (iii) the 98 Owners (not being controlling shareholders) (the "Covenantors"), as covenantors, entered into a deed of non-competition in favor of our Company, pursuant to which each of the Covenantors has undertaken to our Company (for itself and for the benefit of its subsidiaries) to procure that it/he would not, and would procure that its/his associates would not, either on its/his own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward or otherwise) 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 our business, including without limitation to the manufacture and/or distribution of radial tire cords and/or bead wires, those other businesses of ours as set out in this prospectus and businesses ancillary to any of the foregoing, in each case, as more particularly described or contemplated in this prospectus in Hong Kong, the PRC and any other country or jurisdiction in which any member of ours carries on business mentioned above from time to time and which, for the avoidance of doubt, does not include the business of generation and supply of steam and/or electricity ("Restricted Activities"), subject to the following exceptions:

(a) any of the Covenantors and/or its/his associates would be entitled to invest, participate and be engaged in any Restricted Activities, regardless of value, which has been offered or made available to us, provided always that information about the principal terms thereof has been disclosed to our Company and our Company has, after review and approval by its Directors, confirmed that it does not wish to be involved or engaged, or to participate, in the relevant Restricted Activities and provided also that the principal terms on which that Covenantor (or its/his relevant associate(s)) invests, participates or engages in the Restricted Activities are substantially the same as or not more favorable than those disclosed to our Company and that such decision will be announced by our Company; and

(b) the non-competition undertaking does not apply in respect of the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activities, provided that, in the case of such shares or securities, they are listed on a stock exchange and the total number of the shares or securities held by the Covenantors and their associates or in which they are together interested does not amount to more than 10% of the issued shares of that class of the company in question, provided that the Covenantors and their respective associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares or securities holding (together, where appropriate, with its associates) a larger percentage of the shares or securities in question than the Covenantors and their respective associates together hold.

Mr. Liu Xiang, TIAC, together with three previous employees of Jiangsu Xingda established 興化市興達熱電有限公司 (Xinghua Municipality Xingda Thermo Power Company Limited), ("Xinghua Thermo Power") on August 4, 2005 with 16%, 30% and 54% (representing the aggregate interests held by the three employees of Jiangsu Xingda) equity interests, respectively. The directors of Xinghua Thermo Power are Mr. Liu Xiang, Mr. Hu Yuqian (胡玉乾) and Mr. Tao. The approved business scope of Xinghua Thermo Power comprises the operation of thermo-electric power plants in the PRC. It is intended that Xinghua Thermo Power will build and operate a thermo-electric power plant in Dainan Town, Jiangsu province, the PRC for commercial sale of electricity for profits. If constructed, the Xinghua Thermo Power power plant would supply electric power to the grid for Eastern China (華東). It is expected that the plant would also generate steam. Our current and anticipated future needs for steam are satisfied by our new power plant but we may wish to buy steam in the future from Xinghua Thermo Power. There are no current discussions or arrangements to do so. As of the Latest Practicable Date, Xinghua Thermo Power did not have any operation yet.

The Directors confirm that they have not engaged in, nor have any interest in, any business which competes or is likely to compete with our business, and the Directors are not aware of the controlling shareholder of our Company (being the Five Parties and the Five BVI Companies) or any of the 98 Owners having any interests in any business which competes or is likely to compete with our business.

The Covenantors confirm that none of the Covenantors and their respective associates is engaged in the Restricted Activities otherwise than through us.

For the purposes of enhancing its corporate governance practices and improving its transparency, our Company plans to adopt and implement the following measures after the Listing:

(a) compliance with the Listing Rules in respect of matters and circumstances requiring approval of shareholders of our Company;

(b) the independent non-executive Directors would review, on an annual basis, the options, pre-emptive rights or first rights of refusals provided by any controlling shareholder and the compliance of the non-competition undertaking by each controlling shareholder on its existing or future competing businesses, and decide whether to exercise these rights;

(c) each controlling shareholder would undertake to our Company to provide all information necessary for the annual review by the Directors and the enforcement of the non-competition undertaking;

(d) our Company would undertake to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking either through the annual report or by way of announcements to the public; and

(e) each controlling shareholder would make an annual declaration on compliance with the non-competition undertaking in the annual report of our Company. Disclosure on how the non-competition undertaking is complied with and enforced should be consistent with the principles of making voluntary disclosures in the Corporate Governance Report of our Company to be issued in accordance with Appendix 23 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As far as the Directors are aware, the following persons will, immediately following completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be taken up under the Global Offering and assuming the Over-allotment Option is not exercised and no conversion of the Convertible Bonds has taken place), be substantial shareholders (as defined in the Listing Rules) of our Company:

Name	Number of Shares	Voting power
Great Trade	270,000,000	21.00%
In-Plus	153,000,000	11.90%
Chairman Liu[(1)]	270,000,000	21.00%
Mr. Liu Xiang[(1)]	153,000,000	11.90%
Surfmax-Estar Fund A	222,210,000	17.28%
Surfmax Corporation[(2)]	222,210,000	17.28%
Mr. Lu[(2)]	222,210,000	17.28%

Notes:

(1) Great Trade and In-Plus are owned as to 100% by Chairman Liu and Mr. Liu Xiang respectively for and on behalf of the 98 Owners (including themselves) and Mr. Wu subject to the terms of the Five Parties' Agreement.

(2) Surfmax Corporation is the member manager of Surfmax-Estar Fund A. Surfmax Corporation is wholly owned by Mr. Lu.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following completion of the Global Offering (without taking into account Shares which may be taken up under the Global Offering and assuming the Over-allotment Option is not exercised and no conversion of the Convertible Bonds has taken place), be a substantial shareholder (as defined in the Listing Rules) of our Company.

EXECUTIVE DIRECTORS

Mr. LIU Jinlan (劉錦蘭), aged 56, has been a Director and the chairman of the Board since April 2005 and was in August 2005 designated as an executive Director. He is also a director of Faith Maple since June 16, 2004 and Xingda International (Shanghai) since September 18, 2006. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, since May 1994 and has been a director of Jiangsu Xingda since its establishment in 1998. Chairman Liu was recognized as 中國橡膠工業科學發展帶頭人 (Leader in Technology Development in China Rubber Industry*) by the CRIA in April 2005 and was awarded 科技進步獎一等獎 (the Technology Improvement Award (First Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by 中國石油和化學工業協會 (China Petroleum and Chemical Industry Association*) in December 2003 and 全國五一勞動節獎章 (the National 1 May Labor medal*) by 中華全國總工會 (All China Federation of Trade Unions*) in April 2003. He is a senior engineer. Chairman Liu has more than 10 years of experience in the radial tire cord manufacturing industry. He is Mr. Liu Xiang's father.

Mr. LIU Xiang (劉祥), aged 30, has been an executive Director since August 2005. He is also a director of Xingda International (Shanghai) since September 18, 2006. He has been the general manager and a director of Jiangsu Xingda since January 2003 and is responsible for the overall operation of Jiangsu Xingda with a particular focus on production. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in late 1995 and served in the supply and marketing department. Mr. Liu Xiang obtained a bachelor degree in computer science and technology from 西安通信學院 (Xi'an Tongxin Xueyuan*) of 中國人民解放軍 (the People's Liberation Army*) in 2004. He is studying for a master's degree in business administration in Fudan University. Mr. Liu Xiang has approximately 10 years of experience in the radial tire cord manufacturing industry. He is Chairman Liu's son.

Mr. TAO Jinxiang (陶進祥), aged 44, has been an executive Director since August 2005. He is also a director of Xingda International (Shanghai) since September 18, 2006. He joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994, and since the establishment of Jiangsu Xingda in 1998, he has been a vice president and director of the sales and marketing department of Jiangsu Xingda with the overall responsibility of formulating sales and marketing plans. He attended senior sales and marketing executives training classes organized by 職業經理訓練中心 (Executives Training Centre*) of Tsinghua University and obtained a certificate in May 2004. Mr. Tao has more than 10 years of experience in the radial tire cord manufacturing industry.

Mr. WU Xinghua (吳興華), aged 43, has been an executive Director since August 2005. He is also a director of Xingda International (Shanghai) since September 18, 2006. He joined Jiangsu Xingda in July 2005 and is currently a vice president, responsible for investment and capital market activities. Between October 1997 and June 2005, he had served in various positions in China International Capital Corporation Limited in Beijing and was responsible for development of mutual fund and asset management business and execution of merger and acquisition transactions. Before that, Mr. Wu had worked for China Construction Bank ("CCB"). He obtained a license to practice in the general securities business in the PRC from 中國證券業協會 (The Securities Association of China*) in December 2001. Mr. Wu was awarded a British Chevening Scholarship to study for a master's in business administration at Imperial College of Science and Technology from 1995 to 1996. He graduated from Imperial College of Science, Technology and Medicine, University of London, with a master of business administration degree in November 1996. Mr. Wu graduated from 中國科學院地理研究所 (the Geography Institute of the Chinese Academy of Sciences*) with a master's degree in sciences in September 1987. Mr. Wu has more than 8 years of experience in investment banking and capital markets activities.

Mr. CAO Junyong (曹俊勇), aged 44, has been an executive Director since August 2005. He is also a director of Xingda International (Shanghai) since September 18, 2006. He joined Jiangsu Xingda in July 2005 and is currently a vice president. He is responsible for procurement. Mr. Cao joined CCB in July 1987 and had served in various positions in different branches. Mr. Cao was the branch manager of a branch of CCB in Nanjing between December 2004 and July 2005 and the deputy general manager of the Business Division of the Jiangsu branch of CCB between January 2001 and December 2004. He was also the deputy branch manager and then branch manager of the Taizhou branch of CCB from December 1997 to September 1998, and then from September 1998 to January 2001, respectively. Mr. Cao graduated from 中國人民大學 (Renmin University of China*) with a bachelor's degree in economics in 1987. He is studying in a postgraduate program in agricultural economics management in 南京農業大學 (Nanjing Agricultural University*). Mr. Cao is a registered accountant (non-practicing member). Mr. Cao has more than 18 years of experience in the banking industry.

Mr. ZHANG Yuxiao (張宇曉), aged 36, has been an executive Director, the Vice President and Chief Financial Officer of our Company since August 2005. He is also a director of Xingda International (Shanghai) since September 18, 2006. He joined Jiangsu Xingda in January 2000 and has been a vice president of Jiangsu Xingda since then. He is responsible for accounting and finance and international market development. From 1995 to 2000, he was the vice president of Clemente Capital (Asia) Limited and was responsible for investment management. Mr. Zhang obtained a bachelor's degree in sciences from Fudan University in July 1991. Mr. Zhang has more than 5 years of experience in the radial tire cord manufacturing industry.

NON-EXECUTIVE DIRECTORS

Mr. LU Guangming George (魯光明), aged 42, is a non-executive Director and the non-executive Vice Chairman of the Board. He is also a director of Faith Maple since June 16, 2004. Mr. Lu was first appointed as a Director and the non-executive Vice Chairman of our Company in April 2005 and was in August 2005 designated as a non-executive Director. He founded Surfmax Corporation, a private investment firm incorporated in the State of Illinois, the United States, in 1997 and has been principally involved in private equity investments in the United States and the PRC. Surfmax Corporation is the member manager of Surfmax-Estar Fund A, which is a Shareholder. Mr. Lu was nominated to serve on the Board to represent Surfmax-Estar Fund A. Mr. Lu has more than 8 years of experience in private equity investments.

Ms. WU Xiaohui (鄔小蕙), aged 45, has been a non-executive Director since August 2005. Ms. Wu has been the Chief Financial Officer of China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO") since February 2002 and has also been the general manager of the COFCO Financial Business Centre since October 2004. She joined COFCO in August 1986 and had served in various positions. She was the director of the Finance Department of COFCO from July 2000 to February 2002. She has been a director of 中信証券有限公司 (CITIC Securities Brokerage Limited*) (a company listed on the Shanghai Stock Exchange) since December 29, 1999. She graduated from 首都經貿大學 (the Capital University of Economics and Business*) with a master's degree in economics in July 2002 and from 中國人民大學一分校 (The First Branch Campus of Renmin University of China*) with a bachelor's degree in economics in July 1986. Ms. Wu has almost 20 years of experience in finance. She has been nominated to serve on the Board to represent Surfmax-Estar Fund A.

Mr. ZHOU Mingchen (周明臣), aged 65, has been a non-executive Director since August 2005. Mr. Zhou was the chairman of COFCO and COFCO (Hong Kong) Limited, and a director of COFCO International Limited (a company listed on the Main Board) and Top Glory International Holdings Limited (a company previously listed on the Main Board). Mr. Zhou graduated from the University of International Business and Economics in Beijing and has more than 30 years of experience in international trade and management. He was also a vice-president of China National Metals & Minerals Import & Export Corporation and president of China National Instruments Import & Export Corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis (顧福身), aged 50, has been an independent non-executive Director since August 2005. He is a founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. He has over 10 years of experience in investment banking and professional accounting. He was the managing director and head of the corporate finance department of a major international bank and a director and chief executive officer of SilverNet Group Limited (now known as Enerchina Holdings Limited), a company listed on the Main Board. Mr. Koo currently acts as an independent non-executive director of Weichai Power Co. Ltd., Li Ning Company Limited, Good Friend International Holdings Inc. and Midland Holdings Limited, which are companies listed on the Main Board, and EVI Education Asia Limited, which is listed on the Growth Enterprise Market of the Stock Exchange. He is also a director of China Communications Construction Company Limited. He graduated with a bachelor's degree in business administration from the University of California at Berkeley in 1980 and is a certified public accountant in Hong Kong.

Mr. William John SHARP, aged 65, has been an independent non-executive Director since August 2005. He is a director of Ferro Corporation, a manufacturer of performance materials listed on the New York Stock Exchange. He joined The Goodyear Tire & Rubber Company in 1964 and was the President of its North American Tire group between 1999 and 2000. Prior to that, he was the President of its Global Support Operations between 1996 and 1999, and the President of Goodyear Europe and head of Goodyear's World-wide operations. Mr. Sharp graduated with a bachelor's degree of science, majoring in industrial engineering, from The Ohio State University in 1963 and has more than 40 years of experience in the tire manufacturing industry.

Ms. XU Chunhua (許春華), aged 63, has been an independent non-executive Director since August 2005. She has served in various positions in Beijing Research and Design Institute of Rubber Industry since 1965. She was the deputy dean in charge of technology research and development between 1995 and 2003. She was also the person in charge of the "高速、低滾動阻力子午線輪胎系列產品生產技術開發" (Development of Production Techniques for Radial Tyre Products of High Speed and Low Rolling Resistance*) project, one of the "九五" 國家重點科技攻關項目 (Key Technologies Research and Development Program for the Ninth "Five-Year Plan"*) in 1995. Ms. Xu has been the deputy chairman of the CRIA since 2004. She is a director of 青島高校軟控股份有限公司 (Qingdao Mesnac Co., Ltd.*), a company listed on the Small & Medium Enterprise Board of the Shenzhen Stock Exchange. She has been the head of 骨架材料專業委員會 (the skeleton materials committee*) and 橡膠助劑專業委員會 (the rubber chemicals committee*) since 2002 and 2001, respectively. She completed her studies in the macromolecular curriculum of the chemistry faculty of Fudan University in 1965 and has more than 40 years of experience in technology research relating to rubber chemicals.

CORPORATE MANAGEMENT TEAM

Mr. JIANG Riqin (蔣日勤), aged 41, is the manager of the technical center of Jiangsu Xingda and has been in that position since August 2001. Mr. Jiang was the head of the technical division of factory no. 1 of Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, since May 1994 until March 2000. Between March 2000 and August 2001, he was a factory manager of Jiangsu Xingda. He was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class)*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires by the State Council in 2005. Mr. Jiang had also participated in the revision of 國家標準 GB11181《子午線輪胎用鋼帘線》(the national standard for radial tire cords for radial tires GB11181*), which was implemented in August 2003. He graduated from 中國紡織大學 (China Textile University*) with a bachelor's degree in engineering in 1987. Mr. Jiang has more than 10 years of experience in the radial tire cord manufacturing industry.

Mr. HU Yuqian (胡玉乾), aged 42, has been the deputy general manager of Jiangsu Xingda since 2004 and is responsible for the management of production in the factories. Mr. Hu joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994 and was a factory manager of Xingda Steel Tyre Cord Group. Since the establishment of Jiangsu Xingda in 1998 until 2004, Mr. Hu was a factory manager of Jiangsu Xingda. He studied electrical engineering in 安慶師範學院 (Anqing Teachers College*) and graduated in July 1987. Mr. Hu has more than 10 years of experience in the radial tire cord manufacturing industry.

Mr. HU Ziming (胡自明), aged 43, is the deputy chief engineer of Jiangsu Xingda and has been in that position since the establishment of Jiangsu Xingda in 1998. Mr. Hu joined Xingda Steel Tyre Cord Group, the predecessor of Jiangsu Xingda, in May 1994 and was the head of the engineering department. He studied in 湖南湘鋼職大 (Hunan Xianggang Vocational University*) between September 1986 and June 1989, majoring in metal goods. He was awarded 國家科學技術進步獎二等獎 (the State Science and Technology Improvement Award (Second Class*) in respect of development of production technology for high-performance (new structures) radial tire cords for use in radial tires

* *denotes English translation of Chinese name*

by the State Council in 2005. Mr. Hu had also participated in the revision of 國家標準 GB11181《子午線輪胎用鋼簾線》(the national standard for radial tire cords for radial tires GB11181*), which was implemented in August 2003. He has more than 10 years of experience in the radial tire cord manufacturing industry.

Mr. TSE Shiu Wah (謝紹華), aged 31, is the qualified accountant and company secretary of our Company. Mr. Tse joined us in September 2005 as a member of the senior management of our Company. He has more than 7 years of experience in finance, accounting and auditing, including experience as the qualified accountant of Rivera (Holdings) Limited, a company whose shares are listed on the Main Board. Mr. Tse also worked with Deloitte Touche Tohmatsu, an international accounting firm, from April 2000 to April 2002 and in another local accounting firm in Hong Kong between July 1998 and March 2000, before joining us. He has been an associate of the Hong Kong Institute of Certified Public Accountants since January 1, 2004 and a member of The Association of Chartered Certified Accountants since November 15, 2001. Mr. Tse graduated from The Hong Kong Polytechnic University with the degree of Bachelor of Arts in Accountancy in 1998.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong including that normally at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since our principal business operation and our production facilities are primarily located in the PRC, our Company does not and, for the foreseeable future, will not have a management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules. Our Company has made internal arrangements to maintain effective communication with the Stock Exchange. Mr. Zhang, an executive Director, and Mr. Tse Shiu Wah, the company secretary and qualified accountant of our Company who is ordinarily resident in Hong Kong, have been appointed as the authorized representatives of our Company under Rule 3.05 of the Listing Rules, and will be the principal communication channel between our Company and the Stock Exchange and each of whom will be contactable by the Stock Exchange through mobile phone or other means of communication. Both authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters, and will be available to meet the Stock Exchange by reasonable prior notice. Our Company has implemented a policy whereby (i) each executive Director will provide his/her mobile phone numbers, residential phone numbers, fax numbers and email address to the authorized representatives; (ii) each executive Director will provide valid phone numbers or communication means to the authorized representatives when he/she travels; and (iii) each executive Director will provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email address to the Stock Exchange. Our Company will also appoint a compliance advisor pursuant to Rule 3A.19 of the Listing Rules. As a result, such arrangements can ensure that all members of the Board can be promptly informed of any matters and can maintain effective communications with the Stock Exchange.

STAFF

As of December 31, 2005, we had a total of 4,959 full-time employees and as of August 31, 2006, we had a total of 5,337 full-time employees, most of whom were based in the PRC. The following table shows a breakdown of our employees by functions as of August 31, 2006.

	Number of employees
Production	4,800
Research & development	253
Sales & Marketing	36
General management, administration and supporting staffs	129
Information Technology	10
Accounting and finance	109
Total	**5,337**

OUR RELATIONSHIP WITH STAFF

We recognize the importance of good relationships with the employees. The remuneration payable to employees includes salaries and bonuses. We continue to provide training for our staff to enhance technical and product knowledge as well as knowledge of industry quality standards.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that we have a good working relationship with our employees.

WELFARE BENEFITS

We provide various kinds of welfare benefits to our employees through Xingda Labour Union. Each year, Jiangsu Xingda contributes 2% of the annual staff salary of Jiangsu Xingda to Xingda Labour Union to support our operation ("Union Fee"). The Union Fee, together with funding obtained by Xingda Labour Union from other sources are utilized by Xingda Labour Union to provide different welfare benefits and services to our employees, including provision of staff quarters which are available for sale to our employees.

During the Track Record Period, the amount of Union Fee contributed by Jiangsu Xingda to Xingda Labour Union amounted to RMB1.3 million, RMB2.0 million, RMB2.7 million and RMB1.3 million, respectively.

MANDATORY WELFARE CONTRIBUTION

On January 14, 1999, the State Council of PRC promulgated《社會保險費徵繳暫行條例》(the Provisional Regulations for Collection of Social Funds) (the "Social Insurance Regulations").

Pursuant to the Social Insurance Regulations, we have made contributions to pension funds, medical insurance, work-related injury insurance and unemployment insurance (collectively, "Social Insurance Funds") for our employees. All our companies have obtained confirmations from local labor bureaus, who are responsible for implementing the relevant national and local labor laws and regulations, that they had made all requisite Social Insurance Funds prior to the issuance of the confirmations, which are in compliance with the requirements of the local laws and regulations.

Our full-time employees are covered by a state-managed defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. We are required to make annual contributions to the retirement plan at a rate of 22% of approximately 80% of the average employees' salaries in the Xinghua Municipality, which are charged to operations as an expense when the contributions are due. Under the scheme, no forfeited contributions are available to reduce our existing level of contributions.

Our Company has been advised by its PRC legal advisors that the above arrangements are in compliance with all relevant laws and regulations and that, save as disclosed above, we are not required under any PRC laws and regulations to provide any other staff welfare schemes.

AUDIT COMMITTEE

Our Company established an audit committee pursuant to a resolution of the Directors passed on August 23, 2005 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the audit committee is to review our financial reporting process. The audit committee consists of three Directors, namely Mr. William John Sharp, Mr. Koo Fook Sun, Louis and Ms. Xu Chunhua. The chairman of the audit committee is Mr. Koo Fook Sun, Louis.

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

Our Company established a remuneration committee pursuant to a resolution of the Directors passed on August 23, 2005 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, which was then re-designated as a remuneration and management development committee pursuant to a resolution of the Directors passed on September 30, 2005. The primary duty of the remuneration and management development committee is to evaluate the performance and make recommendations on the remuneration package of the Directors and senior management, and evaluate and make recommendations on any share option schemes that may be adopted by our Company from time to time. The remuneration and management development committee consists of two Directors, namely Mr. William John Sharp and Mr. Koo Fook Sun, Louis. The chairman of the remuneration and management development committee is Mr. William John Sharp.

NOMINATION COMMITTEE

Our Company established a nomination committee pursuant to a resolution of the Directors passed on August 23, 2005 in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the nomination committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee consists of three Directors, namely Chairman Liu, Mr. Lu and Mr. Zhou Mingchen. The chairman of the nomination committee is Mr. Zhou Mingchen.

MANUFACTURING AND OPERATIONS COMMITTEE

Our Company established a manufacturing and operations committee (with a manufacturing sub-committee and an operations sub-committee) pursuant to a resolution of the Directors passed on September 30, 2005. The principal functions and responsibilities of the manufacturing and operations committee and the respective sub-committees are to consider, approve and oversee our day-to-day manufacturing and operations related strategic development and allocations of resources and make recommendations on new initiatives to the Board for approval. The manufacturing and operations committee consists of five Directors, namely Chairman Liu, Mr. Liu Xiang, Mr. Lu, Mr. Tao and Mr. Cao Junyong. The chairman of the manufacturing and operations committee is Chairman Liu.

INVESTMENT AND INTERNATIONAL DEVELOPMENT COMMITTEE

Our Company established an investment and international development committee pursuant to a resolution of the Directors passed on September 30, 2005. The principal functions and responsibilities of the investment and international development committee are to consider, approve and oversee our international market development and investment related initiatives and allocations of resources, and make recommendations on new development initiatives to the Board for approval. The investment and international development committee consists of Chairman Liu, Mr. Lu, Mr. Zhang, Mr. Wu and Mr. Tao. The chairman of the investment and international development committee is Mr. Lu.

EXECUTIVE COMMITTEE

Our Company established an executive committee pursuant to a resolution of the Directors passed on September 30, 2005. The principal functions and responsibilities of the executive committee are to determine, approve and oversee the day-to-day control over the allocation of our resources. The executive committee consists of Chairman Liu, Mr. Zhang, Mr. Lu and Mr. Cao Junyong. The chairman of the executive committee is Mr. Zhang.

COMPLIANCE ADVISOR

Our Company has appointed DBS Asia Capital Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchase;

(3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

In each of the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, the total remuneration of the Directors was approximately RMB41.9 million, RMB19.1 million, RMB13.1 million and RMB15.0 million, respectively, of which the discretionary bonuses paid/payable to the Directors were approximately RMB40.4 million, RMB17.3 million, RMB10.0 million and RMB4.1 million for the same period, respectively.

In each of the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, the total remuneration of the key management personnel, excluding all directors was approximately RMB6.7 million, RMB4.4 million, RMB3.5 million and RMB1.3 million, respectively. The aggregate remuneration payable to the Directors for the year ended December 31, 2006 is estimated to be approximately RMB17.9 million not taking into account any discretionary bonus which the Directors may be entitled.

Our five highest paid individuals during the Track Record Period included three Directors and two other senior management staff. The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including the contribution to the pension scheme made by us on behalf of these other two senior management staff) or any bonuses paid by us to these other two senior management staff during the Track Record Period was approximately RMB6.8 million, RMB6.2 million, RMB4.2 million and RMB1.3 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, the Directors or five highest paid individuals as an inducement to join or upon joining us. No compensation was paid by us to or receivable by the Directors, past Directors or five highest paid individuals for the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006 for the loss of any office in connection with the management of the affairs of any of our members. None of the Directors waived any emoluments for the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, by our Company or any of its subsidiaries to the Directors and the five highest paid individuals.

Further information about the service contracts and letters of appointment entered into between our Company and the Directors is set out in the paragraph headed "C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF — 1. Particulars of Directors' service agreements" in Appendix VI to this prospectus.

STAFF COSTS

As stated in the accountants' report set out in Appendix I to the prospectus, our staff costs (excluding Directors' and senior management's emoluments, which are set out in the paragraph headed "Directors' and Senior Management's Remuneration" above) in each of the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006 were approximately RMB60.3 million, RMB93.9 million, RMB140.4 million and RMB72.3 million, respectively.

The authorized and issued share capital of our Company is as follows:

Number of Shares comprised in the authorized share capital:

(Shares)	(HK$)
3,000,000,000	300,000,000

Assuming the rights to convert the Convertible Bonds are not exercised, our Company's issued share capital immediately following the Global Offering will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (Note 1):		(HK$)	Approximate percentage of issued share capital (%)
(Shares)			
780,000	Shares in issue at the date of this prospectus	78,000	0.06
899,220,000	Pursuant to the Capitalization Issue	89,922,000	69.93
	Shares to be issued under the Global Offering:		
347,400,000	— Under the International Offering (subject to adjustment)	34,740,000	27.01
38,600,000	— Under the Hong Kong Public Offering (subject to adjustment)	3,860,000	3.00
1,286,000,000	**Total**	128,600,000	100.00

Assuming the Over-allotment Option is exercised in full but without conversion of the Convertible Bonds, our Company's issued share capital immediately following the Global Offering will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering (Note 1):		(HK$)	Approximate percentage of issued share capital (%)
(Shares)			
780,000	Shares in issue at the date of this prospectus *(Note 2)*	78,000	0.06
899,220,000	Pursuant to the Capitalization Issue *(Note 2)*	89,922,000	69.93
	Shares to be issued under the Global Offering:		
347,400,000	— Under the International Offering (subject to adjustment)	34,740,000	27.01
38,600,000	— Under the Hong Kong Public Offering (subject to adjustment)	3,860,000	3.00
1,286,000,000	**Total**	128,600,000	100.00

Assuming the Over-allotment Option and the right to convert the Convertible Bonds are exercised in full, our Company's issued share capital immediately following the full conversion of the Convertible Bonds will be as follows:

			Approximate percentage of issued share capital
Issued and to be issued, fully paid or credited as fully paid upon full conversion of the Convertible Bonds (Note 1):		**(HK$)**	**(%)**
(Shares)			
780,000	Shares in issue at the date of this prospectus *(Note 2)*	78,000	0.05
899,220,000	Pursuant to the Capitalization Issue *(Note 2)*	89,922,000	59.42
	Shares to be issued and/or offered under the Global Offering:		
347,400,000	— Under the International Offering (subject to adjustment)	34,740,000	22.96
38,600,000	— Under the Hong Kong Public Offering (subject to adjustment)	3,860,000	2.55
227,257,330	Shares to be issued upon full conversion of the Convertible Bonds	22,725,733	15.02
1,513,257,330	**Total**	151,325,733	100.00

Note 1: The Shares referred to in the above tables have been or will be fully paid or credited as fully paid when issued.

Note 2: Of the 780,000 Shares in issue at the date of this prospectus and the 899,220,000 Shares to be issued pursuant to the Capitalization Issue, an aggregate of up to 57,900,000 Sale Shares will be offered by the Selling Shareholders pursuant to the Over-allotment Option, representing 15% of the Shares initially being offered under the Global Offering.

Assumptions

The above tables assume that the Global Offering and the Capitalization Issue have become unconditional. It takes no account of Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and repurchase mandate as granted in the written resolutions of the Shareholders passed on December 3, 2006 (as set out in Appendix VI to this prospectus) and described below.

Ranking

The Offer Shares and the Conversion Shares will rank pari passu in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlement under the Capitalization Issue.

CSRC's approval

Based on our PRC counsel's oral communication with the CSRC, our PRC counsel has advised us that the Global Offering and the Listing are not subject to the CSRC's prior approval requirement under the new regulation.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of the Shareholders passed on December 3, 2006 and conditional (i) on the conditions set out in the paragraph headed "Conditions" under the section headed "Structure of the Global Offering" becoming unconditional and (ii) the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorized to capitalize and apply the amount of HK$89,922,000 (approximately RMB91,288,814) from the amount standing to the credit of the share premium account to pay up in full at par 899,220,000 Shares for allotment and issue to persons whose names appear on the register of members of our Company at the close of business on November 30, 2006 in proportion to their then respective shareholdings in our Company.

GENERAL MANDATE

The Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

(1) 20% of the total nominal value of the share capital of our Company in issue and to be issued as mentioned in this prospectus (excluding Shares that may be issued under the Over-allotment Option and Shares that may be issued upon conversion of the Convertible Bonds); and

(2) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the repurchase mandate mentioned below.

The Directors may, in addition to the Shares which they are authorized to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, scrip dividends or pursuant to the exercise of any options which may be granted under any share option schemes or similar arrangements.

This mandate will expire:

— at the conclusion of our Company's next annual general meeting; or

— upon the expiry of the period within which our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to hold its next annual general meeting; or

— when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of the general mandate, see the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 4. Written resolutions of the Shareholders passed on December 3, 2006" in Appendix VI to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue or to be issued as mentioned in this prospectus (excluding Shares that way be issued upon conversion of the Convertible Bonds).

This mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — Repurchase by our Company of our own securities" in Appendix VI to this prospectus.

This mandate will expire:

— at the conclusion of our Company's next annual general meeting; or

— upon the expiry of the period within which our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to hold its next annual general meeting; or

— when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further information about the repurchase mandate, see the section headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 4. Written resolutions of the Shareholders passed on December 3, 2006" in Appendix VI to this prospectus.

SUMMARY OF CONSOLIDATED FINANCIAL AND OPERATING DATA

Our summary consolidated financial data set forth below has been extracted or derived from our consolidated financial information as of December 31, 2003, 2004, 2005 and as of June 30, 2006, and for the years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2005 (unaudited) and 2006, all of which is set forth in the Accountants' Report included as Appendix 1 to this prospectus (the "Accountants' Report"). As more fully described in Appendix 1, the Accountants' Report was prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, including the United States.

Our consolidated statements of income included elsewhere in this prospectus and the related financial information included in this section present the results of operations of the companies comprising us as if the current group structure had been in existence and remained unchanged throughout the period from January 1, 2003 through June 30, 2006 (or since the date of such companies' incorporation where this is a shorter period).

Our consolidated balance sheets as of December 31, 2003, 2004, 2005, and as of June 30, 2006 have been prepared to present our assets and liabilities as if the current group structure had been in existence as of those dates. All significant intra-group transactions and balances have been eliminated on combination.

All financial data as of and for the six months ended June 30, 2005 are unaudited.

Investors should read these summary consolidated financial data together with Appendix I to this prospectus and the discussion under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations".

I. Summary Consolidated Income Statement

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB in thousands except otherwise stated)				
Revenue	962,789	1,683,179	2,357,420	1,094,109	1,155,339
Cost of sales	(481,265)	(1,020,143)	(1,648,118)	(768,261)	(819,920)
Gross profit	481,524	663,036	709,302	325,848	335,419
Other income	22,343	29,703	57,676	25,502	31,748
Government grants	27,611	57,010	46,649	10,688	1,990
Selling and distribution expenses	(33,933)	(50,412)	(84,324)	(33,542)	(40,815)
Administrative expenses	(107,243)	(112,608)	(143,478)	(56,292)	(63,490)
Profit from operations	390,302	586,729	585,825	272,204	264,852
Finance costs	(40,030)	(70,974)	(84,806)	(41,781)	(42,631)
Loss on fair value adjustment on the Convertible Bonds	—	—	(179,599)	(107,062)	(27,444)
Loss on dilution of interest in a subsidiary	—	—	(824)	(824)	—
Profit before tax	350,272	515,755	320,596	122,537	194,777
Income tax (charge) credit	(51,037)	(117,671)	1,526	2,464	(17)
Profit for the year/period	299,235	398,084	322,122	125,001	194,760
Profit attributable to:					
Equity holders of the Company	135,780	185,911	116,171	25,546	124,912
Minority shareholders	163,455	212,173	205,951	99,455	69,848
	299,235	398,084	322,122	125,001	194,760
Dividend attributable to:					
Equity holders of the Company	12,219	12,219	15,721	15,721	18,627
Minority shareholders	14,701	14,701	11,199	11,199	8,200
	26,920	26,920	26,920	26,920	26,827
Earnings per Share					
Basic (RMB fen)	21.25	28.52	12.91	2.84	13.88
Diluted (RMB fen)	N/A	N/A	12.91	2.84	12.99

II. Summary Consolidated Balance Sheet

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	835,041	1,123,351	1,670,780	1,776,561
Land use rights	71,778	77,593	120,185	119,063
Available-for-sale investments	500	500	500	500
Deposits paid for purchase of property, plant and equipment	70,880	31,930	1,843	311
Deposits paid for purchase of land use rights	4,550	—	—	—
	982,749	1,233,374	1,793,308	1,896,435
CURRENT ASSETS				
Land use rights	1,327	1,541	2,485	2,487
Inventories	118,071	147,659	303,058	271,224
Trade and other receivables	511,083	762,291	990,172	1,241,610
Amount due from a related company	—	—	—	350
Amounts due from shareholders/minority shareholders	155	8,628	958	958
Investments held for trading	2,020	—	—	—
Bank balances and cash	150,683	291,938	294,301	298,186
	783,339	1,212,057	1,590,974	1,814,815
TOTAL ASSETS	1,766,088	2,445,431	3,384,282	3,711,250
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	61,095	92,264	83	83
Reserves	211,272	244,899	642,064	748,349
	272,367	337,163	642,147	748,432
MINORITY INTERESTS	327,929	404,301	509,895	571,543
TOTAL EQUITY	600,296	741,464	1,152,042	1,319,975

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousand)			
NON-CURRENT LIABILITIES				
Bank borrowings – due after one year	125,000	60,000	30,000	250,000
Convertible Bonds	—	—	578,297	628,154
Deferred tax liabilities	4,159	4,159	—	—
Government grants	—	—	7,500	15,000
	129,159	64,159	615,797	893,154
CURRENT LIABILITIES				
Trade and other payables	376,858	349,725	437,794	405,134
Amounts due to directors	1,038	4,877	179	239
Amount due to a related company	—	3,127	15,000	31,000
Amount due to shareholders	—	272,528	48,408	32,781
Dividend payable	—	—	—	5,402
Tax payable	17,777	65,791	31,661	24,710
Bank borrowings – due within one year	640,960	943,760	1,077,560	992,510
Convertible Bonds	—	—	5,841	6,345
	1,036,633	1,639,808	1,616,443	1,498,121
TOTAL LIABILITIES	1,165,792	1,703,967	2,232,240	2,391,275
TOTAL EQUITY AND LIABILITIES	1,766,088	2,445,431	3,384,282	3,711,250
Net current (liabilities) assets	(253,294)	(427,751)	(25,469)	316,694
Total assets less current liabilities	729,455	805,623	1,767,839	2,213,129

Selected Cash Flow Statement data	Year ended December 31, 2003	2004	2005	Six months ended June 30, 2005	2006
				(unaudited)	
	(RMB in thousands)				
Net cash generated from (used in) operating activities	188,857	301,923	287,886	(52,346)	108,996
Net cash used in investing activities	(451,344)	(417,926)	(690,697)	(221,281)	(206,795)
Net cash generated from financing activities	320,085	257,258	405,174	305,894	101,684

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion and analysis in conjunction with our consolidated financial information as of December 31, 2003, 2004, 2005, and as of June 30, 2006 and for the years ended December 31, 2003, 2004, 2005, and for the six months ended June 30, 2005 (unaudited) and 2006, all of which is set forth in the Accountants' Report included as Appendix I to this prospectus. Except for the Accountants' Report, the remainder of the financial information presented in this section has been extracted or derived from our unaudited management accounts or other unaudited records. Investors should read the whole of the Accountants' Report and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such risks and uncertainties include, without limitation, those discussed in "Risk Factors", "Business" and elsewhere in this prospectus.

OVERVIEW

Our Company is a Cayman Islands incorporated holding company. We have an indirect 69.54% interest in Jiangsu Xingda, our operating company in the PRC. We manufacture and distribute in the PRC radial tire cords and bead wires, which are the principal skeleton materials of radial tires. Radial tire cords are cords made of flexible strands of copper-plated steel filaments that are positioned at a right angle to the center of the tread, thereby strengthening the supporting force of the walls of the radial tire. Bead wires are steel filaments that are plated with brass, bronze or copper and support the tire where it attaches to the rim of the wheel. Our headquarters and production base occupy an aggregate gross floor area of approximately 567,000 sq.m., and together with our thermo-electric power plants, are located in Xinghua Municipality, Jiangsu Province of the PRC, approximately 350 km northwest of Shanghai.

According to a confirmation dated November 8, 2006 issued by CRIA for the year ended December 31, 2005, we were the largest PRC-based producer of radial tire cords in the PRC in terms of annual production volume. Our customers include the top ten tire manufacturers in the PRC in terms of sales for the first half of 2006 according to statistics compiled by CRIA, including both local and foreign-invested tire manufacturers. In 2005, we became an approved supplier of Goodyear.

The table below shows the sales volume contributed by our main product categories for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2003		2004		2005		2006	
	Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%
Radial Tire Cords	50,613	75.4	95,246	80.0	140,133	83.2	75,061	85.5
Bead Wire	16,474	24.6	23,851	20.0	28,308	16.8	12,689	14.5
Total	67,087	100.0	119,097	100.0	168,441	100.0	87,750	100.0

Due to the addition of the 8th Factory Project to our production facilities which we expect will be in operation in January 2007, the Directors estimate that our annual production capacity will reach 238,200 tonnes of radial tire cords and 39,100 tonnes of bead wires for the year ending December 31, 2007.

Our gross profit increased by RMB9.6 million, or 2.9%, from RMB325.8 million in the six months ended June 30, 2005 (unaudited), to RMB335.4 million in the six months ended June 30, 2006, though our gross profit margin declined from 29.8% to 29.0% between these periods. Our gross margin fell for the six months ended June 30, 2006, as compared to the six months ended June 30, 2005 (unaudited), primarily because of competitive price pressure on truck tire cords. In 2005, our gross profit increased by RMB46.3 million, or 7.0%, from RMB663.0 million in 2004 to RMB709.3 million in 2005, though our gross profit margin declined from 39.4% in 2004 to 30.1% in 2005. Our gross profit margin fell significantly in 2005 because the gross profit margin on truck radial tire cords fell from 44.3% in 2004 to 33.5% in 2005. While our gross profit increased by RMB181.5 million, or 37.7%, from RMB481.5 million in 2003 to RMB663.0 million in 2004, our gross profit margin decreased from 50.0% in 2003 to 39.4% in 2004.

The following table shows our gross profit margin from each product category for the periods indicated:

	Gross Profit Margin				
	Year ended December 31,			Six months ended June 30,	
Gross profit margin by product category	2003	2004	2005	2005	2006
				(unaudited)	
Truck radial tire cords	56.2%	44.3%	33.5%	33.7%	31.9%
Passenger car radial tire cords	36.9%	27.7%	20.6%	18.4%	21.1%
Bead wires	9.3%	4.1%	2.6%	4.6%	8.7%

During the Track Record Period, our results of operations have been most significantly affected by the following factors:

Average Selling Price of Radial Tire Cord

The following table shows the average selling prices of our product categories for the periods indicated:

Average selling price by product category [(1)]	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB per tonne)				
Truck radial tire cords	18,609	17,215	16,326	16,426	14,935
Passenger car radial tire cords	12,384	11,943	12,095	11,915	12,120
Bead wires	4,813	5,297	5,558	5,505	5,561

Note:

(1) Average selling price is computed by dividing net sales for the period by tonnes of products sold in the same period.

Our gross margins during the Track Record Period have been significantly affected by changes in average selling price of our products, in particular the average selling price of truck radial tire cords and passenger car radial tire cords. The average selling price of truck radial tire cords declined from RMB18,609 per ton in 2003 to RMB17,215 per ton in 2004 and RMB16,326 per ton in 2005, and to RMB14,935 per ton for the six months ended June 30, 2006. The average selling price of passenger car radial tire cords declined from RMB12,384 per ton in 2003 to RMB11,943 per ton in 2004 and increased slightly to RMB12,095 per ton in 2005 and RMB12,120 per ton for the six months ended June 30, 2006. The decline in the average selling prices of radial tire cords was attributable to competition in the tire manufacturing industry in the PRC. As a strategic decision to maintain our market share in the PRC market, we did not pass on to our customers any increase in our raw material costs and also, for certain products we cut the prices to address the pricing movements of our competitors.

Changes in Prices and Consumption Volume of Steel Rods

During the years ended December 31, 2003, 2004, 2005 and during the six months ended June 30, 2006, raw material costs accounted for 62.1%, 68.9%, 73.0% and 71.6%, respectively, of our total cost of sales. Our raw material costs primarily comprised costs of steel rods. As a result, changes in prices and consumption volume of steel rods had a significant impact on our profitability during the Track Record Period. Average unit prices of steel rods increased by 12.1%, 39.7% and 24.8% in 2003, 2004 and 2005, respectively, and then declined by 9.2% in the first half of 2006, as compared with the corresponding period in 2005. Steel prices in the PRC during the Track Record

Period have been volatile and have risen significantly during the Track Record Period. Such price fluctuation was attributable to factors such as the prevailing demand for steel, worldwide production capacity, utilization of production capacity rates, raw materials costs, exchange rates, trade barriers and improvements in steel-manufacturing processes. During the periods when steel wire rod prices were increasing in 2004 and 2005, we did not pass on the increased cost to our customers, which in turn resulted in a negative effect on our gross margin in such periods. The price of steel wire rod is highly correlated to the price of steel. For details of the risks associated with the steel price fluctuation, please see the sub-section headed, "Further increases in the price of steel could adversely affect our profitability, financial condition and results of operations" in the "Risk Factors" section in this prospectus.

We use steel wire rods from both domestic and overseas suppliers. The choice of source of steel wire rods is determined by our technical requirements, price and availability. Generally we seek to buy steel wire rod from domestic suppliers as the prices of such suppliers are lower than those of overseas suppliers for products for comparable applications. However, for our most sophisticated products and applications steel wire rods meeting our requirements are only available from overseas suppliers. For other applications we can use either domestic or imported steel wire rods. Domestic steel wire rods often have greater quality variations than imported rods of similar specification. As a result, another key consideration in determining source is the manufacturing losses that may result from such quality variations. Part of our research and development efforts go directly to improving our ability to use domestic steel wire rods while minimizing such losses. During the years ended December 31, 2004, 2005 and for the six months ended June 30, 2006, domestically sourced steel wire rods were 40.9%, 59.3% and 69.7%, respectively, by volume of all steel rods we consumed.

Changes in Our Product Mix

The table below set forth our sales volume by product category for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
Sales Volume by Product Category	**2003**	**2004**	**2005**	**2005**	**2006**
			(Tonnes)		
Truck radial tire cords	41,236	79,543	119,390	54,164	62,174
Passenger car radial tire cords	9,377	15,704	20,743	10,216	12,888
Bead wires	16,474	23,851	28,308	15,021	12,689

Our sales volume of truck radial tire cords as a percentage of total sales volume increased from 61.5% in 2003 to 66.8% in 2004, 70.9% in 2005 and 70.9% for the six months ended June 30, 2006. This increase was primarily because (i) the market for truck radial tire cord was growing at a substantially faster rate than that for passenger car radial tire cord and (ii) we intentionally shifted our business to the higher margin truck tire cord products to improve our profitability.

We generated 79.7%, 81.3%, 82.7%, and 80.4% of our total revenue from the sale of truck radial tire cords during the years ended December 31, 2003, 2004, 2005, and during the six months ended June 30, 2006, with 12.1%, 11.1%, 10.6%, and 13.5% of our total revenue derived from the sale of passenger car radial tire cords and 8.2%, 7.6%, 6.7%, and 6.1% of our total revenue derived from the sale of bead wires during those same periods, respectively.

FINANCIAL PRESENTATION

Critical Accounting Policies and Practices

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements. Our significant accounting policies are set forth in Note 4 to our consolidated financial statements in the "Accountants' Report" in Appendix I. Our reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our consolidated financial statements. We base our estimates on historical experience, the experience of other companies in the industry and on various other assumptions that we believe to be reasonable, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities and our financial results. Our management evaluates our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions and conditions.

The selection of critical accounting policies, the judgment and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. We believe that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

Valuation of inventories

We assess periodically if our inventory has suffered any impairment in accordance with our significant accounting policies. The review requires an estimation of judgments based on aging and other relevant information. No provision was provided as of December 31, 2003, 2004, 2005 or as of June 30, 2006.

Valuation of trade receivables

We assess periodically if our trade receivables have suffered any impairment in accordance with our significant accounting policies. The review requires an estimation or judgments based on aging, financial position of our customers and other relevant information. We did not recognize any impairment loss to trade receivable for each of the years ended December 31, 2003, 2004, 2005, and for each of the six months ended June 30, 2005 (unaudited) and June 30, 2006. The accumulated allowance for impairment loss was RMB4.6 million as of December 31, 2003, 2004 and 2005 and June 30, 2006.

Fair value adjustment on Convertible Bonds

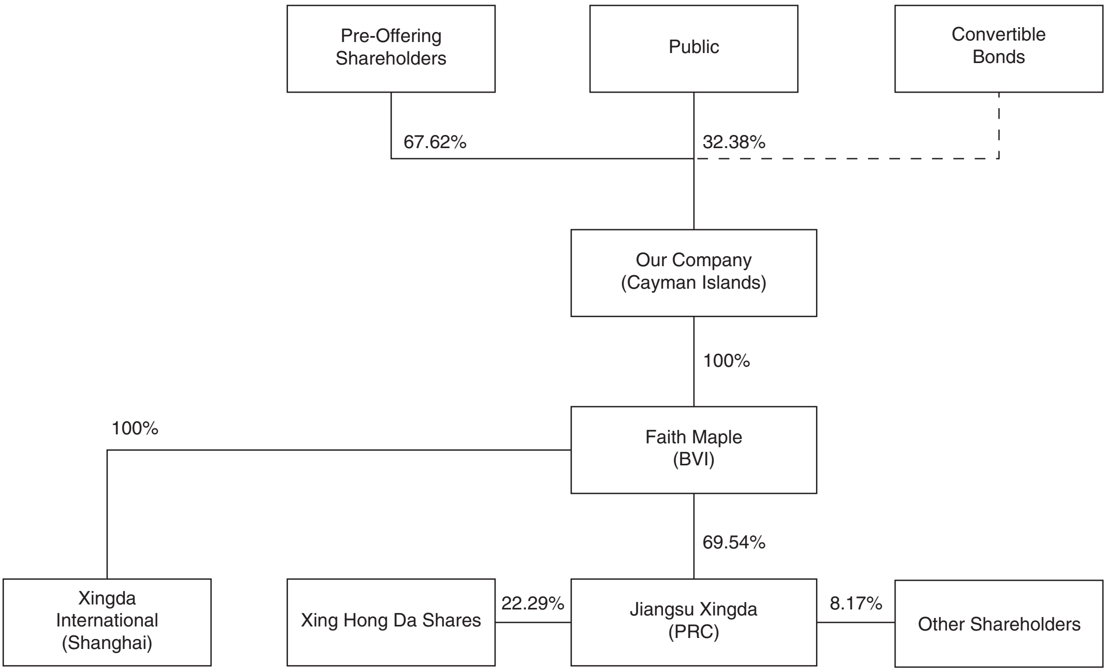
Each time we report our results of operations, we are required by International Accounting Standards 32 and 39 to assess the value of the stock purchase option embedded in our outstanding Convertible Bonds. So long as the Convertible Bonds are outstanding, the changes in this value are reported in our income statement and these non-cash accounting adjustments can have a material effect on our results of operations. Our reported profit attributable to our equity holders has been impacted by these required accounting adjustments for the year ended December 31, 2005 and the six months ended June 30, 2005 (unaudited) and 2006. These adjustments were estimated by a third-party expert using numerous assumptions including an estimated price for the Shares in the Global Offering, the expected volatility of the market for our Shares, and the remaining maturity of the option.

Holding Company Structure

We have an indirect interest in Jiangsu Xingda, our operating subsidiary in the PRC. Through our wholly-owned subsidiary, Faith Maple, we have a 69.54% shareholding in Jiangsu Xingda.

Our Company's only significant source of funds to pay dividends, interest and other expenses is the receipt of dividends from Faith Maple. In turn, Faith Maple's sole source of funds to pay dividends to our Company is the receipt of dividends paid by Jiangsu Xingda. Jiangsu Xingda is incorporated and operates in the PRC. More than 90% of its revenues are in RMB. Assuming we have sufficient cash flow and profit, we do not anticipate difficulties in paying dividends in accordance with our policy and in meeting our obligations. However, payments by Jiangsu Xingda to Faith Maple will require PRC governmental foreign currency and other approvals. There is no assurance these will be forthcoming on a timely basis or at all or that foreign currency will be available when needed.

Following the completion of the Global Offering our corporate structure will be as follows, assuming no exercise of the Over-allotment Option and no exercise of our outstanding Convertible Bonds.



Consolidated Income Statement Items

Revenue

The following table shows a breakdown of our revenue by product category for the periods indicated:

Sales revenue by product category	Year ended December 31,						Six months ended June 30,			
	2003		2004		2005		2005		2006	
	(RMB in million)	%	(RMB in million)	%	(RMB in million)	%	(RMB in million) (unaudited)	%	(RMB in million)	%
Truck radial tire cord	767	79.7	1,369	81.3	1,949	82.7	889	81.3	929	80.4
Passenger car radial tire cord	116	12.1	188	11.2	251	10.6	122	11.1	156	13.5
Bead wires	79	8.2	126	7.5	157	6.7	83	7.6	70	6.1
Total	962	100.0	1,683	100.0	2,357	100	1,094	100.0	1,155	100.0

We generated 79.7%, 81.3%, 82.7%, and 80.4% of our revenue from sales of truck radial tire cords during the years ended December 31, 2003, 2004 and 2005, and during the six months ended June 30, 2006. During the Track Record Period, we have intentionally shifted our business to producing truck radial tire cords primarily because (i) truck radial tire cords have a higher average selling price than passenger car radial tire cords, (ii) the truck tire market has a higher replacement rate than the passenger car tire market and (iii) truck tires require more tire cords for each unit than passenger car tires.

Cost of Sales

The following table shows a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB in thousands)				
Cost of raw materials	298,690	702,793	1,203,295	568,961	586,917
Others	182,575	317,350	444,823	199,300	233,003
Total	481,265	1,020,143	1,648,118	768,261	819,920

During the years ended December 31, 2003, 2004, 2005 and during the six months ended June 30, 2006, cost of sales accounted for 50.0%, 60.6%, 69.9% and 71.0%, respectively, of our total revenue. During those same periods, raw material costs (primarily costs of steel wire rods) accounted for 62.1%, 68.9%, 73.0% and 71.6%, respectively, of our total cost of sales and direct labor costs accounted for 7.8%, 6.0%, 4.4% and 4.7%, respectively, of our total cost of sales. The remaining elements of cost of sales include production overheads such as the costs of electricity used in our operations, depreciation expenses related to factory buildings, manufacturing equipment maintenance costs and sales tax.

Other income

Over the Track Record Period, we primarily derived other income from sales of scrap materials, interest income, foreign exchange gains and losses and sundry income.

Government grants

During the Track Record Period, Jiangsu Xingda received certain government grants in recognition of its contributions to the local economy of Xinghua Municipality and its research and development activities.

In addition, Jiangsu Xingda also received incentive subsidies from the 興化市人民政府 (People's Government of Xinghua Municipality) and government grants to reimburse interest payments incurred on specific borrowings granted by the 國家財政部 (Ministry of Finance), 江蘇省財政廳 (Jiangsu Provincial Finance Bureau) and 泰州市政廳 (General Office of Taizhou) for its technology research and development activities during the Track Record Period. The amount of the incentive subsidies amounted to approximately RMB13.2 million, RMB18.6 million, RMB21.2 million and RMB2 million for the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006, respectively, while the fore-mentioned government grants were received in 2003 and 2004 only, which amounted to RMB14.4 million and RMB200,000 for the years ended December 31, 2003 and 2004, respectively.

For each of the two years ended December 31, 2004 and 2005, Jiangsu Xingda received a government grant in the form of an incentive fund for the promotion of technological transformation (技改扶持獎勵資金) from the 興化市人民政府 (People's Government of Xinghua Municipality) for its continuing application of advanced technology and research and development activities in recognition of its role as a core enterprise and for its major contribution to the local economy of Xinghua Municipality. The government grant received amounted to approximately RMB38.2 million, RMB25.5 million and nil for the two years ended December 31, 2004, 2005 and the six months ended June 30, 2006, respectively.

As advised by our PRC counsel, all government grants granted by the People's Government of Xinghua Municipality are on a discretionary basis, and there is no assurance we will continue to obtain such grants. We believe the level of government grants will be substantially reduced in the future as only the grants referred to in the preceding paragraph are expected to continue.

Our PRC counsel has advised us that our receipt of government grants complies with the relevant laws and regulations in the PRC, in particular local policies on encouraging the transformation of local enterprises.

Selling and distribution expenses and administrative expenses

Our operating expenses include selling and distribution expenses and administrative expenses. The selling and distribution expenses mainly represent transportation costs for the delivery of steel cord products to customers, salaries and incentives of our sales force and entertainment and marketing costs. The administrative expenses mainly include salaries of our management and administrative staff (including their benefits costs), research and development costs, depreciation of office equipment and doubtful debts provision.

Finance Costs

Our finance costs include interest on bank loans and discounts on note receivables. Our interest costs on bank loans have increased mainly due to increases in bank loan balances.

Some of our customers pay us in bank notes with maturities of up to six months. We may discount these notes before maturity by cashing in our notes, to provide an additional source of liquidity for future use in our operations. Such discounts are recorded as finance costs.

Fair value adjustment on Convertible Bonds

Under International Accounting Standards 32 and 39, the accounting we are required to use for our Convertible Bonds results in non-cash charges to our results of operations. Upon issuance our Convertible Bonds have been treated as if they are two instruments, a conventional debt instrument and an option to purchase the Shares, each on the relevant terms and conditions set forth in the Convertible Bonds.

For purposes of reporting the period in which the Convertible Bonds were issued, the debt element has been valued on a discounted cash flow basis using an estimated current market rate of interest. The difference between the estimated rate and the stated interest rate results in an imputed discount reducing the principal value of the instrument. This value is recorded on our balance sheet under Convertible Bonds as the debt instrument liability. The difference between this amount and the purchase price of the Convertible Bonds is recorded under Convertible Bonds as the value of the option. Thereafter, the value of the option on the balance sheet is adjusted positively or negatively by estimating its value. If there is any difference between the value of the option on the issue date, which is based on the purchase price of the Convertible Bonds, and the estimated value of the option on any subsequent date, that difference is accounted for in the estimates.

For each subsequent financial report we are required to estimate the fair value of the option and report the difference compared to the previously reported value as a charge or credit to earnings on our income statement. We do this under “Fair value adjustment for Convertible Bonds”. This adjustment includes an element attributable to the difference between the stated interest rate on the Convertible Bonds and the imputed rate. The amount of each adjustment is credited or debited to Convertible Bonds on the balance sheet. As these are non-cash adjustments, the resulting changes in liabilities in respect of Convertible Bonds do not indicate changes in our actual obligations to third parties.

For the periods ended December 31, 2005 and June 30, 2005 (unaudited) and June 30, 2006, the estimate of fair value has been provided by an independent expert valuer, Vigers Appraisal & Consulting Limited, whose address is 10/F the Grande Building 398 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong, which used the Black-Scholes option pricing model in the valuation, including estimates of the price of the Shares in the Global Offering, the expected volatility of the market for our Shares after the Global Offering and the time to maturity of the option.

So long as the Convertible Bonds are outstanding, we will make similar fair value adjustments for Convertible Bonds for each period for which we report results of operations in the future. These adjustments will fluctuate with changes in the market price of the Shares. Price increases in the trading market for the Shares will result in changes to net income and price decreases for the Shares will result in credits.

Our net profit attributable to Shareholders has been materially adversely impacted by required accounting adjustments arising from our Convertible Bonds and may continue to be so impacted as long as the Convertible Bonds are outstanding. See “Risk Factors — Risks Relating to Our Business and Operations — Our net profit attributable to our equity holders has been materially adversely impacted by required accounting adjustments arising from the Convertible Bonds and may continue to be so impacted as long as the Convertible Bonds are outstanding; our profit forecast for 2006 includes an estimate of fair value of the Convertible Bonds which is based on an assumption as to the price of the Shares on December 29, 2006 which may be materially different than the actual price on that date. The trading price of the Shares could be materially adversely affected by future such adjustments and by the actual Share price compared to that in the forecast" and "Financial Information — Financial Presentation — Critical Accounting Policies and Practices — Fair Value Adjustment on Convertible Bonds".

For further information, see Note 30 to the Accountants' Report.

Taxation

Our effective tax rate for the years ended December 31, 2003, 2004, 2005 and for the six months ended June 30, 2006 was 14.6%, 22.8%, -0.5% and 0.009%, respectively.

We are normally subject to PRC enterprise income tax at a rate of 33% on our assessable profits. During the years ended December 31, 2003, 2004, 2005 and during the six months ended June 30, 2006, we received tax credits from certain government authorities in the PRC as incentives for our technology development projects.

In addition, pursuant to the Foreign-Invested Enterprises and Foreign Enterprise Income Tax Law 外商投資企業和外國企業所得稅法 and its implementation rules, Jiangsu Xingda, as a foreign-invested enterprise which is scheduled to operate for a period of not less than ten years, is allowed a tax exemption from enterprise income tax commencing in 2005. Jiangsu Xingda is currently entitled to this exemption for its first two profitable years, and a 50% tax exemption for the subsequent three years.

As we are entitled to several tax deductions and exemptions (arising from the purchases of equipment for production in the PRC) and tax exempted income (representing government subsidies), our effective tax rate is lower than the statutory tax rate of 33%.

In addition to enterprise income tax, we are also subject to value-added tax ("VAT"), which is the principal indirect tax on the sales of products ("output VAT"). Output VAT is calculated at the rate of 17% of the invoiced value of sales and is payable by the customer in addition to the invoiced value of sales. We pay VAT on our purchases, which is deducted against output VAT in arriving at the net VAT amount payable. All VAT paid and collected is recorded through the VAT payable account, included in other payables and accruals on the balance sheet.

For the years ended December 31, 2003, 2004 and 2005, we did not have any taxable profits derived from Hong Kong. Accordingly, we were not subject to Hong Kong profits tax.

RESULTS OF OPERATIONS

The following table shows our line items income statement expressed as a percentage of revenue for the years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2005 (unaudited) and 2006:

	Year ended December 31,						Six months ended June 30,			
Selected Income Statement data	2003		2004		2005		2005		2006	
	(RMB in thousands)	% of revenue	(RMB in thousands)	% of revenue	(RMB in thousands)	% of revenue	(RMB in thousands) (unaudited)	% of revenue	(RMB in thousands)	% of revenue
Revenue	962,789	100.0	1,683,179	100.0	2,357,420	100.0	1,094,109	100.0	1,155,339	100.0
Cost of sales	(481,265)	50.0	(1,020,143)	60.6	(1,648,118)	69.9	(768,261)	70.2	(819,920)	71.0
Gross profit	481,524	50.0	663,036	39.4	709,302	30.1	325,848	29.8	335,419	29.0
Other income	22,343	2.3	29,703	1.8	57,676	2.4	25,502	2.3	31,748	2.7
Government grants	27,611	2.9	57,010	3.4	46,649	2.0	10,688	1.0	1,990	0.2
Selling and distribution expenses	(33,933)	3.5	(50,412)	3.0	(84,324)	3.6	(33,542)	3.1	(40,815)	3.5
Administrative expenses	(107,243)	11.1	(112,608)	6.7	(143,478)	6.1	(56,292)	5.1	(63,490)	5.5
Profit from operations	390,302	40.6	586,729	34.9	585,825	24.8	272,204	24.9	264,852	22.9
Finance costs	(40,030)	4.2	(70,974)	4.2	(84,806)	3.6	(41,781)	3.8	(42,631)	3.7
Loss on fair value adjustment on the Convertible Bonds	—	—	—	—	(179,599)	7.6	(107,062)	9.8	(27,444)	2.4
Loss on dilution of interest in a subsidiary	—	—	—	—	(824)	0	(824)	0	—	—
Profit before tax	350,272	36.4	515,755	30.7	320,596	13.6	122,537	11.3	194,777	16.9
Income tax (charge) credit	(51,037)	5.3	(117,671)	7.0	1,526	0.1	2,464	0.2	(17)	0
Profit for the year/period	299,235	31.1	398,084	23.7	322,122	13.7	125,001	11.5	194,760	16.9
Profit attributable to:										
Equity holders of the Company	135,780	14.1	185,911	11.0	116,171	4.9	25,546	2.3	124,912	10.8
Minority shareholders	163,455	17.0	212,173	12.7	205,951	8.8	99,455	9.1	69,848	6.0
	299,235	31.1	398,084	23.7	322,122	13.7	125,001	11.4	194,760	16.8

Six months ended June 30, 2006 compared to six months ended June 30, 2005

All financial data as of and for the six months ended June 30, 2005 are unaudited.

Revenue

From the six months ended June 30, 2005 (unaudited) to the six months ended June 30, 2006, our total revenue increased by RMB61.2 million, or 5.6%, from RMB1,094.1 million in the six months ended June 30, 2005 (unaudited), to RMB1,155.3 million in the six months ended June 30, 2006. This increase was due to a RMB38.9 million increase in revenue from sales of truck radial tire cords and a RMB34.5 million increase in revenue from sales of passenger car radial tire cords, which were partially offset by a RMB12.1 million decrease in revenue from sales of bead wire.

Sales of truck tire cords increased, even though the average selling price declined (due to price competition) by 9.1% from RMB16,426 per tonne for the first six months of 2005 to RMB14,935 per tonne for the first six months of 2006, because our sales volume increased by 14.8% from 54,164 tonnes to 62,174 tonnes during the period due to an increase in domestic demand for truck tire cords in the PRC. Sales of passenger tire cords increased both because their average selling price increased slightly by 1.7% during the period (due to increased sales to overseas customers, for which higher prices are charged), and because our sales volume increased by 26.2% to 12,888 tonnes during the first six months of 2006 from 10,216 tonnes during the same period in 2005. Sales of bead wire decreased despite the fact that its average selling price increased slightly by 1.0% during the period, because bead wire is not one of our key products or strategic focuses and we manufactured and sold fewer bead wires during the first six months of 2006 than we did in the same period in 2005.

Cost of sales

Our cost of sales increased by RMB51.6 million, or 6.7%, from RMB768.3 million in the six months ended June 30, 2005 (unaudited) to RMB819.9 million in the six months ended June 30, 2006. This increase was primarily due to: (i) an increase in the cost of electricity of RMB16.5 million reflecting a higher level of production in 2006 as well as a rise in electricity rates in April 2006, (ii) an increase in depreciation and amortization costs of RMB11.0 million and (iii) an increase in repair and maintenance of equipment costs of RMB1.9 million. Raw material costs increased by RMB18.0 million, or 3.2%, from RMB569.0 million for the six months ended June 30, 2005 (unaudited) to RMB586.9 million for the six months ended June 30, 2006, due to a 6.7% increase in steel rods consumption volume, which was partially offset by a 9.5% decrease in average steel wire rod unit price during the period. As a percentage of total sales, our cost of sales increased slightly from 70.2% in the six months ended June 30, 2005 (unaudited) to 71% in the six months ended June 30, 2006.

Excluding raw material costs, our cost of sales increased by RMB33.7 million, or 16.9%, from RMB199.3 million for the six months ended June 30, 2005 (unaudited) to RMB233.0 million for the six months ended June 30, 2006. Excluding raw material costs, our cost of sales as a percentage of total sales increased from 18.2% in the six months ended June 30, 2005 (unaudited) to 20.2% in the six months ended June 30, 2006.

Gross profit

Our gross profit increased by RMB9.6 million, or 2.9%, from RMB325.8 million in the six months ended June 30, 2005 (unaudited) to RMB335.4 million in the six months ended June 30, 2006, but our gross profit margin decreased from 29.8% in the six months ended June 30, 2005 (unaudited) to 29.0% in the six months ended June 30, 2006.

Other income

Our other income increased by RMB6.2 million, or 24.3%, from RMB25.5 million in the six months ended June 30, 2005 (unaudited) to RMB31.7 million in the six months ended June 30, 2006. This increase in other income was due to a RMB0.7 million increase in interest income and a RMB1.0 million increase in sundry income, which were partially offset by a RMB1.3 million decrease in income from sales of scrap materials.

Government grants

Our government grants decreased by RMB8.7 million, or 81.3%, from RMB10.7 million in the six months ended June 30, 2005 (unaudited) to RMB2.0 million in the six months ended June 30, 2006, due to a reduction in incentive subsidies received from the People's Government of Xinghua Municipality. We experienced such reduction because some of the government grants are based on the enterprise income tax we paid for the preceding year and we did not continue to receive such grants in the six months ended June 30, 2006 as we became exempted from enterprise income tax in 2005 as a foreign-invested enterprise in the PRC.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB7.3 million, or 21.8%, from RMB33.5 million in the six months ended June 30, 2005 (unaudited) to RMB40.8 million in the six months ended June 30, 2006. This increase was primarily due to: (i) a RMB3.0 million increase in delivery and transportation costs related in significant part to increased sales to overseas customers in 2006, (ii) a RMB2.5 million increase in storage expenses because we leased space for our logistics and storage center in Canada to support our increase in oversea sales and (iii) a RMB2.1 million increase in entertainment and traveling expenses relating to marketing and sales purposes.

Administrative expenses

Our administrative expenses increased by RMB7.2 million, or 12.8%, from RMB56.3 million in the six months ended June 30, 2005 (unaudited) to RMB63.5 million in the six months ended June 30, 2006. This increase was primarily due to: (i) a RMB5.9 million increase in salaries, bonus and staff welfare as a result of an increase in remuneration and fees paid to the Directors, (ii) a RMB4.3 million increase in listing expenses associated with the preparation of our initial public offering and (iii) a RMB1.3 million increase in stamp duties, all partially offset by a RMB2.8 million reduction in staff insurance, RMB4.4 million decrease in expenses associated with the issuance and transfer of the Convertible Bonds and RMB5.5 million decrease in research and development costs in the first six months of 2006.

Finance costs

Our finance costs increased by RMB0.8 million, from RMB41.8 million in the six months ended June 30, 2005 (unaudited) to RMB42.6 million in the six months ended June 30, 2006, primarily because interest on bank loans wholly repayable within five years increased during the period in 2006 by RMB7.7 million, partially offset by a decrease of RMB6.9 million in discount on note receivable. The increase in interest on bank loans wholly repayable within five years during the first six months ended June 30, 2006 reflected an increase in bank loan balance during such period. 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 first six months ended June 30, 2006.

Fair value adjustment on the Convertible Bonds

The estimated fair value adjustment for our Convertible Bonds at June 30, 2006, which was applied to our income statement for the six months then ended and to the balance sheet as of that date, was RMB27.4 million. Of this amount RMB15.0 million was attributable to the change in option value of our Convertible Bonds issued on January 18, 2006 from that date through June 30, 2006, and RMB12.4 million was attributable to the change in the estimated option value of the Convertible Bonds outstanding at the beginning of the period obtained by comparing the values on December 31, 2005 and June 30, 2006.

The estimated fair value adjustment for our Convertible Bonds at June 30, 2005 (unaudited), which was applied to our income statement for the six months then ended and to the balance sheet as of that date, was RMB107.1 million. It was attributable to the change in option value of our Convertible Bonds issued on May 7, 2005 from that date through June 30, 2005 (unaudited).

Loss on dilution of interest in a subsidiary

Our loss on dilution of interest in Xinghua Lianxing (a subsidiary) decreased from RMB0.8 million in the six months ended June 30, 2005 (unaudited) to nil in the six months ended June 30, 2006. In February 2005, Xinghua Lianxing, which is directly owned by Jiangsu Xingda, raised additional capital from its existing shareholders. The minority shareholder has taken up a larger portion of the additional capital, resulting in our interest in Xinghua Lianxing being diluted from 90% to 55%. Our share of the net assets of Xinghua Lianxing was reduced by RMB824,000 as a result of this dilution.

Profit before tax

Our profit before tax increased by RMB72.3 million, or 59.0%, from RMB122.5 million in the six months ended June 30, 2005 (unaudited) to RMB194.8 million in the six months ended June 30, 2006.

Income tax

We had an income tax expense of RMB0.02 million in the six months ended June 30, 2006 as compared to an income tax credit of RMB2.5 million in the six months ended June 30, 2005 (unaudited). In the six months ended June 30, 2005 (unaudited), we incurred deferred tax credit as a result of adjustment to our deferred tax liabilities. Such adjustment is not recurring in nature.

Profit for the period

Our profit for the period increased by RMB69.8 million, or 55.8%, from RMB125.0 million in the six months ended June 30, 2005 (unaudited) to RMB194.8 million in the six months ended June 30, 2006 as a result of the decrease in fair value adjustment on the Convertible Bonds, and our net profit margin increased from 11.4% in the six months ended June 30, 2005 (unaudited) to 16.8% in the six months ended 30 June 30, 2006.

Minority interests

Our minority interests decreased by RMB29.6 million, or 29.7%, from RMB99.5 million in the six months ended June 30, 2005 (unaudited) to RMB69.9 million in the six months ended June 30, 2006 due to the increase of our equity stake in Jiangsu Xingda as Faith Maple acquired 14,990,900 shares in Jiangsu Xingda from TIAC in November 2005.

Equity holders of our Company

Our profit attributable to equity holders of our Company increased by RMB99.4 million, or 389.8%, from RMB25.5 million in the six months ended June 30, 2005 (unaudited) to RMB124.9 million in the six months ended June 30, 2006. This increase in profit attributable to equity holders of our Company was due to the additional 11.1% share of net profit from Jiangsu Xingda since November 2, 2005 and the significant drop in fair value adjustment on the Convertible Bonds in the six months ended June 30, 2006.

Year ended December 31, 2005 compared to year ended December 31, 2004

Revenue

From 2004 to 2005, our total annual revenue increased by RMB674.2 million, or 40.1%, from RMB1,683.2 million in 2004 to RMB2,357.4 million in 2005. This increase was due to increased sales volume, particularly of truck radial tire cords, which in turn was driven by increased market demand of our steel cord products in the PRC. Our revenue from truck radial tire cords as a percentage of total revenue was 81.3% in 2004 and 82.7% in 2005. This reflected our continued focus on truck radial tire cord products which have higher profit margins than other products. Our sales of truck radial tire cords increased by RMB579.9 million, or 42.4%, from RMB1,369.3 million in 2004 to RMB1,949.2 million in 2005. Sales volume of truck radial tire cords increased by 50.1% from 79,543 tonnes in 2004 to 119,390 tonnes in 2005. The effect on sales revenue of such increase was partially offset by a 5.2% decrease in average selling price of truck radial tire cords from RMB17,215 per tonne in 2004 to RMB16,326 per tonne in 2005 due to increasing competition. Our sale of radial tire cords for passenger cars and bead wires during the same period increased by RMB63.3 million and RMB31.0 million, respectively due to an increase in domestic demand for passenger car radial tire cords and bead wires in the PRC.

Cost of sales

Our cost of sales increased by RMB628.0 million, or 61.6%, from RMB1,020.1 million in 2004 to RMB1,648.1 million in 2005. This percentage of increase in our cost of sales (61.6%) was significantly higher than the percentage of increase in our revenue, which grew by only 40.1%. The increase in cost of sales was primarily due to the significant increase in the cost of steel wire rods in the global market. Our steel wire rod unit price increased by 24.8% from 2004 to 2005. Additionally, the amount of steel rods consumption increased by 46.8% from 127,128 tonnes in 2004 to 186,660 tonnes in 2005 as a result of increase in production volumes, although the effect of such increases on our cost of sales was partially offset by increased use of domestic steel wire rods which are cheaper than imported steel rods. As a percentage of total revenue, our cost of sales increased considerably from 60.6% in 2004 to 69.9% in 2005. Excluding the increase in the cost of raw materials, our cost of sales increased by RMB127.5 million, or 40.2%, from RMB317.3 million in 2004 to RMB444.8 million in 2005, primarily due to: (i) an increase in the cost of electricity of RMB78.2 million reflecting a higher level of production in 2005, (ii) an increase in depreciation and amortization costs of RMB30.1 million and (iii) an increase in repair and maintenance of equipment costs of RMB14.7 million.

Gross profit

Our gross profit increased by RMB46.3 million, or 7.0%, from RMB663.0 million in 2004 to RMB709.3 million in 2005, and our gross profit margin decreased from 39.4% in 2004 to 30.1% in 2005. This change primarily reflected the fact that while the cost of steel wire rods, the main component of our cost of sales, increased significantly, we elected not to pass on these costs to our customers.

Other income

Our other income increased by RMB28.0 million, or 94.3%, from RMB29.7 million in 2004 to RMB57.7 million in 2005. This increase was due primarily to the fact that in 2005, our income from scrap materials increased by RMB12.3 million, reflecting a larger amount of scrap produced as a result of higher production volume, our sundry income increased by RMB3.6 million and our interest income increased by RMB7.1 million.

Government grants

Our government grants decreased by RMB10.4 million, or 18.2%, from RMB57.0 million in 2004 to RMB46.6 million in 2005. This decrease was due primarily to the fact that in 2004, our government grants (技改扶持獎勵資金) for research and development projects decreased by RMB12.7

million in 2005 despite a slight increase of RMB2.5 million in incentives from RMB18.6 million in 2004 to RMB21.2 million in 2005. In addition, unlike 2003 and 2004, in 2005, we did not receive any government subsidies to offset interest incurred on specific borrowing related to technology development projects.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB33.9 million, or 67.3%, from RMB50.4 million in 2004 to RMB84.3 million in 2005. This increase primarily reflected an increase of RMB30.6 million, or 152.2%, in our costs associated with shipping and delivery of our goods to customers. Our increase in shipping and delivery costs was mostly due to the increase in sales volume and the new shipping arrangement between us and certain existing customers in 2005. Under this new arrangement, we began to arrange for the shipping and delivery for those customers (who now pay us for this service) who previously arranged their own shipping and delivery. We reflected such shipping costs in the selling price to these customers.

Administrative expenses

Our administrative expenses increased by RMB30.9 million, or 27.4%, from RMB112.6 million in 2004 to RMB143.5 million in 2005. Our administrative expenses increased by 27.4%, while our revenue grew by 40.1%, which reflects the fact that, while we spent RMB21.8 million more on salaries, bonus and staff welfare (due to an increase in the amount of bonuses payable to the Directors as a result of an increase in our operating profit), RMB10.0 million more on the issuance of the Convertible Bonds and RMB7.3 million more on social and entertainment expenses relating to marketing and sales purposes, and that we spent approximately RMB16.1 million less on technology research and development in 2005 than we did in 2004. The reduction in our research and development expenses reflect that many of our research and development projects (including projects relating to the development of new structures of radial tire cords and new production technology) had progressed to a more advanced stage during which less research and development expenses need to be incurred compared to the start up stage.

Finance costs

Our finance costs increased by RMB13.8 million, or 19.4%, from RMB71.0 million in 2004 to RMB84.8 million in 2005. This increase was primarily due to: (i) an increase in interest on bank loans of RMB10.7 million (due to increased outstanding bank borrowings in 2005) and (ii) a RMB3.2 million increase in discount on note receivable.

Fair value adjustment on the Convertible Bonds

The estimated fair value adjustment for our Convertible Bonds on December 31, 2005, which was applied to our income statement for the year then ended and to the balance sheet as of that date was RMB179.6 million. This amount was attributable to the change in option value of our Convertible Bonds issued on May 7, 2005 and Convertible Bonds issued on December 29, 2005 from their respective dates of issuance (which was based on the purchase price of the bonds) through December 31, 2006 (which was based on the estimated option value).

Profit before tax

Our profit before tax decreased by RMB195.2 million, or 37.8%, from RMB515.8 million in 2004 to RMB320.6 million in 2005.

Income tax

We received an income tax credit of RMB1.5 million in 2005 as compared to an income tax expense of RMB117.7 million in 2004. Our effective tax rate decreased from 22.8% in 2004 to -0.5% in 2005. Our effective tax rate of -0.5% during the year ended December 31, 2005 was a result of the deferred tax credit reversed as a result of the timing differences which arose in the previous year. This reflects the fact that we underwent a corporate reorganization in December 2004, which resulted in Jiangsu Xingda (our main operating subsidiary) receiving tax free status resulting in its first profit making year after it acquired the status of a foreign-invested enterprise. The temporary differences recorded in relation to the deferred tax liability of approximately RMB4.2 million were reversed in 2005, the year that Jiangsu Xingda was exempt from enterprise income tax, resulting in the amount of tax exemption being greater than the amount of tax payable for 2005.

Profit for the year

Our profit for the year decreased by RMB76.0 million, or 19.1%, from RMB398.1 million in 2004 to RMB322.1 million in 2005, and our net profit margin decreased from 23.7% in 2004 to 13.7% in 2005.

Minority interests

Our minority interests decreased by RMB6.2 million, or 2.9%, from RMB212.2 million in 2004 to RMB206.0 million in 2005. This decrease in minority interests was principally due to the increase in our equity stake in Jiangsu Xingda in 2005 as compared with the full year of 2004.

Faith Maple held 58.4% of the registered capital of Jiangsu Xingda for the period from December 10, 2004 to November 21, 2005 and 69.54% of the registered capital of Jiangsu Xingda from November 22, 2005 to December 31, 2005. During the year ended December 31, 2005, our Company suffered a fair value adjustment on Convertible Bonds amounting to approximately RMB159 million which was attributable entirely to our Company and not the minority shareholders of Jiangsu Xingda. Consequently, the profit shared by the equity holders of our Company was less than the profit shared by the minority shareholders even though equity stake in Jiangsu Xingda held by Faith Maple was over 50% throughout the year.

Equity holders of our Company

Our profit attributable to equity holders of our Company decreased by RMB69.7 million, or 37.5%, from RMB185.9 million in 2004 to RMB116.2 million in 2005. This decrease in profit attributable to equity holders of our Company was due to the fair value adjustment on the Convertible Bonds in 2005 which was partly offset by the additional 13.0% share of net profit from Jiangsu Xingda since December 10, 2004 as a result of an increase in our shareholding in Jiangsu Xingda of 13%, as part of the Faith Maple Acquisition.

Year ended December 31, 2004 compared to year ended December 31, 2003

Revenue

From 2003 to 2004, our total annual revenue increased by RMB720.4 million, or 74.8%, from RMB962.8 million to RMB1,683.2 million. RMB602 million of this increase was due to an increase in truck radial tire cord sales. Sales volume of truck radial tire cord increased by 92.9% from 41,236 tonnes in 2003 to 79,543 tonnes in 2004, primarily because (i) the Chinese economy and road logistics industry continued to grow at a rapid rate and (ii) we intentionally shifted our business to producing the higher margin truck radial tire cords. The effect of such increase in sales volume on sales revenue was partially offset by a 7.5% decrease in average selling price of truck radial tire cords from RMB18,609 per ton in 2003 to RMB17,215 per ton in 2004. Sales of truck radial tire cord also represented an increasingly large percentage of our total revenue, from 79.7% in 2003 to 81.3% in 2004. Passenger car radial tire cord sales increased by RMB72.0 million in 2004 and bead wire sales increased by RMB47.0 million in 2004 due to an increase in the volume of passenger car radial tire cords and bead wires being produced in 2004 due to an increase in domestic demand for passenger car radial tire cords and bead wires in the PRC. Each of these products represented a much smaller percentage of our total revenue, as compared to truck tire cords. Passenger car radial tire cord sales represented 11.2% of total revenue in 2004 and bead wire sales represented 7.5% of total revenue in 2004.

Cost of sales

Our cost of sales increased by RMB538.8 million, or 111.9%, from RMB481.3 million in 2003 to RMB1,020.1 million in 2004. This increase was due to an increase in purchases of raw materials and an increase in direct labor costs related to increased production and sales. In 2004, cost of sales increased at a much higher rate (111.9%) than did revenue (74.8%) because of very significant increases in the price of steel wire rods in 2004, combined with price cuts on our products in 2004, particularly on truck radial tire cords. As a result, as a percentage of total sales, our cost of sales increased from 50.0% in 2003 to 60.6% in 2004. Excluding the increase in the cost of raw materials, our cost of sales increased by RMB134.8 million, or 73.8%, from RMB182.6 million in 2003 to RMB317.4 million in 2004, primarily due to: (i) an increase in the cost of electricity of RMB61.9 million reflecting a higher level of production in 2004, (ii) an increase in depreciation and amortization costs of RMB35.9 million and (iii) an increase in direct labour costs of RMB23.8 million.

Gross profit

As a result of the fact that our revenue increased more than our cost of sales, our gross profit increased by RMB181.5 million, or 37.7%, from RMB481.5 million in 2003 to RMB663.0 million in 2004, but our gross profit margin decreased from 50.0% in 2003 to 39.4% in 2004. Our gross profit margin decreased in 2004 because of continuing increases in the price of steel wire rods in 2004 combined with price cuts on our products. From 2003 to 2004, our gross profit margin on our passenger car radial tire cord products fell from 36.9% to 27.7% and our gross profit margin on our truck radial tire cord products fell from 56.2% to 44.3%.

Other income

Our other income increased by RMB7.4 million, or 33.2%, from RMB22.3 million in the year ended December 31, 2003 to RMB29.7 million in the year ended December 31, 2004. This mainly represented the increase in our income from sales of scrap material, which increased by RMB9.2 million due to increased production volume (which in turn led to a greater volume of scrap being produced).

Government grants

Our government grants increased by RMB29.4 million, or 106.5%, from RMB27.6 million in the year ended December 31, 2003 to RMB57.0 million in the year ended December 31, 2004. This increase was primarily driven by an increase in 2004 of RMB38.2 million government grants for the promotion of technological advance (技改扶持獎勵資金) and a RMB5.4 million increase in incentive subsidies (which were calculated as a percentage of refund of income tax and value-added tax paid and to be used for research and development), offset in part by a RMB14.2 million decrease in 2004 in government subsidies to offset interest incurred on specific borrowings related to technology development projects.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB16.5 million, or 48.7%, from RMB33.9 million in 2003 to RMB50.4 million in 2004. This increase was primarily due to an increase in RMB12.7 million in transportation expenses resulting from increased production and sales in 2004, an increase of RMB2.5 million in entertainment and market development expenses and an increase of RMB2.1 million in salaries, bonus and staff welfare associated with sales and marketing purposes.

Administrative expenses

Our administrative expenses increased by RMB5.4 million, or 5.0%, from RMB107.2 million in 2003 to RMB112.6 million in 2004. This reflected a RMB12.2 million increase in spending on technology research and development and a RMB3.7 million increase in depreciation costs, partly offset by a RMB18.2 million decrease in administrative staff salaries and benefits. Staff salaries and benefits decreased because in 2003 we had significantly exceeded the Directors' profit target for 2003. Management was therefore entitled to a bonus consisting of a portion of the difference between the Directors' profit target for 2003 and our actual profit for that year. In 2004, we did not achieve the Directors' profit target for that year and therefore the management was not entitled to a profit-related bonus.

Finance costs

Our finance costs, which consist of interest on bank loans and discounted note receivable, increased by RMB31.0 million, or 77.5%, from RMB40.0 million in 2003 to RMB71.0 million in 2004. The increase was due to a RMB16.1 million increase in interest on bank loans wholly repayable within five years and a RMB14.9 million increase in discount on note receivable. The increase in discount on note receivable reflects the increase in the amount of the early discounted notes. The increase in interest on bank loans was primarily due to an increase in 2004 in the value of outstanding bank loans wholly repayable within five years, from RMB766.0 million in 2003 to RMB1,003.8 million in 2004.

Profit before tax

As a result of our increased operating profit in 2004 (partially offset by increased finance costs), our profit before tax increased by RMB165.5 million, or 47.2%, from RMB350.3 million in 2003 to RMB515.8 million in 2004.

Income tax

Our income tax expense increased by RMB66.7 million, or 130.8%, from RMB51.0 million in 2003 to RMB117.7 million in 2004. Income tax expense increased at a much greater rate than that for profit before tax (47.2%). The reason for this is that in 2003 we invested greater amounts in equipment in the PRC. Under applicable PRC income tax rules, the amounts invested by us were then taxed at a reduced rate. Our tax credit attributable to research and development also decreased from RMB65.8 million to RMB54.6 million. Our effective tax rate increased from 14.6% in the year ended December 31, 2003 to 22.8% in the year ended December 31, 2004.

Profit for the year

Our profit for the year increased by RMB98.9 million, or 33.1%, from RMB299.2 million in 2003 to RMB398.1 million in 2004, while our net profit margin decreased from 31.1% in 2003 to 23.7% in 2004.

Minority interests

Our minority interests increased by RMB48.7 million, or 29.8%, from RMB163.5 million in 2003 to RMB212.2 million in 2004. This increase was due to the increase in our net profit in 2004.

Equity holders of our Company

Our profit attributable to equity holders of our Company increased by RMB50.1 million, or 36.9%, from RMB135.8 million in 2003 to RMB185.9 million in 2004. This increase in profit attributable to equity holders of our Company was due to increase in profit for the year ended December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operations and proceeds from financing including bank loans. In addition, we have obtained cash from the issuance of Convertible Bonds and expect to benefit from the proceeds of this Global Offering. Our principal uses of cash have been, and are expected to continue to be, operational costs and expansion.

Net current assets

We experienced net current liabilities as of December 31, 2003, 2004 and 2005, reflecting our reliance on short term bank financing. We did not encounter difficulties in obtaining short term bank financing over the Track Record Period. In order to improve the liquidity, we replaced short term bank financing in the aggregate amount of RMB250 million with long term bank borrowing in February 2006.

As of June 30, 2006, our net current assets were RMB316.7 million. As of that date, our current assets were mainly comprised of trade and other receivables of RMB1,241.6 million, inventories of RMB271.2 million and bank balances and cash of RMB298.2 million. As of the Latest Practicable Date, our net current assets is RMB406.2 million. As of that date, our current liabilities were mainly comprised of bank borrowings due within one year of RMB1,202.5 million and trade and other payables of RMB342.2 million.

Our ability to expand our production capacity and fulfill our international development program may depend on our ability to finance some or all these activities through the future issuance of equity securities and incurrences of both borrowings and the issuance of convertible and other debt securities.

If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to curtail our expansion plans. Our ability to meet our working capital needs from cash flow from operations will be affected by sales and the progress of our expansion plans, which in turn may be affected by several factors. Many of these factors are outside our control, such as economic downturns or dramatic changes in products.

Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB in thousands)				
Selected Cash Flow Statement data					
Net cash generated from (used in) operating activities	188,857	301,923	287,886	(52,346)	108,996
Net cash used in investing activities	(451,344)	(417,926)	(690,697)	(221,281)	(206,795)
Net cash generated from financing activities	320,085	257,258	405,174	305,894	101,684

Net cash generated from operating activities

Our net cash generated from operating activities was RMB109.0 million for the six months ended June 30, 2006, as compared to RMB52.3 million used in operating activities for the six months ended June 30, 2005 (unaudited), primarily because of profit before tax of RMB194.8 million adjusted for non-cash items of RMB133.4 million. Non-cash items principally comprised depreciation of property, plant and equipment and amortization of land use rights of RMB72.7 million and finance costs related to bank borrowings and discounts on notes receivable as a result of payments prior to maturity of RMB42.6 million. This amount was partially offset by a decrease in cash as a result of working capital movements of RMB219.2 million. The net decrease in cash from working capital movements was mainly due to an increase in trade and other receivables of RMB251.4 million as a result of increased sales, which was partially offset by a decrease in inventories of RMB31.8 million. This decrease in inventories was due to a combination of the reduced cost of steel in 2006 (and therefore newly added inventories had a lower cost), as well as lower physical inventory levels, as we have attempted to better manage our inventories. Our net cash used in operating activities was RMB52.3 million for the six months ended June 30, 2005 (unaudited). We generated RMB122.5 million in profit before tax. This amount was adjusted for non-cash items of RMB201.2 million, which was comprised mainly of RMB107.1 million for the loss on the fair value adjustment on the Convertible Bonds, depreciation of property, plant and equipment and amortization of land use rights of RMB60.4 million and finance costs related to bank borrowings and discounts on notes receivable as a result of payments prior to maturity of RMB41.8 million. This amount was offset by a decrease in cash as a result of working capital movements of RMB376.0 million. The net decrease in cash from working capital movements was mainly due to an increase in inventories of RMB242.6 million as a result of the increase in purchase of imported steel rods in the second quarter of 2005 in anticipation of the further price increases in trade and other receivables of RMB124.5 million, reflecting our decision to extend longer credit periods to our customers.

Our net cash generated from operating activities decreased by RMB14.0 million for 2005, from a net cash generated of RMB301.9 million for 2004 to a net cash generated of RMB287.9 million for 2005. In 2005, we had profit before tax of RMB320.6 million, adjusted for non-cash items of RMB372.8 million, which was comprised mainly of RMB179.6 million for the loss on the fair value adjustment on the Convertible Bonds, depreciation of property, plant and equipment and amortization of land use rights of RMB125.9 million and finance costs related to bank borrowings and discounts on notes receivable as a result of payments prior to maturity of RMB84.8 million. This amount was partially offset by a decrease in cash as a result of working capital movements of RMB405.5 million. The net decrease in cash from working capital movements was mainly due to an increase in trade and other receivables of RMB227.9 million as a result of increase in sales and increase in inventories of RMB155.4 million as a result of increase in purchase of steel rods in anticipation of future price increases.

Our net cash generated from operating activities increased by RMB113.1 million in 2004, from RMB188.8 million in 2003 to RMB301.9 million in 2004. In 2004, we had profit before tax of RMB515.8 million, adjusted for non-cash items of RMB159.7 million. Non-cash items principally comprised depreciation of property, plant and equipment and amortization of land use rights of RMB95.8 million and finance costs related to bank borrowings and note receivables discounted of RMB71.0 million. This amount was partially offset by a decrease in cash as a result of working capital movements of RMB373.5 million. The net decrease in cash from working capital movements was mainly due to an increase in trade and other receivables of RMB251.2 million as a result of increased sales.

Our net cash generated from operating activities was RMB188.9 million for the year ended December 31, 2003, mainly due to profit before tax of RMB350.3 million adjusted for non-cash items of RMB88.1 million. Non-cash items principally comprised depreciation of property, plant and equipment and amortization of land use rights of RMB55.8 million and finance costs related to bank borrowings and note receivables discounted of RMB40.0 million. This amount was partially offset by a decrease in cash as a result of working capital movements of RMB249.5 million. The net decrease in cash from working capital movements was mainly due to an increase in trade and other receivables of RMB284.6 million as a result of increase in sales and an increase in inventories of RMB73.6 million to meet the increase in production volume, which was partially offset by an increase in trade and other payables of RMB147.0 million as a result of the amount payable for land use right and the increase in accrued staff costs.

Net cash used in investing activities

Our net cash used in investing activities was RMB206.8 million for the six months ended June 30, 2006, a decrease from RMB221.3 million for the six months ended June 30, 2005 (unaudited). This amount primarily reflects RMB210.5 million that we used to purchase in property, plant and equipment for the Eighth Factory and a new power plant at our facilities. The cash outflow associated with these purchases was partially offset by RMB9.4 million we received in interest income. Our net cash used in investing activities was RMB221.3 million for the six months ended June 30, 2005 (unaudited). This amount primarily reflects RMB185.1 million that we used to purchase property, plant and equipment for expansion of our production, RMB33.1 million we used for the purchase of land use rights related to the Eighth Factory and RMB20.0 million we used for a loan to third parties.

Our net cash used in investing activities increased by RMB272.8 million in 2005, from RMB417.9 million in 2004 to RMB690.7 million in 2005. This amount primarily reflects RMB573.1

million that we used to purchase property, plant and equipment for expansion of our production and a new power plant at our facilities, RMB98.7 million we used to purchase additional interests in subsidiaries and RMB45.3 million we used for the purchase of land use rights related to the 8th Factory Project.

Our net cash used in investing activities increased by RMB33.4 million for the year ended December 31, 2004, from RMB451.3 million for the year ended December 31, 2003 to RMB417.9 million for the year ended December 31, 2004. This amount primarily reflects RMB312.0 million that we used to purchase property, plant and equipment for the expansion of our production capacity, RMB71.8 million we used to purchase a 13% equity interest in Jiangsu Xingda and RMB38.9 million we used for the purchase of land use rights.

Our net cash used in investing activities was RMB451.3 million for the year ended December 31, 2003. This amount primarily reflects RMB431.0 million that we used to purchase property, plant and equipment and RMB31.4 million we used for the purchase of land use rights.

Net cash generated from financing activities

Our net cash generated from financing activities was RMB101.7 million for the six months ended June 30, 2006, primarily because of a net increase in bank loans of RMB134.9 million and RMB26.0 million we generated from the issue of the Convertible Bonds. This amount was partially offset by RMB42.6 million that we used for interest payments and RMB21.4 million we used to repay advances from shareholders. Our net cash generated from financing activities was RMB305.9 million for the six months ended June 30, 2005 (unaudited), primarily because of (i) a net increase in bank loans of RMB109.2 million, (ii) issue of Convertible Bonds of RMB258.6 million and (iii) contribution from shareholders of RMB212.0 million, partially offset by distribution, to shareholders of RMB250.5 million.

Our net cash generated from financing activities increased by RMB147.9 million for 2005, from RMB257.3 million in 2004 to RMB405.2 million for 2005. This amount primarily reflects RMB404.5 million we generated from the issue of Convertible Bonds in May 2005, RMB212.0 million we received in contributions from our shareholders and a net increase in bank loans of RMB103.8 million. This amount was partially offset by RMB250.5 million that we used in distributions to shareholders and RMB84.8 million that we used for interest payments on bank borrowings and discounts on notes receivable as a result of payments prior to maturity.

Our net cash generated from financing activities decreased by RMB62.8 million in 2004, from RMB320.1 million in 2003 to RMB257.3 million in 2004. This amount primarily reflects a net increase in bank loans of RMB237.8 million and RMB92.3 million we received from the issue of ordinary shares to Win Wide and Surfmax-Estar Fund A. This amount was partially offset by RMB71.0 million that we used for the payment of interest expenses on bank borrowings and discounts on notes receivable as a result of payments prior to maturity.

Our net cash generated from financing activities was RMB320.1 million for the year ended December 31, 2003. This amount was due to a net increase in bank loans of RMB387.1 million. This amount was partially offset by RMB40.0 million that we used for the payment on interest expenses on bank borrowings and discounts on notes receivable as a result of payments prior to maturity and RMB26.9 million that we used for dividend payments.

Our liquidity position

Over the Track Record Period, we recorded net cash inflow from operating activities of RMB188.9 million, RMB301.9 million, RMB287.9 million and RMB109.0 million, respectively. We suffered negative operating cash flow for June 30, 2005 (unaudited) due to substantial increase in the purchase of inventories. In addition, we primarily generated cash from a combination of operating activities and from new bank loans and the Convertible Bonds. Cash generated from new bank loans was approximately RMB627.9 million, RMB878.7 million, RMB1,571.1 million and RMB1,149.7 million during each of those same periods. Over the Track Record Period, we did not encounter difficulties in obtaining short-term bank loans according to our needs. We do not currently anticipate making any substantial changes in our sources of cash, other than the fact that the proceeds from the Global Offering may reduce our needs for the drawdown of additional bank loans in the future.

Our primary capital expenditures over the Track Record Period, as detailed in the section below, have typically been in connection with the expansion of our production facilities. These expenditures have included the construction of three new factories (costing a total of approximately RMB436.1 million) and the installation of additional production lines (costing a total of approximately RMB1,181.4 million). These expansion projects were each funded primarily through a combination of cash flow from operations and from the proceeds of bank loans due within one year.

Capital Expenditures

Throughout the Track Record Period, we have made capital expenditures, typically in connection with the manufacturing of machinery and equipment, expansion of our production facilities and acquisition and land use rights in order to meet our expected growth in production. These capital expenditures amounted to RMB458.5 million, RMB394.2 million, RMB717.2 million and RMB177.3 million for the three years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2006, respectively. Of these amounts, the amounts of capital expenditures made by us in connection with the construction of machinery and equipment and the expansion of our production facilities were approximately RMB404.4 million, RMB386.6 million, RMB672.0 million and RMB177.3 million for the years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2006, respectively. In addition, our purchase of land use rights was approximately RMB54.2 million, RMB7.6 million, RMB45.3 million, and nil as of December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2006, respectively.

Capital Commitments

Throughout the Track Record Period, we have made commitments to future capital expenditures, typically in connection with the acquisition of property, plant and equipment in the PRC contracted for but not provided in the financial statements. These commitments amounted to RMB129.5 million, RMB165.5 million, RMB442.5 million and RMB171.1 million as of December 31, 2003, 2004 and 2005, and as of June 30, 2006, respectively.

Of our total capital commitments of RMB171.1 million as of June 30, 2006, approximately RMB135.8 million is expected to be expended before December 31, 2006, approximately RMB20.1 million is payable in the six months ending June 30, 2007 and the remaining balance will be spent before December 31, 2007. As of June 30, 2006, we made capital commitments of RMB62.3 million (which forms part of our total capital commitments of RMB171.1 million as of June 30, 2006), in respect of the acquisition of property, plant and equipment in the PRC which was contracted for but not provided for in our financial statements as of June 30, 2006. We currently intend to fund substantially all of these amounts with proceeds from new bank loans and the net proceeds of the Global Offering.

Of the total amount of net proceeds of the Global Offering (after deducting related expenses, and assuming an Offer Price of HK$2.77 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK$2.45 and HK$3.08 per Share)), which is estimated to amount to approximately HK$979 million (RMB994 million), approximately RMB53 million are subject to commitments contracted for but not provided for in our financial statements as of June 30, 2006. In respect of the remaining amount of the net proceeds of the Global Offering, although we have not entered into contracts for such amounts we expect to spend such amounts in 2007 for such purposes as are set out in the sub-section headed, "Use of Proceeds" in the "Future plans and use of proceeds" section of this prospectus.

Inventories

The value of our inventories was RMB271.2 million as of June 30, 2006, a decrease of RMB31.9 million from December 31, 2005 of RMB303.1 million. This decrease was driven by a RMB16.0 million decrease in raw materials inventory and a RMB16.6 million decrease in finished goods inventory. These reductions were due to a combination of the reduced cost of steel in 2006 (and therefore newly added inventories had a lower cost), as well as lower physical inventory levels, as we have attempted to better manage our inventories. Our inventories increased by RMB155.4 million, from RMB147.7 million as of December 31, 2004 to RMB303.1 million as of December 31, 2005, representing an increase of RMB85.6 million in raw materials, an increase in work in progress of RMB9.3 million and an increase in finished goods of RMB60.5 million.

The reasons for the increase in raw materials, mainly steel wire rods, as of December 31, 2005 were principally due to: (i) substantial increases in the market price of steel wire rods from the third quarter of 2004 through the third quarter of 2005 and (ii) increases in purchase of steel wire rods, in particular, imported steel wire rods, in the second quarter of 2005 in anticipation of the further price increases. We are mitigating the increases in raw material cost somewhat by purchasing a greater proportion of steel rods in the domestic market. In order to better control our costs, in early 2005 we shifted our policy to use more domestically-produced steel wire rod, where suitable rod is available. Domestic steel wire rods are cheaper than imported steel wire rods for comparable use but are typically harder to work with. As our production technology improves, we are able to employ more domestically sourced wire rods. Because of this shift in the mix of steel wire rod sources, our purchases of imported steel wire rods started declining after the third quarter of 2005.

Our inventories increased from RMB118.1 million as of December 31, 2003 to RMB147.7 million as of December 31, 2004 primarily because of a RMB12.1 million increase in finished goods inventories.

Our subsequent usage of inventories as of June 30, 2006 up to October 31, 2006 was RMB251.2 million, which represented 92.6% of inventories as of June 30, 2006.

Advances to a related company, shareholders/minority shareholders and subsidiary

Pursuant to an agreement dated March 7, 2005, we had advanced loans to four individuals holding managerial position in a customer of Jiangsu Xingda. As advised by our PRC legal counsel, the loans to the four individuals are considered to be civil loans and are legal under the relevant PRC laws and regulations.

The amount of RMB350,000 due from a related company as of June 30, 2006 is prepayment by us to Xingda Xiu Yuan for the rendering of hotel and catering services. Xingda Labour Union, a shareholder of the Jiangsu Xingda and Xinghua Lianxing, has a 49% interest in this related company. Such outstanding amount was unsecured, non-interest bearing and repayable on demand. Such amount was repaid on October 30, 2006 and we do not expect to make more prepayment to Xingda Xiu Yuan in the future after Listing. The amount of RMB958,000 due from a shareholder during the Track Record Period is expenses paid on behalf of TIAC, a shareholder of Jiangsu Xingda, which will be repaid on or before November 30, 2006. Both amounts due from such related company and shareholders are not regarded as loan advancing activities and hence under PRC law, they are not illegal based on our PRC legal counsel's advice.

The loan advancing activities will not continue after the Listing and the amounts will be fully settled before the Listing.

Trade and other receivables

Our total trade and other receivables as of December 31, 2003, 2004 and 2005 and as of June 30, 2006, amounted to RMB511.1 million, RMB762.3 million, RMB990.2 million and RMB1,241.6 million, respectively, representing 53.1%, 45.3%, 42.0% and 107.5% of total revenue for the corresponding period, respectively.

Our total trade and other receivables grew significantly over the Track Record Period as a result of increased sales and, to a lesser extent, extension of easier credit terms to customers. Our trade receivables amounted to RMB289.7 million, RMB468.2 million, RMB728.8 million and RMB855.4 million, respectively, as of December 31, 2003, 2004 and 2005 and as of June 30, 2006. We normally grant a credit period of 90 days to our customers. However, we may allow longer credit terms for long-time major customers with good credit standing. Please refer to the table below for the aging analysis of our trade receivables as of December 31, 2003, 2004 and 2005 and as of June 30, 2006.

Our note receivables amounted to RMB184.3 million, RMB220.1 million, RMB153.4 million and RMB263.7 million, respectively, as of December 31, 2003, 2004 and 2005 and as of June 30, 2006. Our customers frequently pay us with notes issued by banks that are redeemable up to six months later. These notes, excluding any that have been redeemed, discounted or otherwise sold or paid, constitute our note receivables. We have credit risk as to the bank, not our customers, for these notes. The Directors believe that within the radial tire cord industry in the PRC, it is a common practice for radial tire cord manufacturers to settle trade receivables by accepting payment in the form of such notes. Prior to the maturities of such notes, we can cash these notes in before maturity at a discount to their face values at banks in the PRC. We record such discounts as finance costs. We may induce the customers to settle by way of cash by offering them a sales discount. However, the finance cost (which is calculated on a pro rata basis based on current interest rates) for discounted bank notes is usually lower than the sales discount which we have to offer when settlement is made by way of cash. Therefore, we prefer to settle by way of notes issued by banks rather than by way of cash. Furthermore, most of our customers (including those paying with notes) pay at least a month following delivery of the goods.

Our trade receivables were RMB855.4 million as of June 30, 2006, 90.4% of which was subsequently settled up to October 31, 2006. Of such subsequent settlement, approximately 82.8% was made by notes and approximately 17.2% was made in cash. 33.2% of those notes are redeemable on or before December 31, 2006, 42.0% of those notes are redeemable by February 28, 2007 and the remaining 24.8% are redeemable by April 30, 2007. Additionally, the 17% VAT that we collected on our domestic sales is included in these trade receivables and is not included in "revenue".

Our other receivables increased from RMB37.1 million as of December 31, 2003 to RMB73.9 million as of December 31, 2004. This increase was mainly due to the increase in advance to suppliers of raw materials of RMB26.9 million and increase in other receivables and prepayments of RMB10.0 million.

Our other receivables increased from RMB73.9 million as of December 31, 2004 to RMB107.9 million as of December 31, 2005. This increase was mainly due to the payment of deposit to the Customs of the PRC for the imported plating lines of RMB10.8 million. The deposit to the Customs of the PRC is refundable when the relevant import application procedures have been completed.

Our other receivables further increased from RMB107.9 million as of December 31, 2005 to RMB122.5 million as of June 30, 2006. This increase was mainly due to the further payment of deposit to the Customs of the PRC for the imported plating lines of RMB8.5 million and the increase in other receivables and prepayment of RMB15.3 million.

The following is an aging analysis of trade and other receivables at the balance sheet dates:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Trade receivables				
0 - 90 days	262,255	439,908	638,108	709,733
91 - 180 days	20,468	17,478	90,597	129,769
181 - 360 days	5,222	8,794	405	16,591
Over 360 days	6,335	6,603	4,252	3,900
	294,280	472,783	733,362	859,993
Less: Accumulated impairment loss	(4,572)	(4,572)	(4,572)	(4,572)
	289,708	468,211	728,790	855,421
Note receivables				
0-90 days	176,150	192,475	127,610	171,929
91-180 days	8,124	27,659	25,430	91,762
181-360 days	—	—	408	—
	184,274	220,134	153,448	263,691
Advance to suppliers of raw materials	27,685	54,551	60,136	56,156
Import tax and value added tax receivable from the customs	—	—	10,777	19,262
Refundable deposits paid for purchase of land use rights	—	—	8,593	3,393
Others	9,936	19,915	28,948	44,207
Less: accumulated impairment loss	(520)	(520)	(520)	(520)
	37,101	73,946	99,341	119,105
	511,083	762,291	990,172	1,241,610

The value of our trade and other receivables was RMB1,241.6 million as of June 30, 2006, reflecting an increase of RMB251.4 million from the value of our trade and other receivables as of December 31, 2005 of RMB990.2 million. This increase was driven by: (i) a RMB71.6 million increase in the value of trade receivables of 0 to 90 days between these periods, (ii) a RMB44.3 million increase in the value of note receivables of 0 to 90 days between these periods and (iii) a RMB66.3 million increase in the value of note receivables of 91 to 180 days between these periods. Our total trade and other receivables were RMB990.2 million as of December 31, 2005, an increase of RMB227.9 million, or 29.9%, from the value of trade and other receivables as of December 31, 2004. The amount of our trade and other receivables increased significantly as of December 31, 2005. This was mainly due to an increase of RMB198.2 million in receivables due between 0 and 90 days. The primary reason for this increase was higher sales in 2006. Our trade receivables increased from RMB289.7 million as of December 31, 2003 to RMB468.2 million as of December 31, 2004, primarily because of a RMB177.7 million increase in trade receivables within 0 to 90 days. This increase in 2004 was primarily due to the fact that a greater proportion of our sales were made to customers who were granted credit for a period (generally two months) before tendering payment to us.

Trade and Other Payables

The amount of our trade and other payables was RMB405.1 million as of June 30, 2006, a decrease of RMB32.7 million from the amount of our trade and other payables as of December 31, 2005 of RMB437.8 million. This decrease was driven by a RMB40.0 million decrease in payables for purchase of property, plant and equipment between these dates, and a RMB16.9 million decrease in accrued staff costs between these dates, partially offset by a RMB20.8 million increase in value-added tax payables and other tax payables between these dates.

Our total trade and other payables were RMB437.8 million as of December 31, 2005 as compared to RMB349.7 million as of December 31, 2004. This increase of approximately RMB88.1 million was due in part to an increase of RMB73.3 million of payables for purchase of property, plant and equipment as of December 31, 2005. Our total trade and other payables decreased from RMB376.9 million as of December 31, 2003 to RMB349.7 million as of December 31, 2004 primarily because of a RMB21.2 million decrease in trade payable between 0 and 90 days, offset by a RMB13.2 million increase in trade payable between 91 to 180 days and a RMB9.1 million increase in trade payable over 360 days, partially offset by a RMB28.0 million decrease in note payable as of December 31, 2003. The increase in our trade payables aged between 91 and 180 days reflects the fact that our policy is to pay off our outstanding payables the month following Chinese New Year. Since Chinese New Year started nine days later in 2003 than it did in 2004, our trade payables aging profile also increased.

The fluctuation in the amount of payables for the purchase of property, plant and equipment during the Track Record Period was mainly attributable to the rapid expansion of our production facilities over the Track Record Period and the amount of supplies we need for the different stages of our expansion projects. Increases in the amount of payables relating to the purchase of property, plant and equipment usually occur at the initial stage of an expansion project when we may be required to purchase additional production equipment or pay to contractors for the construction of new production facilities.

The average credit period granted by most of our suppliers range from 60 days to 90 days. Suppliers of steel wire rods, however, would normally require us to make payment upon delivery.

The following is an aging analysis of trade payables at the balance sheet dates:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Trade payables				
0 - 90 days	106,470	85,256	108,257	121,201
91 - 180 days	9,582	22,741	26,579	22,746
181 - 360 days	5,732	13,535	14,169	11,147
Over 360 days	3,625	12,679	6,364	5,410
	125,409	134,211	155,369	160,504
Note payables				
91-180 days	28,000	—	—	—
Other payables				
Value-added tax payables and other tax payables	29,004	39,917	18,560	39,378
Accrued staff costs	81,760	60,894	64,296	47,395
Payable for purchase of property, plant and equipment	55,420	91,151	164,471	124,475
Payable of land use rights	35,888	—	—	—
Others	21,377	23,552	35,098	33,382
	223,449	215,514	282,425	244,630
	376,858	349,725	437,794	405,134

INDEBTEDNESS

The following table sets forth our contractual obligations as of October 31, 2006.

	Payment due by period				
	Total	Within 1 year	1-3 years	3-5 years	More than 5 years
	(RMB in thousands)				
Bank borrowings	1,339,960	1,089,960	175,000	75,000	—
Convertible Bonds	643,724	6,437	637,287	—	—
Amounts due to directors	319	319	—	—	—
Amount due to a related company	400	400	—	—	—
Amount due to a shareholder	1,711	1,711	—	—	—

Borrowings

At the close of business on October 31, 2006, being the latest practicable date for the inclusion of information in this section prior to the publication of this prospectus, we had outstanding borrowings of RMB1,983.7 million, which comprise secured bank loans of RMB630.0 million, unsecured bank loans of about RMB710.0 million and Convertible Bonds of RMB643.7 million. Of this amount, RMB1,098.8 million was repayable within one year, which comprises short-term bank borrowing of RMB1,090.0 million, short-term Convertible Bonds of RMB6.4 million amounts due to directors of RMB0.3 million, amount due to a related company of RMB0.4 million and amount due to a shareholder of RMB1.7 million. Certain of our loan agreements contain negative pledges.

During the Track Record Period, our short-term debt repayable within one year increased from RMB640.1 million as of December 31, 2003 to RMB943.8 million as of December 31, 2004, and RMB1,077.6 million as of December 31, 2005 and to RMB1,090.0 million as October 31, 2006. Much of this debt was incurred to finance our expansion and also to be used as working capital, reflecting the rapidly increasing cost of steel and steel wire rod (the main component of our cost of sales).

As of October 31, 2006, our utilized banking facilities amounted to approximately RMB2,310 million and our unutilized portions of available banking facilities amounted to approximately RMB1,340 million.

In addition, TIAC, a shareholder of Jiangsu Xingda, acted as the guarantor of bank loans of RMB359 million, RMB520 million, RMB445 million and nil granted to us at December 31, 2003, 2004, 2005 and at October 31, 2006, respectively. These guarantees had been released as of the date of this Prospectus.

Convertible Bonds

In May 2005, we issued the first tranche of convertible bonds to Tetrad and Henda for an aggregate principal amount of US$30.4 million (approximately RMB240.2 million). Subject to adjustment clause and based on the proposed offer structure of the Global Offering, the Convertible Bonds are convertible at approximately HK$1.853 (approximately RMB1.881) per Share. Should the holders of the Convertible Bonds opt not to convert the Convertible Bonds, we will be required to redeem the Convertible Bonds in May 2008. Additionally, in December 2005 and January 2006, Tetrad and Henda subscribed for the second tranche of convertible bonds for an aggregate principal amount of US$23.6 million (approximately RMB186.5 million), which will be repayable in December 2008. Such second tranche of convertible bonds is also convertible at approximately HK$1.853 (approximately RMB1.881) per Share.

On September 13, 2006, Win Wide, Tetrad and GSSIA entered into the GSSIA Transfer Agreement pursuant to which, among other things, Tetrad agreed to transfer to GSSIA Convertible Bonds in the aggregate principal amount of RMB43.5 million.

Under the terms of the Convertible Bonds, each of Henda, Tetrad and GSSIA has the right to require the early redemption of their respective Convertible Bonds under certain circumstances, including change in control of our Company other than as a result of Listing. For further details, please see the section headed “Principal Terms and Conditions of the Convertible Bonds”.

Contingent liabilities and Indemnity

At the close of business on October 31, 2006, save for the contingent monetary liability of up to RMB6,000,000 as mentioned in note 43 in the Accountants' Report, we did not have any material contingent liabilities and guarantees. This contingent liability of RMB6 million relates to the dividend of RMB6 million declared and paid by Jiangsu Xingda to Xing Hong Da for the year ended December 31, 2004. Given that Xing Hong Da's shareholding in Jiangsu Xingda has been frozen by the PRC courts since September 1, 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. We have been advised by our PRC legal advisors that the legal consequence on us in connection with this dividend payment is confined to a potential monetary liability of up to RMB6 million. The Five BVI Companies and the Five Parties 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.

In connection with the above, Jiangsu Xingda has obtained an indemnity from the controlling shareholders of our Company to idemnify our Company from time to time against any actions, claims losses, damages, costs, charges and expenses which may be made against, suffered or incurred in respect of arising, directly or indirectly, from or in connection with the dividend payment. The indemnity amount of each shareholder is calculated by the amount compensated by Jiangsu Xingda multiplied by the proportional interests of each shareholder.

Disclaimer

Save as disclosed in this section, as of the Latest Practicable Date, we did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

No material changes

Save as described in the paragraph headed "Indebtedness", the Directors have confirmed that there has been no material change in our indebtedness, commitments and contingent liabilities since October 31, 2006.

Market Risks

Interest Rate Risk

As of June 30, 2006, we had RMB992.5 million in short-term debts, while only RMB250.0 million in long-term debts outstanding. We have structured our debts this way intentionally because it can get lower interest rates on the short-term debt than on the long-term debt. All of our indebtedness are subject to fixed interest rates.

Foreign Currency Exchange Rate Risk

We are subject to certain foreign currency exchange risks, which we do not currently hedge, because over the Track Record Period our turnover was almost entirely in Renminbi. Certain costs of sales and operating expenses are incurred in certain other currencies. Over the Track Record Period, all purchases of imported steel wire rods were made in US dollars, and certain production equipment was purchased in Euros. In addition, the Convertible Bonds are denominated in US dollar of 50.1 million and 54.0 million respectively on December 31, 2005 and June 30, 2006. We have to purchase foreign currencies to meet such obligations. There is no assurance that we will be able to obtain foreign currencies in the amounts and at the time required.

Over the three years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, respectively, our contracts in currencies other than RMB (including those in US dollars) for the purchase of raw materials represented 13.3%, 23.3%, 31.5% and 20.7% of our total revenue during those respective periods.

Off-Balance Sheet Arrangements

We have no off-balance sheet transactions.

FINANCIAL RATIOS

Our debtors' turnover days, creditors' turnover days, inventory turnover days and gearing ratios for the years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2006, respectively, are set forth below:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
Debtors' turnover days [1][2]	110	102	113	101	135
Creditors' turnover days [3]	95	48	34	43	36
Inventory turnover days [4]	90	53	67	93	61
Gearing ratios [5]	43.4%	41.0%	50.0%	47.9%	50.6%

Notes:

(1) The calculation of debtors' turnover days for any financial year is based on the ending balance of trade receivables divided by revenue for the relevant year and multiplied by 365 days. The calculation of debtors' turnover days for the six-month period is based on the ending balance of trade receivables divided by revenue for that period and multiplied by 183 days.

(2) Our trade receivables recorded by our Company included a 17% value-added tax ("VAT"), while the revenue during the Track Record Period was net of such VAT. When excluding the 17% VAT from the trade receivables figure in the calculation of debtors' turnover days, our debtors' turnover days for each of the years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2006 were 94 days, 87 days, 96 days and 116 days, respectively.

(3) The calculation of creditors' turnover days for any financial year is based on the ending balance of trade payables divided by cost of sales for the relevant year multiplied by 365 days. The calculation of creditors' turnover days for the six-month period is based on the ending balance of trade payables divided by revenue for that period and multiplied by 183 days.

(4) The calculation of inventory turnover days for any financial year is based on the ending balance of inventories divided by cost of sales for the relevant year multiplied by 365 days. The calculation of inventory turnover days for the six-month period is based on the ending balance of inventories divided by revenue for that period and multiplied by 183 days.

(5) The calculation of gearing ratio is based on the amount of total debt (bank borrowings and convertible bonds) divided by total assets.

Debtors' turnover days

During the Track Record Period, we normally grant a credit period of 90 days to our customers, although credit terms may vary, depending mainly on the customers' creditworthiness and the length of our business relationship with each customer. As a result of our major customers' good credit standing and our solid business relationships with them, who are well-known tire manufacturers in the PRC, including both local and foreign-invested tire manufacturers, we allow these customers to pay us over a longer period than normally permitted. We include 17% VAT in the trade receivables, which is not included in our revenue for the purpose of calculating debtors' turnover days.

Creditors' turnover days

Credit periods of 60 days to 90 days are usually applicable to purchase of manufacturing equipment from local suppliers. We normally purchase raw materials (i.e., steel wire rods) on a cash basis and settle payments upon the shipment of the steel wire rod by the suppliers.

Trade payables mainly included balances payable to suppliers of machinery parts, chemicals, coal, lubricants and electricity. Our relatively high creditors' turnover days in 2003 was due to the fact that we purchased a significant amount of machinery parts and chemicals from local suppliers during the period to cope with our rapid expansion of production capabilities. These trade payables (with an average of 90-day credit periods offered by the suppliers) accounted for more than half of these balances. The significant increase in the quantity of steel wire rods purchased by us (and thus the related increase in cost of sales in 2004) has led to a significant decrease in creditors' turnover days from 95 in 2003 to 48 in 2004 to 34 days in 2005. The creditors' turnover days also decreased from 43 days for the six months ended June 30, 2005 (unaudited) to 36 days for the six months ended June 30, 2006.

Inventory turnover days

During the Track Record Period, we normally maintained 2 to 3 months of inventory level. The significant decrease in inventory turnover days from 90 in 2003 to 53 in 2004 was attributable to the significant increase in prices of raw materials, which led to the sharp increase in cost of sales and decrease in inventory turnover days during the year.

Furthermore, the increase in inventory turnover days from 53 in 2004 to 67 in 2005 was a result of our significant purchases of raw materials (mainly steel wire rods) in the first and second quarter of 2005. We anticipated that the prices of steel wire rods would continue to increase significantly and therefore purchased a substantial amount of steel wire rods, in particular during the second quarter of 2005, to avoid the future increase in the prices of raw materials. In addition, the time lag effect of the delivery of raw materials was also a factor for the high inventory level of raw materials. We place our purchase orders for raw materials (in particular for imported steel wire rods) in advance. As a result, the steel wire rods that we ordered in the first quarter and second quarter of 2005 were delivered in the second and third quarter of 2005, respectively. For these reasons, the inventory level still remained high as of December 31, 2005 despite the fact that the prices for steel wire rods started declining in the third quarter of 2005. Our inventory turnover days decreased from 93 days for the six months ended June 30, 2005 (unaudited) to 61 days for the six months ended June 30, 2006. The 93 inventory turnover days for the six months ended June 30, 2005 (unaudited) were abnormally high in light of the significant purchase of inventory during that period and subsequently returned to normal level, 61 days, for the six months ended June 30, 2006.

Gearing ratio

Despite the fact that our total bank borrowings were increasing during the Track Record Period, our gearing ratios remained stable throughout the Track Record Period. This stability is due to the fact that these bank borrowings were mainly used to finance the acquisition of fixed assets, primarily equipment used to manufacture steel cord.

The increase in our gearing ratio from 41.0% in 2004 to 50.0% in 2005 and 50.6% by June 30, 2006 was mainly due to the issuance of the Convertible Bonds of US$50.1 million.

DIVIDENDS AND DIVIDEND POLICY

The Directors may recommend dividends to be declared by Shareholders or declare interim dividends after taking into account a number of factors, including our Company's earnings, investment requirements, working capital requirement, general financial conditions and any factors considered relevant by its Board.

Our Company intends to declare and pay dividends to its Shareholders in the future as and when the Board considers appropriate. For the avoidance of doubt, persons who acquire Offer Shares in the Global Offering are entitled to dividends which may be declared in respect of the year 2006.

DISTRIBUTABLE RESERVES

Our Company had RMB60.9 million (approximately HK$61.8 million) of distributable reserves as of June 30, 2006. Pursuant to the Capitalization Issue, HK$89,922,000 (approximately RMB91 million) of the reserves will be capitalized and issued on a pro rata basis to all the then Shareholders pursuant to the Capitalization Issue. For details, please refer to the paragraph headed "A. FURTHER INFORMATION ABOUT OUR COMPANY — 4. Written resolutions of the Shareholders passed on December 3, 2006" in Appendix VI to this prospectus for further details.

WORKING CAPITAL

The Directors are of the opinion that the working capital available to us is sufficient for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

Unaudited Pro Forma Financial Information

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out in Appendix II to this prospectus to provide the investors with further information to assess our financial performance after taking into account our unaudited pro forma adjusted net tangible assets to illustrate our financial position after completion of the Global Offering. Please refer to Appendix II to this prospectus for further details.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that they are not aware of any circumstances which would give rise to a disclosure under Chapter 13 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no adverse material change in our financial or trading position or prospects since June 30, 2006 (being the date to which our latest financial statements were made up).

Property interests and valuation of properties

For the purpose of the Listing, our properties were revalued at approximately RMB620.7 million (100% interest) as of September 30, 2006 by DTZ Debenham Tie Leung. Details of the valuation are summarized in the valuation report set out in Appendix IV to this prospectus. This valuation has also taken into account an Agreement Letter, dated August 25, 2005, issued by Jiangsu Xingda to Xingda Labour Union, whereby Jiangsu Xingda agreed to abandon the land use rights of the lots situated at the northern side of Renmin Road West, Dainan Town, with a site area of 32,740.9 sq.m. (the details of this site are set out in item (10) in Appendix IV to this prospectus) at no consideration until the transfer of such land use rights together with the buildings to Xingda Labour Union or our staff. There is a net revaluation surplus, representing the excess market value of the properties over their net book value, of approximately RMB54.0 million, which was not incorporated in our accounts for the year ended December 31, 2005. In accordance with our accounting policy, all properties are stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of properties has not been included in the net tangible assets statement under the section headed "Financial Information — UNAUDITED PROFORMA ADJUSTED NET TANGIBLE ASSETS" in this prospectus. Had the properties been stated at such valuation, additional depreciation of approximately RMB2.4 million per annum would have been incurred.

Disclosure of the reconciliation of our property interests included in the balance sheet with the valuation of such property interests under Rule 5.07 of the Listing Rules is set out below.

	RMB in thousands
Net book value of the following properties as of June 30, 2006, as set out in our accountants' report in Appendix I to this prospectus	
Buildings	285,640
Construction cost of buildings included in construction in progress	149,226
Lease prepayments	121,550
	556,416
Movements for the three months ended September 30, 2006	
Additions of construction cost of buildings included in construction in progress	28,645
Depreciation and amortization	(5,062)
Net book value as of September 30, 2006	579,999
Less: Net book value of lease prepayments not subject to valuation and assigned as having no commercial value as set out in the valuation report in Appendix IV to this prospectus	(13,345)
Valuation surplus as of September 30, 2006	54,046
Valuation as of September 30, 2006 per Appendix IV to this prospectus (100% interest)	620,700

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as of June 30, 2006, as if it had taken place on June 30, 2006.

The unaudited proforma adjusted net tangible assets information has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of our net tangible assets following the Global Offering. It is based on our consolidated net assets as of June 30, 2006 as shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as below. The unaudited proforma adjusted net tangible assets statement does not form part of the Accountants' Report.

	Audited consolidated net tangible assets attributable to the equity holders of our Company as of June 30, 2006[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets[4]	Unaudited pro forma adjusted net tangible assets per share[3]	Unaudited pro forma adjusted net tangible assets per share[3]
	(RMB in thousands except otherwise stated)			RMB	HK$
Based on an Offer Price of HK$2.45 per Share (being the lowest price of the stated range of the Offer Price)	748,432	868,848	1,617,280	1.26	1.24
Based on an Offer Price of HK$3.08 per Share (being the highest price of the stated range of the Offer Price)	748,432	1,115,731	1,864,163	1.45	1.43

Notes:

(1) International Financial Reporting Standards require land use rights to be classified as operating leases. Payments made on acquiring land use rights are accounted for as prepaid lease payments. Accordingly, land use rights of RMB121,550,000 as set out in Appendix I to this prospectus do not meet the definition of intangible assets and are included in net tangible assets above.

(2) The lowest and highest net proceeds from the Global Offering are estimated to be approximately HK$855,815,000 (equivalent to approximately RMB868,848,000) and approximately HK$1,098,995,000 (equivalent to approximately RMB1,115,731,000), respectively, after deduction of the underwriting fees and other related expenses payable by our Company in relation to the Global Offering. Please refer to the sub-section headed "Use of proceeds" under the section headed "Future plans and use of proceeds" to this prospectus for future use of net proceeds.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,286,000,000 Shares in issue immediately after completion of the Global Offering, the Capitalization Issue, without taking into account any Shares which may be or issued upon (i) the right to convert the Convertible Bonds, or (ii) any Shares which may be allotted and issued or repurchased under the general mandates granted to the directors for the allotment and issue or repurchase of Shares.

(4) By comparing the valuation of the properties and the land use rights as set out in Appendix IV to this prospectus and the unaudited net book value of these properties and the land use rights as of September 30, 2006, the net valuation surplus is approximately RMB54.0 million, which has not been included in the above net tangible assets. The revaluation of the properties and the land use rights will not be incorporated in the financial statements for the period ended September 30, 2006. If the revaluation surplus is to be included in the financial statements for the year ended September 30, 2006, an additional depreciation charge of approximately RMB2.4 million per annum would be incurred.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2006

In the absence of any unforeseen circumstances and on the bases and assumptions set out in Appendix III to this prospectus, certain forecast data of our Company and its subsidiaries for the year ending December 31, 2006 are set forth below:

Forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds . . . . Not less than RMB336.2 million
(approximately HK$331.2 million)

Forecast consolidated profit attributable to equity holders of our Company(1) . . . . .Not less than RMB262.4 million
(approximately HK$258.4 million)

Forecast earnings per Share based on forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds

— weighted average(2) . . . . .RMB36.92 fen
(approximately HK cents 36.37)

— fully diluted(3) . . . . .RMB26.14 fen
(approximately HK cents 25.75)

Forecast earnings per Share based on forecast consolidated attributable to equity holders of our Company

— weighted average(4) . . . . .RMB28.81 fen
(approximately HK cents 28.38)

— fully diluted(5) . . . . .RMB20.40 fen
(approximately HK cents 20.10)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2006 has been prepared and summarized in Appendix III to this prospectus.

(2) The calculation of forecast earnings per Share on a weighted average basis is based on our forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds for the year ending December 31, 2006 and a weighted average number of 910,575,342 Shares expected to be in issue during the year. It does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

(3) The calculation of the forecast earnings per Share on a fully diluted basis is based on our forecast consolidated profit attributable to equity holders of our Company before fair value adjustment on the Convertible Bonds for the year ending December 31, 2006 and a total of 1,286,000,000 Shares in issue during the entire year. The calculation of the forecast earnings per Shares takes no account of any Shares which may fall to be issued upon the conversion of the Convertible Bonds.

(4) The calculation of forecast earnings per Share on a weighted average basis is based on our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2006 and a weighted average number 910,575,342 Shares expected to be in issue during the year. It does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

(5) The calculation of the forecast earnings per Share on a fully diluted basis is based on our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2006 and a total of 1,286,000,000 Shares in issue during the entire year. The calculation of the forecast earnings per Share does not take into account any Shares which may be issued upon the conversion of the Convertible Bonds.

USE OF PROCEEDS

The Directors believe that the main purpose for the Global Offering is to strengthen our capital base and to improve our financial position in pursuit of our future expansion plans.

The net proceeds of the Global Offering, after deducting related expenses, and assuming an Offer Price of HK$2.77 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK$2.45 and HK$3.08 per Offer Share), are estimated to amount to approximately HK$979 million (RMB994 million). We intend to apply the net proceeds as follows:

- *Expansion of production capacity*

  Approximately HK$570 million (RMB579 million) is intended to be used for the expansion of the production capacity of our production facilities, of which:

  — approximately HK$500 million (RMB508 million) will be used for the 8th Factory Project (of which approximately RMB326 million will be used for repaying the bank loans drawn down for financing the 8th Factory Project, with such bank loans having maturity dates ranging from January 2007 to September 2007 and carrying an interest rate of either 5.58% or 6.12% per annum, and the balance will be used for the purchase of production equipment and testing equipment); and

  — approximately HK$70 million (RMB71 million) will be used for the installation of a manufacturing execution system (MES) and logistics management system which will improve the speed of production and distribution of our products.

  We may inject the proceeds of this Global Offering to Jiangsu Xingda by way of capital contributions or loans. According to our PRC legal advisors, (i) any capital contributions made by us (an offshore entity) to Jiangsu Xingda are subject to PRC regulations and may require the approval of the relevant PRC regulatory authority, for example MOC; (ii) the total of any offshore loans to Jiangsu Xingda cannot exceed certain regulatory limit, and such loans must be filed with the SAFE or its local counterpart.

- *Overseas Expansion*

  Approximately HK$380 million (RMB386 million) is intended to be used for our expansion into overseas markets, of which:

  — approximately HK$200 million (RMB203 million) will be used for implementing our overseas expansion strategies through the acquisition of suitable business targets as and when such targets are identified in the future;

  — approximately HK$175 million (RMB178 million) will be used for the set-up of international development departments which we expect will commence operations in January 2007, of which (i) approximately HK$150 million (RMB152 million) will be used for purposes relating to the set up of Xingda International (Shanghai), which will be responsible for overseas sales, procurement of raw materials and research and development and (ii) approximately HK$25 million (RMB25 million) will be used for setting up an office in North America and maintaining about 2,000 tonnes of radial tire cords as inventory in North America with a view to enhancing our international sales efforts; and

— approximately HK$5 million (RMB5 million) will be used for the leasing of warehouse or storage space in Canada and the United States as determined by the needs of our overseas customers for maintaining the required level of inventory in such overseas locations.

- *Working capital*

The remaining balance of approximately HK$29 million (RMB29 million) is intended to be used as our general working capital. Our operations require a high level of working capital, particularly in the procurement of steel wire rods and other raw materials. Therefore, as we expand our operations, it will result in an increase in procurement costs and, thus, the working capital requirements.

In the event that the Offer Price is fixed at HK$2.45 per Share, being the lowest point of the estimated price range, the net proceeds will be reduced by approximately HK$123 million (RMB125 million) to approximately HK$856 million (RMB869 million). Such proceeds will be utilized approximately on a pro-rata basis for our intended domestic production expansion, overseas expansion and general working capital.

In the event that the Offer Price is fixed at HK$3.08 per Share, being the highest point of the estimated price range, the net proceeds will increase by approximately HK$120 million (RMB122 million) to approximately HK$1,099 million (RMB1,116 million). Such proceeds will be utilized approximately on a pro-rata basis for our intended domestic production expansion, overseas expansion and general working capital.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions or used to purchase money-market instruments.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders including proceeds resulting from any exercise by the Global Coordinator (on behalf of the International Purchasers) of the Over-allotment Option in respect of the Sale Shares held by the Selling Shareholders.

FUTURE PLANS

Please refer to the sub-section headed "Business — Strategies" in this prospectus for a detailed description of our future plans.

UNDERWRITERS

Names of Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.
Cheung Kong Center
68th Floor
2 Queen's Road
Central
Hong Kong

BCOM Securities Company Limited
3rd Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Names of International Purchasers:

Goldman Sachs (Asia) L.L.C.
Cheung Kong Center
68th Floor
2 Queen's Road
Central
Hong Kong

DBS Asia Capital Limited
22nd Floor, The Center
99 Queen's Road Central
Hong Kong

Daiwa Securities SMBC Hong Kong Limited
Level 26
One Pacific Place
88 Queensway
Hong Kong

HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 38,600,000 Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the related Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally and not jointly, to subscribe or procure subscribers, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The Global Coordinator (on behalf of the Hong Kong Underwriters) may terminate the Hong Kong Underwriting Agreement, by written notice to our Company, the Five Parties and the Five BVI Companies, if at or prior to 8:00 a.m. on the date on which dealings in the Shares on the Stock Exchange first commence:

(1) there develops, occurs, exists or comes into effect:

(a) any change or development involving a prospective change or development, or any event or series of events resulting in a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the United States, the European Union or any other relevant jurisdiction; or

(b) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, or any other relevant jurisdiction; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the European Union or any other relevant jurisdiction; or

(d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the United States, the European Union or any other relevant jurisdiction; or

(e) (1) any suspension or limitation on trading in Shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market or the London Stock Exchange or (2) a general moratorium on commercial banking activities in New York, Cayman Islands, London, Hong Kong or the PRC, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting Hong Kong, the United States, the European Union or any other relevant jurisdiction; or

(f) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in the PRC, Hong Kong, the European Union, the United States or any other relevant jurisdiction adversely affecting an investment in the Shares; or

(g) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries which has not been disclosed in this prospectus,

and which, in any such case in the sole opinion of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(a) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, our business or our financial or trading position or our prospects as a whole; or

(b) has or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(c) makes or will or is likely to make it impracticable or inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(2) there has come to the notice of the Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in this prospectus, the preliminary offering circular or the offering circular issued in connection with the International Offering and/or the relevant Application Forms in relation to the Hong Kong Public Offering, the formal notice and any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect; or

(b) that any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or

(c) any of the warranties given by our Company and other warrantors under the Hong Kong Underwriting Agreement or the International Purchase Agreement is (or would when repeated be) untrue or misleading in any material respect; or

(d) any event, act or omission which gives or is likely to give rise to any material liability of our Company and other warrantors pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement; or

(e) any material breach of any of the obligations of our Company and other warrantors under the Hong Kong Underwriting Agreement or the International Purchase Agreement; or

(f) any material adverse change or prospective adverse change in our business or in our financial or trading position as a whole.

Undertakings

Our Company has undertaken to the Global Coordinator and the Hong Kong Underwriters that, except pursuant to the Global Offering and the conversion of the Convertible Bonds, our Company will not, without the prior written consent of the Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during a period of 6 months from the Listing Date (the "First Six-Month Period") offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, allot, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital), or enter into any swap or other arrangement that transfers to another, in whole or in part, any economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Our Company has undertaken to the Stock Exchange that except pursuant to the Global Offering, the Capitalization Issue and the conversion of the Convertible Bonds, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within the First Six-Month Period (whether or not such issue of Shares or securities will be completed within the First Six-Month Period), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Each of the Five Parties and the Five BVI Companies has undertaken to our Company, the Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering or the exercise of the Over-allotment Option:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares held by it; and

(b) within the six months commencing after the date on which the period referred to in paragraph (a) above expires, it shall not dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, more than 10% of the Shares held by it as of the Listing Date (with Shares sold by it pursuant to the Over-allotment Option included in this 10% limit); and

(c) at any time, for so long as 80% or more of the principal sum of the Convertible Bonds remains outstanding, it shall not dispose of, nor otherwise create options, interests or encumbrances in respect of, Shares or interest in Shares if, immediately after such disposal, it will result in more than 30% of the total number of Shares held by the Five BVI Companies and the Five Parties after the Listing being disposed of (with Shares sold or transferred by them in the Over-allotment Option and Shares sold or transferred during the period referred to in (b) above included in this 30% limit).

Each of the Five Parties and the Five BVI Companies has undertaken to the Stock Exchange that, except pursuant to the Global Offering or the exercise of the Over-allotment Option:-

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares beneficially owned by it; and

(b) within the six months commencing after the date on which the period referred to in paragraph (a) above expires, it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares beneficially owned by it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it, together with the other Five Parties and the other Five BVI Companies, would as a group in aggregate hold less than 30% of the voting power exercisable at general meetings of the Company or would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of the Five Parties and the Five BVI Companies has also undertaken to the Stock Exchange, the Global Coordinator, the Hong Kong Underwriters and our Company that prior to the date which is twelve months from the Listing Date, it shall immediately inform our Company and the Global Coordinator of:

(i) any pledges/charges any Shares or other securities of our Company beneficially owned by it, together with the number of Shares or other securities so pledged/charged; and

(ii) when it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, such indications.

Our Company will, as soon as practicable upon receiving information of the matters referred to in (i) and (ii) above by any one of the Five Parties or the Five BVI Companies, notify the Stock Exchange and disclose such matters by way of announcement.

Surfmax-Estar Fund A has separately undertaken to our Company and the Global Coordinator that, conditional upon the Listing taking place and save and except pursuant to the Global Offering, the exercise of the Over-allotment Option and the stock borrowing arrangements:

(a) within the First Six-Month Period, it will not sell, transfer or otherwise dispose of any of its Shares and/or interest in the Shares held by it as of the Listing Date; and

(b) it will not sell more than 10% of the Shares and/or interest in the Shares held by it as of the Listing Date within six months after the expiry of the First Six-Month Period (the "Second Six-Month Period") (with Shares sold by it pursuant to the Over-allotment Option included in this 10% limit).

Each of Mr. Lu and Win Wide has separately undertaken to our Company and the Global Coordinator that, conditional upon the Listing taking place:

(a) within the First Six-Month Period, he/it will not sell, transfer or otherwise dispose of any of his/its Shares and/or interest in the Shares held by him/it as of the Listing Date; and

(b) he/it will not sell more than 10% of the Shares and/or interest in the Shares held by him/it as of the Listing Date within the Second Six-Month Period for so long as 80% or more of the principal sum of the Convertible Bonds remains outstanding; and

(c) if less than 80% of the principal sum of the Convertible Bonds remains outstanding at any time during the Second Six-Month Period, he/it will not sell more than 50% of the Shares and/or interest in the Shares held by him/it as of the Listing Date (with Shares previously sold or transferred pursuant to (b) above during the Second Six-Month Period included in this 50% limit).

GSSIA has undertaken to our Company and the Global Coordinator that, conditional upon the Listing taking place, it will not sell, transfer or otherwise dispose of any of its Shares and/or interest in the Shares held by it as of the Listing Date within the First Six-Month Period.

Each of Tetrad and Henda has undertaken to the Company and the Global Coordinator as follows:

(1) **Conversion of the Tetrad Bond or Henda Bond**

The right to convert the Tetrad Bond or the Henda Bond (as the case may be) into Shares shall be exercised in the following manner:

(a) at any time during the period from six months after the Listing Date to 30 days prior to the maturity date of the Tetrad Bond or Henda Bond (as the case may be) ("Maturity Date"), each of Tetrad and Henda shall have the right to convert up to 50% of the principal amount outstanding under the Tetrad Bond or the Henda Bond (as the case may be) into Shares at the conversion price ("Conversion Price") mentioned in the section headed "Principal Terms and Conditions of the Convertible Bonds" in this prospectus; and

(b) at any time during the period from 12 months after the Listing Date to 30 days prior to the Maturity Date, each of Tetrad and Henda shall have the right to convert the whole or any part of the principal amount outstanding under the Tetrad Bond or the Henda Bond (as the case may be) into Shares at the Conversion Price.

(2) **Lock-up on Shares**

Each of Tetrad and Henda shall not, without the prior written consent of the Global Coordinator and unless in compliance with the requirements of the Listing Rules:

(a) at any time during the First Six-Month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, (i) any of the Shares converted or acquired pursuant to the Tetrad Bond and Tetrad Bond Agreement or Henda Bond and Henda Bond Agreement (as the case may be), as supplemented and amended from time to time (the "Bond Shares"), or (ii) any other securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any Shares or securities of the Company (including the Tetrad Bond and the Henda Bond, as the case may be) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares or securities aforesaid, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(b) at any time during the Second Six-Month Period, dispose of (in manner as described in (a) above) or transfer any Bond Shares or the securities of the Company aforesaid (including the Tetrad Bond and Henda Bond) or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Bond Shares and/or the securities aforesaid, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, if, immediately following such disposal, it would result in more than 50% of the Bond Shares and the securities aforesaid (including the Tetrad Bond and the Henda Bond, as the case may be) (in aggregate) being disposed of.

For details of the undertakings given by the Five Parties, Surfmax-Estar Fund A, Win Wide and GSSIA to Tetrad, Henda, GSSIA and/or Win Wide (as the case may be) in connection with the issue of the Convertible Bonds, please refer to the paragraph headed "Principal Terms and Conditions of the Convertible Bonds — Undertakings" in this prospectus.

INTERNATIONAL OFFERING

International Purchase

In connection with the International Offering, it is expected that our Company will enter into the International Purchase Agreement with, *inter alia*, the International Purchasers. Under the International Purchase Agreement, the International Purchasers will severally agree to purchase the Offer Shares being offered pursuant to the International Offering or procure purchasers for such Offer Shares under the International Offering.

Over-allotment Option

The Selling Shareholders will grant to the Global Coordinator (on behalf of the International Purchasers) the Over-allotment Option, exercisable by the Global Coordinator (on behalf of the International Purchasers) no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholders to sell up to an aggregate of 57,900,000 Sale Shares at the Offer Price.

Our Company and the Selling Shareholders will agree to indemnify the International Purchasers against certain liabilities, including liabilities under the U.S. Securities Act.

COMMISSION AND EXPENSES

The Underwriters will receive a commission of 4% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK$89.89 million in aggregate (based on an Offer Price of HK$2.77 per Share, being the mid-point of the stated range of the Offer Price of between HK$2.45 and HK$3.08 per Share), is to be borne by our Company and the Selling Shareholders in proportion to the amount of Offer Shares and Sale Shares sold by us and the Selling Shareholders respectively in the Global Offering.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Other than pursuant to the Underwriting Agreements, interests held by Goldman Sachs as disclosed in this prospectus and interests disclosed in Appendix VI — "Statutory and General Information" to this prospectus, none of the Underwriters has any shareholding in any member of ours or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of ours.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$3.08 and is expected to be not less than HK$2.45 per Offer Share. Based on the maximum Offer Price of HK$3.08 per Offer Share, plus 1% brokerage fee, 0.004% SFC transaction levy (per side) and 0.005% Stock Exchange trading fee (per side), one board lot of 1,000 Shares will amount to a total of HK$3,111.07.

The Offer Price is expected to be determined by agreement between our Company (on behalf of ourselves and the Selling Shareholders), and the Global Coordinator (on behalf of the Underwriters) by the Price Determination Time.

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Global Coordinator (on behalf of the Underwriters, and with the consent of our Company (on behalf of ourselves and the Selling Shareholders)) thinks it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering cause there to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. **If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.**

If, for any reason, the Offer Price is not agreed between our Company (on behalf of ourselves and the Selling Shareholders), and the Global Coordinator (on behalf of the Underwriters) at or before the Price Determination Time, the Global Offering will not proceed and will lapse.

CONDITIONS

Acceptance of all applications for the Global Offering will be conditional upon:

(i) the Listing Committee granting a listing of, and permission to deal in, the Shares (including the additional Shares to be issued pursuant to the exercise of the conversion rights attached to the Convertible Bonds), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined and the execution and delivery of the International Purchase Agreement at or before the Price Determination Time; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Global Coordinator on behalf of the Underwriters) and not being terminated in accordance with the terms thereof or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent that such conditions are validly waived on or before such dates and times) and in any event not later than January 7, 2007, being the date falling 30 days after this prospectus.

The consummation of each of the International Offering and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled, all application monies together with the related brokerage, Stock Exchange trading fee and SFC transaction levy received from applicants under the Hong Kong Public Offering will be returned, without interest, on the terms set out in the section "How to Apply for Hong Kong Offer Shares" and on the terms set out under the paragraph headed "Refund of your money" on the Application Forms. Refund of monies will also be made in respect of wholly or partially successful applications in the event that the Offer Price, as finally determined, is less than the initial price per Hong Kong Offer Share (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee thereon) actually paid and in respect of wholly or partially successful application. In the meantime, such monies will be held in a separate bank account with the receiving banker or other licensed bank(s) in Hong Kong.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Global Offering

The Global Offering consists of the International Offering and the Hong Kong Public Offering. The 386,000,000 Shares initially offered will comprise 347,400,000 Shares being offered under the International Offering and 38,600,000 Shares being offered under the Hong Kong Public Offering. The 386,000,000 Shares being offered under the Global Offering will represent approximately 30% of our Company's enlarged issued share capital immediately after completion of the Global Offering. Goldman Sachs is the Global Coordinator, bookrunner and lead manager of the Global Offering.

Subject to adjustment as set forth below, 38,600,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. Out of the total 386,000,000 Shares offered pursuant to the Global Offering, 347,400,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will be placed with professional and institutional investors in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S and in the U.S. to QIBs in reliance on Rule 144A of the U.S. Securities Act.

In connection with the Global Offering, the Selling Shareholders have granted to the Global Coordinator (on behalf of the International Purchasers) an Over-allotment Option that is exercisable at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Selling Shareholders may be required to offer up to an aggregate of 57,900,000 Sale Shares (representing 15% of the number of Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, if any. The Global Coordinator may also cover over-allocations in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocatted will not exceed the maximum number of Shares that may be offered under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.50% of our Company's enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option.

If the Global Coordinator decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the International Offering. The International Offering Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The levels of indication of interest in the International Offering and the basis of allotment and the results of application under the Hong Kong Public Offering are expected to be published in the *South China Morning Post* (in English) and in the *Hong Kong Economic Times* (in Chinese) on or before December 20, 2006.

The net proceeds from the Global Offering, after deducting commissions and expenses and assuming an Offer Price of HK$2.77 per Share (being the mid-point of the stated range of the Offer Price between HK$2.45 to HK$3.08 per Share), are estimated to be approximately HK$979 million (approximately RMB994 million).

The International Offering

Our Company is initially offering 347,400,000 Shares, representing 90% of the total number of Shares initially being offered in the Global Offering, for subscription by way of the International Offering. The International Offering is fully underwritten by the International Purchasers, subject to the terms and conditions of the International Purchase Agreement.

The International Purchasers are soliciting from prospective professional, institutional and other investors indications of interest in acquiring International Offering Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of International Offering Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building". In Hong Kong, retail investors should apply for Shares in the Hong Kong Public Offering, as retail investors applying for International Offering Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Offering Shares.

Allocation of the International Offering Shares pursuant to the International Offering is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Offering Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and the Shareholders as a whole.

If the Hong Kong Public Offering is not fully subscribed, the Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering.

The International Purchasers or selling agents nominated by the International Purchasers shall, on behalf of our Company, conditionally place the International Offering Shares with professional, institutional and other investors in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S and in the U.S. to qualified institutional buyers as defined in Rule 144A of the U.S. Securities Act. The International Offering of the International Offering Shares shall be subject to the restrictions in respect of the Global Offering set out under the section "Information about this Prospectus and the Global Offering".

The International Offering is conditional on the same conditions as set out in the section "Conditions" above. The total number of International Offering Shares to be allotted and issued pursuant to the International Offering may change as a result of the clawback arrangement referred to in the paragraph headed "The Hong Kong Public Offering" below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering.

The Hong Kong Public Offering

Our Company is initially offering 38,600,000 Shares, representing 10% of the total number of Shares initially being offered in the Global Offering, for subscription by way of the Hong Kong Public Offering. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools.

When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant, but, subject to that, will be made strictly on a pro-rata basis. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 19,300,000 Hong Kong Offer Shares, being 50% of the 38,600,000 Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The Shares initially allocated between the International Offering and the Hong Kong Public Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 115,800,000 Shares, representing 30% of the Shares initially available for subscription under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 154,400,000 Shares, representing 40% of the Shares initially available for subscription under the Global Offering. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 193,000,000 Shares, representing 50% of the Shares initially available for subscription under the Global Offering. In each such case, the additional Shares reallocated from the International Offering to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares available for subscription under the International Offering will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Global Coordinator in its discretion may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Offering.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro-rata basis, although this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

OVER-ALLOTMENT OPTION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, agree to purchase or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and if possible, to prevent a decline in the initial public offer prices of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the stabilization price will not exceed the initial public offer price. In other jurisdictions, the stabilization price may or may not be higher than the initial public offer price.

In connection with the Global Offering, the Selling Shareholders have granted to the Global Coordinator (on behalf of the International Purchasers) the Over-allotment Option, which will be exercisable by the Global Coordinator (on behalf of the International Purchasers) at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Selling Shareholders may be required to sell at the Offer Price up to an aggregate of 57,900,000 Sale Shares, representing 15% of the total number of Shares initially available under the Global Offering. The Sale Shares when sold pursuant to the exercise of the Over-allotment Option will be on the same terms and conditions as the Offer Shares. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.50% of our Company's enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In connection with the Global Offering, Goldman Sachs, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date of this prospectus. Such transactions, if commenced, may be discontinued at any time. Goldman Sachs has been or will be appointed as stabilizing manager for the purpose of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of Goldman Sachs and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

The Global Coordinator or any person acting for it may cover any over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of such purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 57,900,000 Sale Shares representing 15% of the Shares initially available under the Global Offering.

In order to facilitate the over-allocations in connection with the International Offering, the Global Coordinator (or its affiliate(s)) may choose to borrow Shares from Surfmax-Estar Fund A under stock borrowing arrangements, or acquire Shares from other sources, including the secondary market or the exercise of the Over-allotment Option. Such stock borrowing arrangements may include the stock borrowing agreement expected to be entered into between the Global Coordinator and Surfmax-Estar Fund A.

The possible stabilizing action which may be taken by the Global Coordinator or any person acting for it in connection with the Global Offering may involve (among other things) (i) over-allocation of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part, and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

(a) the Global Coordinator may, in connection with any stabilizing action, maintain a long position in the Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Global Coordinator will maintain such a position;

(c) liquidation of any such long position by the Global Coordinator may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price and is expected to expire on January 12, 2007, being the 30th day after the date expected to be the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of any securities (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilizing action; and

(f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Sales will be made within seven days of the expiration of the stabilizing period.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 21, 2006, it is expected that the dealings in Shares on the Stock Exchange will commence on December 21, 2006.

LISTING ON ANY OTHER STOCK EXCHANGE

The Directors are not considering any listing of the Shares or securities of our Company on any other overseas stock exchange. Our Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

1. METHODS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

2. WHICH APPLICATION METHOD YOU SHOULD USE

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) YELLOW Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

3. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus from:

Any participant of the Stock Exchange

or

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

or

BCOM Securities Company Limited
3rd Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

or

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

or

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

or any of the following branches of **Bank of China (Hong Kong) Limited** at the following addresses:

Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Taikoo Shing Branch	Shop G1006-7, Hoi Sing Mansion, Taikoo Shing
Kowloon:	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
New Territories:	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	East Point City Branch	Shop 101 East Point City, Tseung Kwan O

or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited** at the following addresses:

Hong Kong Island:	Central Branch	Shop No. 16, G/F & LG/F, New World Tower, 16-18 Queen's Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Leighton Centre Branch	Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon:	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
New Territories:	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, No. 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop Nos. 186-188, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Yuen Long Branch	140 Yuen Long Main Road, Yuen Long

You can collect a **YELLOW** Application Form and the Prospectus during normal business hours from 9:00 a.m. on Friday, December 8, 2006 untill 12:00 noon on Wednesday, December 13, 2006 from:

(i) the **depository counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) your stockbroker, who may have such **YELLOW** Application Forms and this prospectus available.

4. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain a **WHITE** or **YELLOW** application form.

(b) You should read the instructions in this prospectus and the relevant application form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your application form.

(c) Decide how many Hong Kong Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK$3.08 per Hong Kong Offer

Share, plus a brokerage fee of 1%, the SFC transaction levy of 0.004% (per side) and the Stock Exchange trading fee of 0.005% (per side). The table below sets out the total amount payable for the specified number of Hong Kong Offer Shares.

Each application must be in one of the numbers set out in the table below:

Table of multiples and payment

No. of Shares applied for	Amount payable on application	No. of Shares applied for	Amount payable on application	No. of Shares applied for	Amount payable on application
	HK$		HK$		HK$
1,000	3,111.07	60,000	186,664.63	2,000,000	6,222,154.40
2,000	6,222.16	70,000	217,775.40	3,000,000	9,333,231.60
3,000	9,333.23	80,000	248,886.18	4,000,000	12,444,308.80
4,000	12,444.31	90,000	279,996.95	5,000,000	15,555,386.00
5,000	15,555.39	100,000	311,107.72	6,000,000	18,666,463.20
6,000	18,666.46	200,000	622,215.44	7,000,000	21,777,540.40
7,000	21,777.54	300,000	933,323.16	8,000,000	24,888,617.60
8,000	24,888.62	400,000	1,244,430.88	9,000,000	27,999,694.80
9,000	27,999.70	500,000	1,555,538.60	10,000,000	31,110,772.00
10,000	31,110.77	600,000	1,866,646.32	15,000,000	46,666,158.00
20,000	62,221.54	700,000	2,177,754.04	19,300,000(1)	60,043,789.96
30,000	93,332.32	800,000	2,488,861.76		
40,000	124,443.09	900,000	2,799,969.48		
50,000	155,553.86	1,000,000	3,111,077.20		

(1) Maximum number of Hong Kong Offer Shares you may apply for

(d) Complete the application form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the application form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

(e) Each application form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the application form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the application form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "Bank of China (Hong Kong) Nominees Limited — Xingda International Public Offer"; and
- be crossed "Account Payee Only".

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the application form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to "Bank of China (Hong Kong) Nominees Limited — Xingda International Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

(f) Lodge your application form in one of the collection boxes by the time and at one of the locations, as respectively referred to in the sections headed "Where to collect the Application Forms" and "Members of the public — Time for applying for Hong Kong Offer Shares".

(g) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How many applications you may make".

If your application is made through a duly authorized attorney, our Company, the Sponsor, the Global Coordinator and the Hong Kong Underwriters may accept it at their discretion, subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **YELLOW** Application Forms to be valid:

(a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- the designated CCASS Participant or its authorized signatories must sign in the appropriate box; and

- the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;

(b) if the application if made by an individual CCASS Investor Participant:

- the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and

- the CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the Application Form;

(c) if the application is made by a joint individual CCASS Investor Participant:

- the Application Form must contain all joint CCASS Investor Participants' full names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and

- the participant I.D. must be inserted and the authorized signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the Application Form;

(d) if the application is made by a corporate CCASS Investor Participant:

- the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

- the participant I.D. and company chop (bearing its company name) endorsed by its authorized signatories must be inserted in the appropriate box in the Application Form.

Signature(s), number of signatories and form of chop, where appropriate, in each **YELLOW** Application Form, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorized signatory(ies) (if applicable), the CCASS Participant I.D. or other similar matters may render the application valid.

5. HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned, together with the accompanying cheque(s) or banker's cashier order(s), by ordinary post unless you have requested that the dispatch be made by registered mail to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

6. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give electronic application instructions via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

(b) If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at *https://ip.ccass.com* (according to the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you come to:

Customer Service Centre of HKSCC
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Hong Kong Offer Shares.

(d) You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to our Company and the Hong Kong share registrar.

(e) You may give electronic application instructions in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the application form.

(f) Where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Offer Shares:

  (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** application form or this prospectus; and

  (ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in sub-paragraph (c) in the paragraph headed "Effect of making any application" in the section headed "Terms and Conditions of the Hong Kong Public Offering".

(g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(h) For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

(i) The paragraph headed "Personal data" in the section headed "Terms and Conditions of the Hong Kong Public Offering" applies to any personal data held by the Sponsor, our Company and the Hong Kong share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

Application for Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Global Coordinator and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, December 13, 2006 or such later time as described in the section below headed "Effect of bad weather conditions on the opening of the application lists" above.

7. RESULTS OF ALLOCATONS

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** application forms and by giving electronic application instructions to HKSCC, which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers, if provided, of successful applicants and the number of the Hong Kong Offer Shares successfully applied for, are expected to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on or before December 20, 2006.

8. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may make an application by: (i) giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a white or yellow Application Form, and lodge more than one application in your own name on behalf of different beneficial owners. In the box on this Application Form marked "For nominees", you must include:

- an account number; or

- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. A nominee who submits this Application Form on behalf of another person is deemed to have represented to and undertaken with the Company, the Global Coordinator and the Public Offer Underwriters that he/she has been duly authorised by such person (or, if more than one, all of them) to submit this application and to agree to the terms of this Application Form on behalf of such person/every such person. You further undertake to supply to the Company and each of the Global Coordinator and Public Offer Underwriters such information about such person/every such person as any of them may require for any of the purposes set out in the section below headed "Personal Data".

Otherwise, multiple applications are not allowed.

Multiple applications or suspected multiple applications will be rejected. Save as referred to above, **all** of your applications (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants or any of your joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form;

- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form for more than the total number of Hong Kong Offer Shares initially available in either pool A or pool B, as further described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; or

- have indicated an interest for, or have been or will be allocated International Offering Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for your **benefit**. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company

then the application will be treated as being for your own benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; or

- control more than half of the voting power of that company; or

- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$3.08 per Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Offer Shares you will pay HK$3,111.07. The Application Forms have tables showing the exact amount payable for certain multiples of the Offer Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and Stock Exchange trading fee in full when you apply for the Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set out in the Application Form.

If your application is successful, the brokerage fee is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the transaction levy is paid to the SFC, and the trading fee is paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK$3.08 per Offer Share, appropriate refund payments (including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to applicants, without interest. Details of the procedures for refund are contained below in the section headed "Dispatch/Collection of Share Certificates and Refund Cheques".

10. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on December 13, 2006, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed Application Forms, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited listed in the section headed "Where to collect the Application Forms" above at the following times:

Friday December 8, 2006 — 9:00 a.m. to 4:30 p.m.
Saturday December 9, 2006 — 9:00 a.m. to 12:30 p.m.
Monday December 11, 2006 — 9:00 a.m. to 4:30 p.m.
Tuesday December 12, 2006 — 9:00 a.m. to 4:30 p.m.
Wednesday December 13, 2006 — 9:00 a.m. to 12:00 noon

CCASS Participants should input **electronic application instructions** at the following time:

Friday December 8, 2006 — 9:00 a.m. to 8:30 p.m. *(Note)*
Saturday December 9, 2006 — 8:00 a.m. to 1:00 p.m. *(Note)*
Monday December 11, 2006 — 8:00 a.m. to 8:30 p.m. *(Note)*
Tuesday December 12, 2006 — 8:00 a.m. to 8:30 p.m. *(Note)*
Wednesday December 13, 2006 — 8:00 a.m. to 12:00 noon *(Note)*

Note: These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Participant.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on December 8, 2006 until 12:00 noon on December 13, 2006 (24 hours daily, except the last application day).

The latest time for inputting your **electronic applications instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on December 13, 2006, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

The application lists will be open from 11:45 a.m. to 12:00 noon on December 13, 2006, except as provided in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

11. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on December 13, 2006. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

12. COMMENCEMENT OF DEALINGS IN THE SHARES ON THE STOCK EXCHANGE

Dealings in the Shares on the Stock Exchange are expected to commence on December 21, 2006. Stock code is 1899.

The Shares will be traded on the Stock Exchange in board lots of 1,000 each.

13. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

14. DEPOSIT OF SHARE CERTIFICATES INTO CCASS

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant as instructed by you in your Application Form at the close of business on December 20, 2006, or under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant (other than a CCASS investor participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant:

- our Company expects to publish the results of CCASS investor participants' applications, together with the result of the Hong Kong Public Offering, in the newspaper on Wednesday, December 20, 2006. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on December 20, 2006 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately following the credit of the Hong Kong Offer Shares to your stock account), you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also mail to you an Activity Statement showing the number of Hong Kong Offer Shares credited to your stock account.

15. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum price per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on the Application Form unless you have requested that the dispatch be made by registered mail:

(a) for applications on **WHITE** Application Forms: (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms, whose share certificates will be deposited into CCASS as described above); and/or

(b) for applicantion on **WHITE** and **YELLOW** Application Forms, a refund cheque or refund cheques crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum price per Share paid on application in the event that the Offer Price is less than the maximum price per Share paid on application, in each case including related brokerage at the rate of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004%, but without interest.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on December 20, 2006. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Applicants are advised that a refund cheque to an individual applicant will be printed with part of the applicant's Hong Kong identity card number (or passport number). For joint applicants, the identity information of the first-named applicant will be printed thereon. When a refund cheque is presented to a bank, the bank will cross-check both the name and the printed part of the Hong Kong identity card or passport number of the payee shown on the refund cheque against the bank's own record on the information of the account holder. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification. If the bank is unable to be satisfied with the identity of the payee, the bank might reject the deposit of the refund cheque concerned. Applicants are strongly advised to ensure that their identification numbers are accurately filled in on the application forms to avoid delay in cashing their refund cheques. A cheque deposit might be rejected if an applicant fails to fill in correct identity information. When you are in doubt, applicants should inquire with our Company's branch share registrar, Computershare Hong Kong Investor Services Limited.

If you are applying for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque(s) (where applicable) and/or (for applicants using **WHITE** Application Forms) share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Computershare Hong

Kong Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque(s) and (where applicable) share certificate(s) from Computershare Hong Kong Investor Services Limited, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 20, 2006 or any other date notified by our Company in the newspapers as the date of dispatch of share certificates/refund cheques. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Share Registrar. If you do not collect your refund cheque(s) and share certificate(s), they will be dispatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

1. GENERAL

(a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Global Coordinator (on behalf of the Hong Kong Underwriters) as set out below.

(b) If you electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(d) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed "The Hong Kong Public Offering" in the section headed "Structure of the Global Offering", and in the section headed "How to Apply for the Hong Kong Offer Shares" and the terms and conditions set out in the relevant Application Form or imposed by HKSCC (as the case may be) prior to making an application.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

(a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" and "Refund of Your Money — Additional Information" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) Subject to the terms and conditions as set out herein and in the Application Forms, Hong Kong Offer Shares will be allocated after the application lists close. The Company expects to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on December 20, 2006.

(b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on December 20, 2006 in the manner described in the paragraph headed "Results of Allocations" in the section headed "How to Apply for Hong Kong Offer Shares".

(c) Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorize** our Company, the Sponsor and/or the Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;

- **represent** and **warrant** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form and are not a U.S. person as defined in Regulation S under the U.S. Securities Act;

- **represent** and **warrant** that you are outside the United States and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S);

- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, the Global Coordinator and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;

- (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorized to sign the Application Form or to give electronic application instructions as that other person's agent;

- **agree** that our Company, the Sponsor, the Global Coordinator, the Hong Kong Underwriters and their respective directors and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this prospectus;

- **agree** to disclose to our Company, its registrar, receiving banker, advisors and agents, the Sponsor and the Global Coordinator personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;

- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offering Shares in the International Offering, nor otherwise participate in the International Offering;

- **warrant** the truth and accuracy of the information contained in your application;

- **agree** to disclose to our Company, the Global Coordinator and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

- **authorize** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk unless you have requested that the dispatch be made by registered mail to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on December 20, 2006 (Hong Kong time) from Computershare Hong Kong Investor Services Limited;

- **understand** that these declarations and representations will be relied upon by our Company and the Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Global Coordinator and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **confirm** that you are aware of the restrictions on Global Offering of the Hong Kong Offer Shares described in this prospectus; and

- **understand** that these declarations and representations will be relied upon by our Company and the Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application.

(b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you **agree** that

- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right (1) **not to accept** any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or **not to accept** such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and (3) to cause such **allotted Hong Kong Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the share certificates** for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post unless you have requested that the dispatch be made by registered mail **or to make available the same for your collection**;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms;

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- **instruct** and **authorize** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instruct** and **authorize** HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$3.08 per Hong Kong Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- **instruct and authorize** HKSCC to cause HKSCC Nominees to act on your behalf to do all things which it is authorized to do on your behalf as stated in the **WHITE** Application Form;

- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorize** HKSCC to cause HKSCC Nominees to do on your behalf the following:

    — **agree** that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

— **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

— (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

— (if you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;

— **understand** that the above declaration will be relied upon by our Company and the Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

— **authorize** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refunds in accordance with arrangements separately agreed between our Company and HKSCC;

— **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Broker Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

— **agree** that our Company, the Global Coordinator and the Underwriters and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus;

— **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— **agree** to disclose your personal data to Goldman Sachs, our Company, the Hong Kong share registrar, the receiving banker(s), their respective agents and advisors together with any information about you which they require;

— **agree** that any application made by HKSCC Nominees on behalf of you pursuant to **electronic application instructions** given by that person is irrevocable before December 18, 2006, such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before December 18, 2006, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by our Company; and

— **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

5. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an Application Form or submitting electronic application instructions to HKSCC, you agree that you cannot revoke your application on or before January 8, 2007. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before January 8, 2007 except by means of one of the procedures referred to in this prospectus. For this purpose, acceptance of applications which are not rejected will be constituted by announcement of the basis of allocation and/or making available the results of allocation publicly, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) **If the allocation of Hong Kong Offer Shares is void:**

Your allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) **If you make applications under the Hong Kong Public Offering as well as the International Offering:**

By filling in any of the Application Forms or giving application instructions to HKSCC electronically, you agree not to apply for International Offering Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offering Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(d) **If our Company, the Global Coordinator or their respective agents exercise their discretion:**

Our Company, the Global Coordinator or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) **If:**

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Offering Shares under the International Offering;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription; or
- any of the Hong Kong Underwriting Agreements and/or the International Purchase Agreement does not become unconditional or it is terminated in accordance with the terms thereof.

6. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) **If you are applying using a WHITE Application Form and you elect to receive any share certificate(s) in your name:**

- Refund cheques for those applicants who apply for less than 1,000,000 Hong Kong Offer Shares are expected to be dispatched on or before December 20, 2006 to the same address as that for share certificate(s).
- Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect share certificates and (where applicable) refund cheques in person from our Company's Hong Kong share registrar may collect share certificates and (where applicable) refund cheques in person from our Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai from 9:00 a.m. to 1:00 p.m. on December 20, 2006.

- Applicants who are individuals who opt for personal collection cannot authorize any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorized representatives bearing letters of authorization from the corporation stamped with the corporation's respective chops. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong share registrar.

- Uncollected share certificates and (where applicable) refund cheques will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms unless you have requested that the dispatch be made by registered mail.

(b) **If: (i) you are applying on a YELLOW Application Form; or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:**

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on December 20, 2006 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

  For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

  Our Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "Results of Allocations" in the section headed "How to Apply for the Hong Kong Offer Shares", on December 20, 2006. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on December 20, 2006 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately following the credit of the Hong Kong Offer Shares to your stock account) you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also mail to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

  Our Company is expected to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Broker Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (as appropriate) in the manner described in the paragraph headed "Results of Allocations" in the section headed "How to Apply for the Hong Kong Offer Shares", on December 20, 2006. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on December 20, 2006 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

  You can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic instruction to HKSCC:**

  You can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on December 20, 2006. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account HKSCC will also mail to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (if any).

  No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

7. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

(a) You will be entitled to a refund (any interest accrued on refund money prior to the date of dispatch of refund cheques will be retained for the benefit of our Company) if:

- your application is not successful, in which case our Company will refund your application money together with the brokerage, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;

- your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage, the SFC transaction levy and the Stock Exchange trading fee, without interest;

- the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage, the SFC transaction levy and the Stock Exchange trading fee, attributable to such surplus without interest; and

- the conditions of Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions".

(b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering, you may collect your refund cheque (if any) in person from the Hong Kong share registrar on December 20, 2006. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" in this section.

(c) If you are applying by giving electronic instructions to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Broker/Custodian Participant) on December 20, 2006.

(d) All refunds by cheque will be crossed "Account Payee Only", and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.

(e) Refund cheques are expected to be dispatched on December 20, 2006.

8. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong share registrar in relation to personal data and the Ordinance.

(a) **Reasons for the collection of your personal data**

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong share registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong share registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or its Hong Kong share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s), and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong share registrar immediately of any inaccuracies in the personal data supplied.

(b) **Purposes**

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong share registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by our Company and the Hong Kong share registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong share registrar, to the extent necessary for achieving the above purposes or any of them, make such inquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as financial advisors and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong share registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving electronic application instructions to HKSCC, you agree to all of the above.

(d) **Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong share registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and the Hong Kong share registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our Company Secretary or (as the case may be) the Hong Kong share registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants. Hong Kong, the auditors of and the reporting accountants to the Company.

Deloitte.
德勤

December 8, 2006

The Directors
Xingda International Holdings Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information regarding Xingda International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2006 (the "Track Record Period") for inclusion in this prospectus of the Company dated December 8, 2006 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands on April 19, 2005. Pursuant to a group reorganization, as more fully explained in the section headed "Corporate Structure and Reorganization" in the Prospectus (the "Group Reorganization"), the Company has become the holding company of the Group since April 28, 2005.

At June 30, 2006 and at the date of this report, the Company has the following indirectly owned subsidiaries, other than Faith Maple International Ltd., which is directly owned by the Company:

Name of subsidiary	Place and date of incorporation/ registration and operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activity
Faith Maple International Ltd. ("Faith Maple")	The British Virgin Islands ("the BVI") April 19, 2004	USD11,170,000	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ registration and operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group	Principal activity
Jiangsu Xingda Steel Tyre Cords Co., Ltd. 江蘇興達鋼簾綫股份有限公司 ("Jiangsu Xingda")	The People's Republic of China (the "PRC") March 27, 1998	RMB134,600,000	69.54%	Manufacture of steel tire cords
Xinghua Municipality Lianxing Machinery Manufacturing Co., Ltd. 興化市聯興機械製造有限公司 ("Xinghua Lianxing")	PRC April 15, 2002	RMB1,000,000	66.06%	Assembly of plant, machinery and equipment
Shanghai Xingda Steel Tyre Cord Co., Ltd. 上海興達鋼簾綫有限公司 ("Shanghai Xingda")	PRC July 8, 2002	RMB500,000	69.19%	Trading of steel tire cords
Xingda International (Shanghai) Special Cord Co., Ltd. 興達國際(上海)特種簾綫有限公司	PRC September 15, 2006	US$12,000,000	100%	Not yet commenced business

No audited financial statements have been prepared for the Company and Faith Maple since their respective dates of incorporation as they have not carried on any business, other than the transactions relating to the Group Reorganization referred to herein and the issue of the Convertible Bonds. For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company and Faith Maple since their respective dates of incorporation to the date of this report and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies.

No audited financial statements have been prepared separately for Xinghua Lianxing and Shanghai Xingda. The statutory consolidated financial statements of Jiangsu Xingda and its subsidiaries, Xinghua Lianxing and Shanghai Xingda (the "Jiangsu Xingda Group") were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC prior to becoming a subsidiary of Faith Maple in 2004 and financial regulations applicable to sino-foreign equity joint ventures registered in the PRC thereafter and were audited by Jiangsu Suya Jin Cheng Certified Public Accountants Co., Ltd. 江蘇蘇業金城會計師事務所有限公司 for the years ended December 31, 2003, 2004 and 2005. For the purpose of this report, we have, however, undertaken our own independent audits on the consolidated financial statements of the Jiangsu Xingda Group for the Track Record Period, which were prepared in accordance with International Financial Reporting Standards, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial information of the Group for the Track Record Period (the "Financial Information") set out in this report has been prepared from the audited financial statements or management accounts (the "Underlying Financial Statements") of the companies now comprising the Group, on the basis set out in note 2 of Section VI below after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

We have examined the Underlying Financial Statements for the Track Record Period in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The preparation of the Underlying Financial Statements is the responsibility of the directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section VI below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as of December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2006 and of the Company as of December 31, 2005 and June 30, 2006 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated income statement, cash flow statement and statement of changes in equity of the Group for the six months ended June 30, 2005 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "June 30, 2005 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 30, 2005 Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of management and applying analytical procedures to the June 30, 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the June 30, 2005 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the June 30, 2005 Financial Information.

FINANCIAL INFORMATION

I. Consolidated income statements

	Notes	Year ended December 31, 2003	Year ended December 31, 2004	Year ended December 31, 2005	Six months ended June 30, 2005	Six months ended June 30, 2006
		(RMB in thousands)				
					(unaudited)	
Revenue	7	962,789	1,683,179	2,357,420	1,094,109	1,155,339
Cost of sales		(481,265)	(1,020,143)	(1,648,118)	(768,261)	(819,920)
Gross profit		481,524	663,036	709,302	325,848	335,419
Other income	8	22,343	29,703	57,676	25,502	31,748
Government grants	9	27,611	57,010	46,649	10,688	1,990
Selling and distribution expenses		(33,933)	(50,412)	(84,324)	(33,542)	(40,815)
Administrative expenses		(107,243)	(112,608)	(143,478)	(56,292)	(63,490)
Profit from operations		390,302	586,729	585,825	272,204	264,852
Finance costs	10	(40,030)	(70,974)	(84,806)	(41,781)	(42,631)
Loss on fair value adjustment on the Convertible Bonds		—	—	(179,599)	(107,062)	(27,444)
Loss on dilution of interest in a subsidiary	11	—	—	(824)	(824)	—
Profit before tax		350,272	515,755	320,596	122,537	194,777
Income tax (charge) credit	12	(51,037)	(117,671)	1,526	2,464	(17)
Profit for the year/period	13	299,235	398,084	322,122	125,001	194,760
Profit attributable to:						
Equity holders of the Company		135,780	185,911	116,171	25,546	124,912
Minority shareholders		163,455	212,173	205,951	99,455	69,848
		299,235	398,084	322,122	125,001	194,760
Dividend attributable to:						
Equity holders of the Company		12,219	12,219	15,721	15,721	18,627
Minority shareholders		14,701	14,701	11,199	11,199	8,200
		26,920	26,920	26,920	26,920	26,827
Earnings per share	16					
Basic (RMB fen)		21.25	28.52	12.91	2.84	13.88
Diluted (RMB fen)		N/A	N/A	12.91	2.84	12.99

II. Consolidated balance sheets

	Notes	At December 31, 2003	At December 31, 2004	At December 31, 2005	At June 30, 2006
		(RMB in thousands)			
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	17	835,041	1,123,351	1,670,780	1,776,561
Land use rights	18	71,778	77,593	120,185	119,063
Available-for-sale investments	20	500	500	500	500
Deposits paid for purchase of property, plant and equipment		70,880	31,930	1,843	311
Deposits paid for purchase of land use rights		4,550	—	—	—
		982,749	1,233,374	1,793,308	1,896,435
CURRENT ASSETS					
Land use rights	18	1,327	1,541	2,485	2,487
Inventories	21	118,071	147,659	303,058	271,224
Trade and other receivables	22	511,083	762,291	990,172	1,241,610
Amount due from a related company	23	—	—	—	350
Amounts due from shareholders/minority shareholders	24	155	8,628	958	958
Investments held for trading	20	2,020	—	—	—
Bank balances and cash	26	150,683	291,938	294,301	298,186
		783,339	1,212,057	1,590,974	1,814,815
TOTAL ASSETS		1,766,088	2,445,431	3,384,282	3,711,250
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	27	61,095	92,264	83	83
Reserves		211,272	244,899	642,064	748,349
		272,367	337,163	642,147	748,432
MINORITY INTERESTS		327,929	404,301	509,895	571,543
TOTAL EQUITY		600,296	741,464	1,152,042	1,319,975

	Notes	At December 31, 2003	At December 31, 2004	At December 31, 2005	At June 30, 2006
		(RMB in thousands)			
NON-CURRENT LIABILITIES					
Bank borrowings - due after one year	29	125,000	60,000	30,000	250,000
Convertible Bonds	30	—	—	578,297	628,154
Deferred tax liabilities	31	4,159	4,159	—	—
Government grants	32	—	—	7,500	15,000
		129,159	64,159	615,797	893,154
CURRENT LIABILITIES					
Trade and other payables	33	376,858	349,725	437,794	405,134
Amounts due to directors	34	1,038	4,877	179	239
Amount due to a related company	35	—	3,127	15,000	31,000
Amounts due to shareholders	36	—	272,528	48,408	32,781
Dividend payable	37	—	—	—	5,402
Tax payable		17,777	65,791	31,661	24,710
Bank borrowings - due within one year	29	640,960	943,760	1,077,560	992,510
Convertible Bonds	30	—	—	5,841	6,345
		1,036,633	1,639,808	1,616,443	1,498,121
TOTAL LIABILITIES		1,165,792	1,703,967	2,232,240	2,391,275
TOTAL EQUITY AND LIABILITIES		1,766,088	2,445,431	3,384,282	3,711,250
Net current (liabilities) assets		(253,294)	(427,751)	(25,469)	316,694
Total assets less current liabilities		729,455	805,623	1,767,839	2,213,129

III. Balance sheet

	Notes	At December 31, 2005	At June 30, 2006
		(RMB in thousands)	
ASSETS			
NON-CURRENT ASSET			
Investment in a subsidiary	19	285,670	285,670
CURRENT ASSETS			
Amount due from a subsidiary	25	400,174	426,097
TOTAL ASSETS		685,844	711,767
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	27	83	83
Reserves	28	95,585	60,864
TOTAL EQUITY		95,668	60,947
NON-CURRENT LIABILITIES			
Convertible Bonds	30	578,297	628,154
CURRENT LIABILITIES			
Other payables		6,038	10,919
Dividend payable		—	5,402
Convertible Bonds	30	5,841	6,345
		11,879	22,666
TOTAL LIABILITIES		590,176	650,820
TOTAL EQUITY AND LIABILITIES		685,844	711,767
Total assets less current liabilities		673,965	689,101

IV. Consolidated statements of changes in equity

	Attributable to equity holders of the Company								
	Share capital	Special reserve	Capital contribution reserve	Statutory common reserve	Statutory public welfare fund	Retained earnings	Total	Attributable to minority interests	Total
	(RMB in thousands)								
				(note 1)	(note 2)				
At January 1, 2003	61,095	—	—	10,516	5,258	71,937	148,806	179,175	327,981
Profit for the year, representing total recognized income and expenses for the year	—	—	—	—	—	135,780	135,780	163,455	299,235
Appropriations	—	—	—	13,807	6,904	(20,711)	—	—	—
Dividend	—	—	—	—	—	(12,219)	(12,219)	(14,701)	(26,920)
At December 31, 2003 and January 1, 2004	61,095	—	—	24,323	12,162	174,787	272,367	327,929	600,296
Issue of shares upon incorporation and reorganization	92,264	—	—	—	—	—	92,264	—	92,264
Elimination of the then paid-in capital upon reorganization	(61,095)	61,095	—	—	—	—	—	—	—
Acquisition of 13% equity interest in Jiangsu Xingda (note 3)	—	49,350	—	—	—	—	49,350	(121,100)	(71,750)
Deemed distribution to shareholders (note 4)	—	—	(250,510)	—	—	—	(250,510)	—	(250,510)
Profit for the year, representing total recognized income and expenses for the year	—	—	—	—	—	185,911	185,911	212,173	398,084
Appropriations	—	—	—	10,306	5,153	(15,459)	—	—	—
Dividend	—	—	—	—	—	(12,219)	(12,219)	(14,701)	(26,920)
At December 31, 2004 and January 1, 2005	92,264	110,445	(250,510)	34,629	17,315	333,020	337,163	404,301	741,464
Profit for the year	—	—	—	—	—	116,171	116,171	205,951	322,122
Total recognized income and expenses for the year	—	—	—	—	—	116,171	116,171	205,951	322,122
Appropriations	—	—	—	35,505	17,752	(53,257)	—	—	—
Dividend	—	—	—	—	—	(15,721)	(15,721)	(11,199)	(26,920)
Issue of shares upon incorporation	1	—	—	—	—	—	1	—	1
Exchange of shares upon Group Reorganization (note 5)	(92,182)	92,182	—	—	—	—	—	—	—
Contribution from shareholders	—	—	123,808	—	—	—	123,808	88,192	212,000
Dilution of interest in a subsidiary	—	—	—	—	—	—	—	2,074	2,074
Acquisition of additional 11.14% equity interest in Jiangsu Xingda (note 6)	—	78,327	—	—	—	—	78,327	(175,826)	(97,499)
Acquisition of additional 40% equity interest in Xinghua Lianxing by Jiangsu Xingda (note 7)	—	2,398	—	—	—	—	2,398	(3,598)	(1,200)
At December 31, 2005 and January 1, 2006	83	283,352	(126,702)	70,134	35,067	380,213	642,147	509,895	1,152,042
Profit for the period, representing total recognized income and expenses for the year	—	—	—	—	—	124,912	124,912	69,848	194,760
Transfer (note 8)	—	—	—	35,067	(35,067)	—	—	—	—
Dividend	—	—	—	—	—	(18,627)	(18,627)	(8,200)	(26,827)
At June 30, 2006	83	283,352	(126,702)	105,201	—	486,498	748,432	571,543	1,319,975

	Attributable to equity holders of the Company								
	Share capital	Special reserve	Capital contribution reserve	Statutory common reserve	Statutory public welfare fund	Retained earnings	Total	Attributable to minority interests	Total
	(RMB in thousands)								
				(note 1)	*(note 2)*				
(Unaudited)									
At January 1, 2005	92,264	110,445	(250,510)	34,629	17,315	333,020	587,673	404,301	741,464
Issue of shares upon incorporation	1	—	—	—	—	—	1	—	1
Exchange of shares upon Group Reorganization *(note 5)*	(92,182)	92,182	—	—	—	—	—	—	—
Contribution from shareholders	—	—	123,808	—	—	—	123,808	88,192	212,000
Dilution of interest in a subsidiary	—	—	—	—	—	—	—	2,074	2,074
Profit for the period, representing total recognized income and expenses for the period	—	—	—	—	—	25,546	25,546	99,455	125,001
Dividend	—	—	—	—	—	(15,721)	(15,721)	(11,199)	(26,920)
At June 30, 2005	83	202,627	(126,702)	34,629	17,315	342,845	470,797	582,823	1,053,620

Notes:

(1) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Xinghua Lianxing and Shanghai Xingda, 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.

(2) According to the Articles of Association of the subsidiaries, Jiangsu Xingda, Xinghua Lianxing and Shanghai Xingda, they are required to transfer 5% to 10% of the profit after tax to the statutory public welfare fund. Transfer to this fund must be made before distributing dividends to shareholders. This fund can be used for the collective welfare of the employees of the subsidiaries in the PRC. The public welfare fund is not distributable to shareholders. There has been no utilization of the public welfare fund during each of the years ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2005 and 2006.

(3) Special reserve arising from the acquisition of 13% equity interest in Jiangsu Xingda represents the difference between the consideration of approximately RMB71,750,000 paid by Faith Maple and net carrying amount of 13% equity interest in Jiangsu Xingda at the date of acquisition.

(4) The amount represents deemed distribution to shareholders for the acquisition of 45.4% equity interest in Jiangsu Xingda.

(5) Special reserve represents the difference between the paid-in capital of Faith Maple acquired by the Company and the nominal value of the share capital of the Company through an exchange of shares.

(6) Special reserve arising from the acquisition of additional 11.14% equity interest in Jiangsu Xingda represents the difference between the consideration paid by Faith Maple of approximately RMB97,499,000 and the net carrying amount of 11.14% equity interest in Jiangsu Xingda at the date of acquisition.

(7) Special reserve arising from the acquisition of additional 40% equity interest in Xinghua Lianxing by Jiangsu Xingda represents the difference between the consideration paid by Jiangsu Xingda of RMB1,200,000 and the net carrying amount of 40% equity interest in Xinghua Lianxing.

(8) In accordance with the latest PRC relevant laws and regulations, the unutilised statutory public welfare fund should be transferred to statutory common reserve.

V. Consolidated cash flow statements

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
OPERATING ACTIVITIES					
Profit before tax	350,272	515,755	320,596	122,537	194,777
Adjustments for:					
Depreciation and amortization	55,754	95,799	125,930	60,414	72,741
Interest income	(9,520)	(10,501)	(18,203)	(8,753)	(9,421)
Loss (gain) on disposal of property, plant and equipment	906	3,409	(170)	(170)	—
Impairment loss on trade and other receivables	897	—	—	—	—
Finance costs	40,030	70,974	84,806	41,781	42,631
Loss on fair value adjustment on the Convertible Bonds	—	—	179,599	107,062	27,444
Loss on dilution of interest in a subsidiary	—	—	824	824	—
Fair value changes of investments held for trading	—	20	—	—	—
Operating cash flows before movements in working capital	438,339	675,456	693,382	323,695	328,172
(Increase) decrease in inventories	(73,594)	(29,588)	(155,399)	(242,550)	31,834
Increase in trade and other receivables	(284,632)	(251,208)	(227,881)	(124,482)	(251,438)
increase (decrease) in trade and other payables	146,964	(26,976)	19,302	27,031	7,336
Increase (decrease) in amounts due to directors	949	769	(1,628)	(849)	60
Increase (decrease) in amount due to a related company	—	3,127	(3,127)	1,019	—
Cash generated from operations	228,026	371,580	324,649	(16,136)	115,964
Income tax paid	(39,169)	(69,657)	(36,763)	(36,210)	(6,968)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	188,857	301,923	287,886	(52,346)	108,996

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(431,004)	(311,953)	(573,130)	(185,146)	(210,543)
(Advance to) repayment from shareholders/minority shareholders	(24)	(8,473)	7,670	7,670	—
Loans to third-parties	—	—	(20,000)	(20,000)	—
Payment for loans by third-parties	—	—	20,000	—	—
Purchase of land use rights	(31,381)	(38,908)	(45,254)	(33,070)	(5,323)
Advance to a related company	—	—	—	—	(350)
Acquisition of additional interest in subsidiaries	—	—	(98,699)	—	—
Acquisition of 13% equity interest in Jiangsu Xingda	—	(71,750)	—	—	—
Purchase of investments held for trading	(2,020)	—	—	—	—
Proceeds on disposal of investments held for trading	—	2,000	—	—	—
Proceeds on disposal of property, plant and equipment	3,565	657	513	513	—
Interest received	9,520	10,501	18,203	8,752	9,421
NET CASH USED IN INVESTING ACTIVITIES	(451,344)	(417,926)	(690,697)	(221,281)	(206,795)
FINANCING ACTIVITIES					
New bank loans raised	627,960	878,760	1,571,060	570,220	1,149,670
Contribution from shareholders	—	—	212,000	212,000	—
Capital contribution from minority interests	—	—	1,250	1,250	—
Issue of shares	—	92,264	1	1	—
Settlement of consideration payable to shareholders	—	—	(250,510)	(250,510)	—
Repayment of bank loans	(240,860)	(640,960)	(1,467,260)	(461,020)	(1,014,720)
Interest paid	(40,030)	(70,974)	(84,806)	(41,781)	(42,631)
Dividend paid	(26,920)	(12,500)	(12,500)	(12,500)	(15,627)
(Repayment to) advance from a shareholder	(65)	7,598	11,970	22,683	(21,425)
Advance from (repayment to) directors	—	3,070	(3,070)	(3,070)	—
Advance from a related company	—	—	15,000	15,000	16,000
Issue of the Convertible Bonds	—	—	414,538	258,649	25,977
Transaction cost in respect of issuance of the Convertible Bonds	—	—	(9,999)	(5,028)	(629)
Receipt of government grants	—	—	7,500	—	7,500
Interest paid on the Convertible Bonds	—	—	—	—	(2,431)
NET CASH GENERATED FROM FINANCING ACTIVITIES	320,085	257,258	405,174	305,894	101,684
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,598	141,255	2,363	32,267	3,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	93,085	150,683	291,938	291,938	294,301
AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	150,683	291,938	294,301	324,205	298,186

VI. Notes to the financial information

1. GENERAL INFORMATION

Xingda International Holdings Limited 興達國際控股有限公司 is a limited company incorporated in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company.

Pursuant to a special resolution passed on the special general meeting held on May 18, 2005, for the purpose of adopting the Chinese name of the Company, the name of the Company was changed on May 18, 2005 from Xingda International Limited to Xingda Group Limited, which was then changed to Xingda International Limited 興達國際有限公司 on the same date.

Pursuant to another special resolution passed on the special general meeting held on August 18, 2005, the name of the Company was changed from Xingda International Limited 興達國際有限公司 to Xingda International Holdings Limited 興達國際控股有限公司.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (its functional currency).

2. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Group Reorganization, the Company became the holding company of the Group since April 28, 2005.

The major steps of the Group Reorganization, which involved the exchange of shares, were as follows:

— On June 28, 2004, Faith Maple entered into share acquisition agreements to acquire 58.4% equity interest in Jiangsu Xingda. The acquisition was completed on December 10, 2004 (the "Acquisition"); and

— On April 28, 2005, the transfer of the entire equity interest in Faith Maple to the Company was effected by means of an exchange of shares.

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements include the results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation/registration where this is a shorter period and Jiangsu Xingda had been a subsidiary during the Track Record Period, in accordance with the effective interest held by the controlling shareholders, the Employee Shareholding Committee (the "ESC").

Even though the ESC held less than 50% equity interest in Jiangsu Xingda during the period from January 1, 2003 to December 9, 2004, the ESC directly obtained the controlling power (i.e. over 50% voting rights in shareholders' meetings) in Jiangsu Xingda from the establishment of Jiangsu Xingda on March 27, 1998 and up to December 9, 2004 by virtue of its holding of equity interest in Jiangsu Xingda together with the surrender of voting rights in favor of the ESC by Xinghua Municipality Trading, Industrial and Agricultural Company ("TIAC") pursuant to the voting arrangements between them.

The members of the ESC comprising a group of individuals have ultimate collective power to govern the financial and operating policies of the Company, Faith Maple and Jiangsu Xingda. The power of the ESC is not transitory. A business combination involving entities under common control is outside the scope of International Financial Reporting Standard 3 "Business Combinations". Therefore, the principle of merger accounting has been applied. Jiangsu Xingda is treated as a subsidiary of the Company during the Track Record Period and its results are then consolidated in the Group's financial information throughout the Track Record Period.

TIAC was a passive investor and surrendered its voting rights to the ESC from the establishment of Jiangsu Xingda in 1998 up to the moment immediately prior to the completion of the Acquisition. TIAC did not surrender the rights to share the results of Jiangsu Xingda to the ESC and, therefore, the profit attributable to equity holders of the Company when preparing the Group's financial information has not taken into account of the percentage of equity interest owned by TIAC during the Track Record Period.

The consolidated balance sheets of the Group as of December 31, 2003, 2004 and 2005 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as of those dates and Jiangsu Xingda had been a subsidiary as of those dates in accordance with the effective interest held by the ESC.

All intra-group transactions, cash flows and balances have been eliminated on consolidation.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The International Accounting Standards Boards (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB issued a number of new and revised standards and interpretation (hereinafter collectively referred to as "new IFRSs") which are either effective for accounting periods beginning on or after January 1, 2005, December 1, 2005 or January 1, 2006, and require retrospective application. The Financial Information of the Group has been prepared in accordance with these new IFRSs throughout the Track Record Period.

At the date of this report, the IASB has issued the following new standards, amendment and interpretations which are not yet effective in respect of the financial periods of the Track Record Period. The Group has not early adopted these new standards, amendment and interpretations in the preparation of the Financial Information for the Track Record Period. The directors anticipate that the application of these standards, amendment and interpretations will have no material impact on the results and financial positions of the Group.

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

1 Effective for annual periods beginning on or after January 1, 2007

2 Effective for annual periods beginning on or after March 1, 2006

3 Effective for annual periods beginning on or after May 1, 2006

4 Effective for annual periods beginning on or after June 1, 2006

5 Effective for annual periods beginning on or after November 1, 2006

6 Effective for annual periods beginning on or after March 1, 2007

7 Effective for annual periods beginning on or before January 1, 2008

8 Effective for annual periods beginning on or before January 1, 2009

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value and in accordance with IFRSs. The following principal accounting policies adopted are comformed with IFRSs:

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities.

Inter-company transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation; unrealised loss are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest from minority shareholders

When the Group increases its interest in an enterprise that is already an entity controlled by the Company, goodwill (if any) arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluating all of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated balance sheet. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheets at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related cost.

Sales of goods are recognized when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Operating leases

Leases are classified as operating leases whenever the terms of the lease retain substantially all the risks and rewards of ownership to the lessor.

Rentals payable under operating leases are charged to the consolidated income statements on a straight-line basis over the terms of the relevant leases.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which the group company operates (its functional currency). For the purpose of presenting the Financial Information, the results and financial position of each company are expressed in RMB, the functional currency of the Company.

In preparing the financial statements of the individual companies, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into RMB at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Government grants

Government grants are recognized as income on a systematic and rational basis over the periods necessary to match them with the related costs. If no basis exists for allocating a grant to a period other than the one in which it is received and the grant is unconditional, the grant is recognized on a receipts basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated income statements because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss.

Property, plant and equipment

Properties in the course of construction for production, rental or administrative purposes are carried at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Construction in progress are not depreciated. They are reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statements in the year/period in which the item is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the year/period in which it is incurred.

An internally-generated intangible asset arising from the Group's development is recognized only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortized on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Land use rights

Land use rights are accounted for as prepaid lease payments and amortized on a straight-line basis over the lease terms. Land use rights which are to be amortized in the next twelve months or less are classified as current assets.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognized as income immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's or the Company's balance sheets when the Group or the Company becomes a party to the contracted provisions of the instrument.

Trade and other receivables, amount due from a related company, amounts due from shareholders/minority shareholders, amount due from a subsidiary

Trade and other receivables, amount due from a related company, amounts due from shareholders/minority shareholders and amount due from a subsidiary are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The impairment loss recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank deposits. Bank deposits are subsequently measured at amortized cost using the effective interest method.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Convertible Bonds

Convertible Bonds are regarded as compound instruments, consisting of a liability component and an equity component, or in the case that the conversion option is not settled by the exchange of a fixed monetary amount for a fixed number of equity instruments, the accounting standard requires the issuer to recognize the compound financial instrument in the form of financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The Group, however, has elected to designate all its Convertible Bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, the entire Convertible Bonds are measured at fair value, with changes in fair value recognized directly in profit or loss in the year/period in which they arise.

Transaction costs that are directly attributable to the issue of the Convertible Bonds designated as financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Trade and other payables, amounts due to directors, amount due to a related company, amounts due to shareholders and dividend payable

Trade and other payables, amounts due to directors, amount due to a related company, amounts due to shareholders and dividend payable are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the assets's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are removed from the Group's and the Company's balance sheets (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Borrowing costs

All borrowing costs are recognized as and included in finance costs in the consolidated income statements in the period in which they are incurred.

5. KEY ACCOUNTING ESTIMATES

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to carrying amount of the assets and liabilities within the next financial period, are discussed below.

Valuation on inventories

The Group assesses periodically if the inventories have been suffered from any impairment in accordance with the accounting policy stated in note 4. The management reviews an aging analysis at each balance sheet date, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realizable value for such finished goods, work in progress and raw materials primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow-moving items. No impairment recognized as of December 31, 2003, 2004 and 2005 and June 30, 2006.

Valuation on trade receivables

Note 4 describes that trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. An impairment losses is recognised in profit and loss when there is objective evidence that the asset is impaired.

In determining whether there is objective evidence of impairment, the Group takes into consideration the estimation of future cash flows. In case where the actual future cash flows generated are less than expected, a material impairment loss may arise.

Valuation on the Convertible Bonds

For the Convertible Bonds, no quoted prices in an active market exists. The fair value for the Convertible Bonds is established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis and option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the area that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

6. SEGMENT INFORMATION

The Group's operations are located in the PRC and substantially all of the Group's consolidated revenue and contribution to profit from operations are derived from the manufacture and trading of steel tire cords in the PRC. Accordingly, no analyses by business segment and geographical area of operations are provided.

7. REVENUE

Revenue represents amounts receivable for sales of steel tire cords in the normal course of business, net of discounts, during the Track Record Period.

8. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Sales of scrap materials and coal ashes	7,928	17,118	29,457	13,538	12,187
Interest income	9,520	10,501	17,599	8,753	9,421
Interest income on loans receivable (note 1)	—	—	604	—	—
Gain on disposal of property, plant and equipment	—	—	170	170	—
Sundry income (note 2)	4,895	2,084	3,893	3,041	4,009
Net foreign exchange gain	—	—	5,953	—	6,131
	22,343	29,703	57,676	25,502	31,748

Notes:

(1) It represents interest income on loans of RMB20,000,000 granted by the Group to four individuals holding managerial position in a customer of Jiangsu Xingda during the year ended December 31, 2005. The PRC legal adviser confirmed and endorsed that the loans granted to the four independent individuals, which had been properly approved and documented, were legal and valid under the relevant laws in the PRC. The directors are of the opinion that the loans were taken out by the four individuals in their personal capacity for the purposes of management buy-out of their own company.

The loans were unsecured and bearing interest at 5.58% per annum. The principal and interest of the loans were originally scheduled to be repaid on March 7, 2007. However, they were fully settled during the year ended December 31, 2005.

(2) It comprises compensation from suppliers for sub-standard materials delivered and other miscellaneous items.

9. GOVERNMENT GRANTS

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Government grants in terms of incentive fund for the promotion of technological transformation 技改扶持獎勵資金 (note 1)	—	38,186	25,483	—	—
Incentive subsidies (note 2)	13,211	18,624	21,166	10,688	1,990
Government grants (note 3) in respect of interest incurred on specific borrowings	14,400	200	—	—	—
	27,611	57,010	46,649	10,688	1,990

Notes:

(1) The Group was recognized by The People's Government of Xinghua Municipality 興化市人民政府 as a core entity and a major contributor to the local economy of Xinghua Municipality, the PRC. Subsidies, representing incentive fund for the promotion of technological advance in the area, were granted for its continuing application of advanced technology and research and development activities. There were no specific conditions attached to the grants and, therefore, the Group recognized the grants upon receipt. The subsidies were granted on a discretionary basis to the Group during the years ended 2004 and 2005. The Group does not anticipate continuing receipts of the grants in the future.

(2) During the Track Record Period, the Group received incentive subsidies, which were calculated as a percentage of income tax refund and value-added tax paid, from The People's Government of Xinghua Municipality 興化市人民政府 for the Group's technology research and advancement activities. They were granted on the basis

that the Group has achieved economic benefit which was higher than the average result achieved by other enterprises in Xinghua Municipality. There were no specific conditions attached to the grants and, therefore, the Group recognized the grants upon receipt. The directors believed that the Group can continue maintaining the competitive advantage and be entitled to the incentive subsidies in the future.

(3) The Group was entitled to apply for subsidies from The Ministry of Finance 國家財政部, Jiangsu Provincial Finance Bureau 江蘇省財政廳 and General Office of Taizhou 泰州市政廳 for its key technological research and development programs. They were granted as subsidies to offset interest incurred by the Group on specific borrowings for the above programs. There were no specific conditions attached to the grants and, therefore, the Group recognize the grants upon receipts. The Group does not anticipate continuing receipts of the grants in the future.

10. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Interest on:					
Bank loans wholly repayable within five years	32,277	48,335	59,004	27,102	34,806
Note receivables discounted	7,753	22,639	25,802	14,679	7,825
	40,030	70,974	84,806	41,781	42,631

11. LOSS ON DILUTION OF INTEREST IN A SUBSIDIARY

It represents loss on dilution of interest in Xinghua Lianxing. In February 2005, Xinghua Lianxing, which is directly owned by Jiangsu Xingda, raised additional capital from its existing shareholders. The minority shareholder has taken up a larger portion of the additional capital, resulting in the Group's interest in Xinghua Lianxing being diluted from 90% to 55%. The Group's share of the net assets of Xinghua Lianxing was reduced by RMB824,000, as the amount of additional capital injected by the minority shareholder was lower than the share of net assets of Xinghua Lianxing given up by the Group.

12. INCOME TAX CHARGE (CREDIT)

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
The charge (credit) comprises:					
Current tax	49,912	117,671	2,633	1,695	626
Overprovision in prior year	—	—	—	—	(609)
Deferred tax (note 31)	1,125	—	(4,159)	(4,159)	—
	51,037	117,671	(1,526)	(2,464)	17

The tax charge for the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 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.

Jiangsu Xingda became a sino-foreign joint venture upon becoming a subsidiary of Faith Maple on December 10, 2004. Pursuant to the Foreign-Invested Enterprises and Foreign Enterprise Income Tax Law 外商投資企業和外國企業所得稅法 in the PRC, Jiangsu Xingda was entitled to the exemptions from PRC Foreign Enterprise Income Tax ("FEIT") for two years starting from its first profit making year, followed by a 50% tax relief for the next three years. Jiangsu Xingda was exempted from FEIT for the year ended December 31, 2005 and the six months ended June 30, 2005 and June 30, 2006.

Pursuant to the relevant income tax regulations and being approved by the relevant PRC tax authority, a tax credit, which was calculated on certain amount of plant and equipment purchased in the PRC, was granted to Jiangsu Xingda to set off tax charge during the years ended December 31, 2003 and 2004. In addition, research and development expenditure incurred by Jiangsu Xingda was 10% or more of the amount incurred in the preceding years and a tax credit which was calculated at 50% of the research and development expenditure incurred was granted to Jiangsu Xingda to set off the tax charge during the years ended December 31, 2003 and 2004.

The tax charge (credit) for the year ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2005 and June 30, 2006 can be reconciled to the profit before tax per the consolidated income statement as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Profit before tax	350,272	515,755	320,596	122,537	194,777
Tax at the PRC tax rate of 33%	115,590	170,199	105,797	40,437	64,276
Tax effect of fair value adjustment on the Convertible Bonds not deductible for tax purposes	—	—	59,268	35,330	9,057
Tax effect of other expenses not deductible for tax purposes	1,256	2,088	8,250	4,730	5,567
Tax effect of income not taxable for tax purposes	—	—	(1,793)	(192)	(3,393)
Tax effect of tax credit	(65,809)	(54,616)	—	—	—
Tax effect of tax exemption	—	—	(173,048)	(82,769)	(74,881)
Overprovision in prior year	—	—	—	—	(609)
Tax charge (credit) for the year/period	51,037	117,671	(1,526)	(2,464)	17

Details of movements in deferred tax liabilities has been set out in note 31.

13. PROFIT FOR THE YEAR/PERIOD

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Profit for the year/period has been arrived at after charging and (crediting):					
Staff cost, including directors' emoluments (note 14)					
Salaries, wages and other benefits	107,822	115,543	149,496	63,873	84,462
Retirement benefits scheme contributions (note 41)	1,069	1,874	7,466	2,787	4,115
Total staff costs	108,891	117,417	156,962	66,660	88,577
Auditors' remuneration	166	166	166	—	166
Amortization of land use rights	1,327	1,541	1,718	790	1,243
Depreciation	54,427	94,258	124,212	59,624	71,498
Loss (gain) on disposal of property, plant and equipment	906	3,409	(170)	(170)	—
Loss on fair value changes of investments held for trading	—	20	—	—	—
Impairment loss on trade and other receivables	897	—	—	—	—
Research and development expenditure	30,298	42,461	26,345	13,586	8,413
Transaction costs in respect of issue of the Convertible Bonds	—	—	9,999	5,028	629

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of emoluments paid by the Group to the directors of the Company during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Fees	—	—	404	—	1,630
Salaries and other allowances	1,461	1,817	2,603	1,594	9,204
Bonus (note)	40,438	17,303	10,041	8,652	4,120
Retirement benefit scheme contributions	11	11	5	5	2
	41,910	19,131	13,053	10,251	14,956

Note: The bonus was determined on a discretionary basis during the Track Record Period.

Their emoluments during the Track Record Period are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(Number of directors)				
RMB1,000,000 or below	9	9	9	10	8
RMB1,000,001 to RMB1,500,000	1	1	—	—	2
RMB1,500,001 to RMB2,000,000	—	—	1	—	1
RMB2,000,001 to RMB2,500,000	—	—	1	1	—
RMB2,500,001 to RMB3,000,000	—	—	—	1	1
RMB3,000,001 to RMB3,500,000	—	—	2	1	1
RMB5,000,001 to RMB5,500,000	—	1	—	—	—
RMB5,500,001 to RMB6,000,000	—	1	—	—	—
RMB7,000,001 to RMB7,500,000	—	1	—	—	—
RMB11,000,001 to RMB11,500,000	1	—	—	—	—
RMB13,000,001 to RMB13,500,000	1	—	—	—	—
RMB15,500,001 to RMB16,000,000	1	—	—	—	—
	13	13	13	13	13

During the Track Record Period, no emolument was paid or payable to independent non-executive directors of the Company.

Employees

The five highest paid individuals of the Group during the Track Record Period, included three directors for the year ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2005: four directors for the six months ended June 30, 2006, details of their emoluments are set out above. The emoluments of the remaining two individuals for the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2005 and one individual for the six months ended June 30, 2006 during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Salaries and other allowances	205	202	178	95	155
Bonus	6,620	5,960	3,976	2,980	1,144
Retirement benefits scheme contributions	4	4	2	2	2
	6,829	6,166	4,156	3,077	1,301

Their emoluments during the Track Record Period are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(Number of employees)				
RMB1,000,001 to RMB1,500,000. . .	—	—	—	1	1
RMB1,500,001 to RMB2,000,000. . .	1	—	1	1	—
RMB2,000,001 to RMB2,500,000. . .	—	—	1	—	—
RMB2,500,001 to RMB3,000,000. . .	—	1	—	—	—
RMB3,500,001 to RMB4,000,000. . .	—	1	—	—	—
RMB4,500,001 to RMB5,000,000. . .	1	—	—	—	—
	2	2	2	2	1

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals including directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

15. DIVIDEND

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)			(unaudited)	
Ordinary shares:					
interim paid - USD232.96 per share . . .	—	—	—	—	18,627

During the Track Record Period, a subsidiary had paid dividend to its shareholders prior to the group reorganization (after elimination of intra-group dividends) as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)			(unaudited)	
Equity holders of the Company	12,219	12,219	15,721	15,721	—
Minority shareholders	14,701	14,701	11,199	11,199	8,200
	26,920	26,920	26,920	26,920	8,200

The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the profit attributable to equity holders of the Company for the Track Record Period and by reference to the following weighted average number of Shares.

	Year ended December 31			Six months ended June 30	
	2003	2004	2005	2005	2006
	(Number of Shares in thousands)				
Weighted average number of Shares	639,068	651,914	900,000	900,000	900,000

There is no diluted earnings per share presented for the two years ended December 31, 2003 and 2004 as there were no potential ordinary shares outstanding during those years.

There is no diluted effect on earnings per share for the year ended December 31, 2005 and the six months ended June 30, 2005 (unaudited) as assuming the conversion of the Company's outstanding Convertible Bonds would result in an increase in earnings per share for those year/period.

The diluted earnings per Share for the six months ended June 30, 2006 has been calculated based on the earnings for the purposes of diluted earnings per share of approximately RMB146,254,000 as presented below and by reference to the weighted average number of 1,125,562,842 Shares which represents weighted average number of 900,000,000 Shares for the purposes of basic earnings per share plus the effect of dilutive potential ordinary shares of 225,562,842 Shares attributable to the Convertible Bonds.

Additional basic earnings per share is also presented and calculated, based on the profit attributable to the equity holders of the Company before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds for the Track Record Period, as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)			(unaudited)	
Profit attributable to the equity holders of the Company	135,780	185,911	116,171	25,546	124,912
Loss on fair value adjustment on the Convertible Bonds	—	—	179,599	107,062	27,444
Effect of foreign exchange rate change on the Convertible Bonds	—	—	—	—	(6,102)
Profit attributable to the equity holders of the Company before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds	135,780	185,911	295,770	132,608	146,254

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB fen)			(unaudited)	
Basic earnings per Share before loss on fair value adjustment and effect of foreign exchange rate change on the Convertible Bonds	21.25	28.52	32.86	14.73	16.25

The denominators used are the weighted average number of Shares, which are presented above.

17. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	Plant, machinery and equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	(RMB in thousands)					
COST						
At January 1, 2003	130,393	365,545	3,201	9,090	95,729	603,958
Additions	—	32,761	3,632	5,709	362,262	404,364
Reclassifications	22,963	346,336	—	—	(369,299)	—
Disposals	—	(4,171)	—	(2,436)	—	(6,607)
At December 31, 2003 and January 1, 2004	153,356	740,471	6,833	12,363	88,692	1,001,715
Additions	16,861	20,685	1,080	776	347,232	386,634
Reclassifications	139,100	281,698	—	—	(420,798)	—
Disposals	(590)	(11,777)	(812)	(668)	—	(13,847)
At December 31, 2004 and January 1, 2005	308,727	1,031,077	7,101	12,471	15,126	1,374,502
Additions	33,694	39,817	1,891	7,828	588,754	671,984
Reclassifications	4,621	203,271	—	—	(207,892)	—
Disposals	—	—	—	(515)	—	(515)
At December 31, 2005 and January 1, 2006	347,042	1,274,165	8,992	19,784	395,988	2,045,971
Additions	—	6,445	805	1,043	168,986	177,279
Reclassifications	1,078	48,071	—	—	(49,149)	—
At June 30, 2006	348,120	1,328,681	9,797	20,827	515,825	2,223,250
DEPRECIATION						
At January 1, 2003	17,831	93,901	1,791	860	—	114,383
Provided for the year	7,551	44,045	954	1,877	—	54,427
Eliminated on disposals	—	(1,437)	—	(699)	—	(2,136)
At December 31, 2003 and January 1, 2004	25,382	136,509	2,745	2,038	—	166,674
Provided for the year	12,652	77,919	1,362	2,325	—	94,258
Eliminated on disposals	(168)	(8,615)	(777)	(221)	—	(9,781)
At December 31, 2004 and January 1, 2005	37,866	205,813	3,330	4,142	—	251,151
Provided for the year	16,102	104,252	1,470	2,388	—	124,212
Eliminated on disposals	—	—	—	(172)	—	(172)
At December 31, 2005 and January 1, 2006	53,968	310,065	4,800	6,358	—	375,191
Provided for the period	8,512	60,466	680	1,840	—	71,498
At June 30, 2006	62,480	370,531	5,480	8,198	—	446,689
CARRYING VALUES						
At December 31, 2003	127,974	603,962	4,088	10,325	88,692	835,041
At December 31, 2004	270,861	825,264	3,771	8,329	15,126	1,123,351
At December 31, 2005	293,074	964,100	4,192	13,426	395,988	1,670,780
At June 30, 2006	285,640	958,150	4,317	12,629	515,825	1,776,561

The following rates are used for the depreciation of property, plant and equipment:

Buildings	20 years
Plant, machinery and equipment	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The Group has pledged property, plant and equipment with a carrying value of approximately RMB578,295,000, RMB426,674,000, RMB572,521,000 and RMB778,107,000 at December 31, 2003, 2004 and 2005, and June 30, 2006, respectively, to secure its bank borrowings.

18. LAND USE RIGHTS

	RMB'000
At January 1, 2003	20,276
Additions	54,156
Charge to consolidated income statement	(1,327)
At December 31, 2003 and January 1, 2004	73,105
Additions	7,570
Charge to consolidated income statement	(1,541)
At December 31, 2004 and January 1, 2005	79,134
Additions	45,254
Charge to consolidated income statement	(1,718)
At December 31, 2005 and January 1, 2006	122,670
Additions	123
Charge to consolidated income statement	(1,243)
At June 30, 2006	121,550

Analyzed as:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Non-current assets	71,778	77,593	120,185	119,063
Current assets	1,327	1,541	2,485	2,487
	73,105	79,134	122,670	121,550

Land use rights are amortized on a straight-line basis over the lease terms from 50 to 70 years as stated in the land use rights certificates granted for usage by the Group.

The Group has pledged land use rights having a carrying value of approximately RMB4,604,000, RMB4,455,000, RMB4,356,000 and RMB44,735,000 at December 31, 2003, 2004 and 2005 and June 30, 2006, respectively, to secure its bank borrowings.

19. INVESTMENT IN A SUBSIDIARY

	At December 31, 2005 and June 30, 2006
	(RMB in thousands)
Unlisted equity investment, at cost	285,670

Details of the Company's subsidiaries as of June 30, 2006 are disclosed on I-1 and I-2.

20. INVESTMENTS IN SECURITIES

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Investments in securities	2,520	500	500	500
Analyzed as:				
Listed available-for-sale investments, included in non-current assets, at fair value (note 1)	500	500	500	500
Listed investments held for trading, included in current assets, at fair value (note 2)	2,020	—	—	—
	2,520	500	500	500

Notes:

(1) They represent investments in Qingdao Yellowsea Rubber Co., Ltd., listed equity securities in the PRC. The investments provide the Group with opportunity for return through dividend income and gain on disposal.

(2) They represent investments in a listed discretionary unit trust.

As of the balance sheet dates, all the investments are stated at fair value with reference to bid price quoted in active markets.

21. INVENTORIES

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Raw materials	85,738	96,156	181,759	165,766
Work in progress	9,689	16,803	26,083	26,875
Finished goods	22,644	34,700	95,216	78,583
	118,071	147,659	303,058	271,224

All inventories at each balance sheet date are stated at cost.

22. 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 dates:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Trade receivables				
0 - 90 days	262,255	439,908	638,108	709,733
91 - 180 days	20,468	17,478	90,597	129,769
181 - 360 days	5,222	8,794	405	16,591
Over 360 days	6,335	6,603	4,252	3,900
	294,280	472,783	733,362	859,993
Less: Accumulated impairment loss	(4,572)	(4,572)	(4,572)	(4,572)
	289,708	468,211	728,790	855,421
Note receivables				
0 - 90 days	176,150	192,475	127,610	171,929
91 - 180 days	8,124	27,659	25,430	91,762
181 - 360 days	—	—	408	—
	184,274	220,134	153,448	263,691
Advance to suppliers of raw materials	27,685	54,551	60,136	56,156
Import tax and value added tax receivable from the customs	—	—	10,777	19,262
Refundable deposits paid for purchase of land use rights	—	—	8,593	3,393
Other receivables and prepayments	9,936	19,915	28,948	44,207
Less: Accumulated impairment loss	(520)	(520)	(520)	(520)
	37,101	73,946	107,934	122,498
	511,083	762,291	990,172	1,241,610

The Group's trade and other receivables that are denominated in currencies other than the functional currency of the group entities are set out below:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(USD in thousands)			
United States dollars (USD)	—	—	8,695	14,911

Trade and other receivables at the balance sheet date principally comprise amounts receivable from sale of steel tire cords to third-parties. The directors consider that the carrying amount of trade and other receivables at the respective balance sheet dates approximates to its fair value.

23. AMOUNT DUE FROM A RELATED COMPANY

The amount is a deposit placed with Xinghua Municipality Xingda Xiu Yuan Hotel Co., Ltd 興化市興達綉園酒店有限公司 ("Xingda Xiu Yuan"), which is non-trading in nature. The Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. 江蘇興達股份有限公司工會 ("Xingda Labour Union"), a shareholder of the Jiangsu Xingda and Xinghua Lianxing, has an interest in this related company. It is unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of the amount due from a related company at June 30, 2006 approximates to its fair value because of the short maturity of the instrument. The directors confirmed that the amount will be fully settled before the listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

24. AMOUNTS DUE FROM SHAREHOLDERS/MINORITY SHAREHOLDERS

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
TIAC	155	1,153	958	958
Win Wide International Ltd.	—	7,475	—	—
	155	8,628	958	958

TIAC was a shareholder of Jiangsu Xingda prior to the Group Reorganization and became a minority shareholder of the Group thereafter. Win Wide International Ltd. is a shareholder of the Company.

The amounts are non-trading in nature. They are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of the amounts due from shareholders/minority shareholders at the respective balance sheet dates approximates to its fair value because of the short maturity of the instrument. The directors confirmed that the amounts will be fully settled before the Listing.

25. AMOUNT DUE FROM A SUBSIDIARY

The amount is unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of the amount due from a subsidiary at December 31, 2005 and June 30, 2006 approximates to its fair value because of the short maturity of the instrument.

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry variable interest rate ranging from 0.72% to 3.40% for the Track Record Period. The directors consider that the carrying amount of bank balances and cash at the respective balance sheet dates approximates to its fair value.

Credit Risk

The Group's financial assets are available-for-sale investments, trade and other receivables, amounts due from shareholders/minor shareholders, amount due from a related company, bank balances and cash and investments held for trading. The balances stated on the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to financial assets at the respective balance sheet dates.

The Group's credit risk is primarily attributable to its trade and other receivables (including note receivables). The amounts presented in the consolidated balance sheets are net of accumulated impairment on receivables. An impairment loss is recognized where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has been largely dependent on a small number of customers for a substantial portion of its business. The top five customers in aggregate accounted for a total of 64%, 63%, 59%, 64% and 51% of the Group's revenue for the year ended December 31, 2003, 2004 and 2005 and for the six months ended June 30, 2005 and 2006, respectively. The top five customers in aggregate accounted for a total of 54%, 62%, 58% and 50% of the Group's trade receivables as of December 31, 2003, 2004 and 2005 and June 30, 2006. The failure of these customers to make required payments could have a substantial negative impact on the Group's profits. The Group has a team of marketing sales to monitor the trade receivables of each major customer.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings.

Currency risk

A subsidiary of the Company has foreign currency purchases and sales, which expose the Group to foreign currency risk. Certain trade payables, trade receivables and the Convertible Bonds of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings. The Group currently does not entered into interest rate swaps to hedge against its exposure to changes in fair values of the bank borrowings. However, the management monitors the fair value interest rate risk and will consider hedging significant fixed-rate bank borrowings should the need arise.

Fair value risk on the Convertible Bonds

The Group is required to estimate the fair value of the Convertible Bonds at each balance sheet date with changes in fair value to be recognised in the consolidated income statements as long as the Convertible Bonds are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the estimated fair value of the Company's shares.

27. SHARE CAPITAL

	Number of shares	Amount	Equivalent to
		US$	(RMB in thousands)
Authorized:			
Ordinary shares of US$1 each on incorporation and at June 30, 2005, December 31, 2005 and June 30, 2006 (note 1)	50,000	50,000	413
Issued and fully paid:			
Ordinary shares of US$1 on incorporation (note 2)	1	1	—
Issue of shares on April 28, 2005 (note 3)	99	99	1
Further issue of shares on April 28, 2005 (note 4)	9,900	9,900	82
At June 30, 2005, December 31, 2005 and June 30, 2006	10,000	10,000	83

Notes:

(1) The Company was incorporated on April 19, 2005 with an authorized share capital of US$50,000.

(2) At the time of incorporation, 1 share of US$1 was issued at par to the subscriber to provide the initial capital to Company.

(3) On April 28, 2005, 99 shares of US$1 each were allotted and issued at par.

(4) On April 28, 2005, the Company further issued 9,900 ordinary shares of US$1 each for an exchange of aggregate amount of nominal value of issued share capital of Faith Maple.

The share capital at December 31, 2003 represented the registered capital of Jiangsu Xingda attributable to the ESC as of December 31, 2003.

The share capital at December 31, 2004, represented the share capital of Faith Maple of approximately RMB92,264,000.

28. RESERVES

	Contributed surplus	Accumulated loss	Total
	(RMB in thousands)		
Loss for the period	—	(190,002)	(190,002)
Exchange of shares upon Group Reorganization (note)	285,587	—	285,587
At December 31, 2005 and January 1, 2006	285,587	(190,002)	95,585
Loss for the period	—	(16,094)	(16,094)
Dividend	(18,627)	—	(18,627)
At June 30, 2006	266,960	(206,096)	60,864

The amount of the Company's reserves available for distribution to shareholders as of June 30, 2006 is approximately RMB60,864,000.

Note: The amount represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the Group Reorganization and the nominal value of the Company's shares issued for the acquisition.

29. BANK BORROWINGS

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Bank borrowings, originated in RMB	765,960	1,003,760	1,107,560	1,242,510
Secured	406,910	309,960	739,560	649,960
Unsecured	359,050	693,800	368,000	592,550
	765,960	1,003,760	1,107,560	1,242,510
The borrowings are repayable as follows:				
On demand or within one year	640,960	943,760	1,077,560	992,510
In the second year	55,000	30,000	30,000	50,000
In the third year	40,000	30,000	—	125,000
In the fourth year	30,000	—	—	75,000
	765,960	1,003,760	1,107,560	1,242,510
Less: Amount due for settlement within 12 months (shown under current liabilities)	(640,960)	(943,760)	(1,077,560)	(992,510)
Amount due for settlement after 12 months	125,000	60,000	30,000	250,000

The effective interest rates were as follows:

	At December 31,			At June 30,
	2003	2004	2005	2006
Fixed-rate bank loans	5.53%	5.59%	5.63%	5.89%

The directors consider that the carrying amount of the bank borrowings at the respective balance sheet dates approximates to their fair value based on the then prevailing borrowing rates available for loans with similar terms and maturities.

Bank borrowings were secured by the Group's property, plant and equipment and land use rights with an aggregate carrying value of approximately RMB582,899,000, RMB431,129,000, RMB576,877,000, and RMB822,842,000 at December 31, 2003, 2004 and 2005 and June 30, 2006, respectively.

Certain bank loans during the Track Record Period were guaranteed by TIAC. The directors confirm that the guarantee would be released before the Listing. The details are disclosed in note 38.

30. CONVERTIBLE BONDS

The movement of the fair value of the Convertible Bonds with embedded derivative is as follows:

	At December 31, 2005	At June 30, 2006
	(RMB in thousands)	
Nominal value of Convertible Bonds issued	404,539	429,887
Changes in fair value	179,599	207,043
Coupon interest payment	—	(2,431)
At December 31, 2005/June 30, 2006	584,138	634,499
Less: Amount due for settlement within 12 months (shown under current liabilities)	(5,841)	(6,345)
Amount due for settlement after 12 months	578,297	628,154

On May 7, 2005, December 29, 2005 and January 18, 2006, the Company issued the Convertible Bonds for an aggregate principal amount of US$30,400,000 ("First Tranche"), US$19,667,000 ("Second Tranche")and US$3,933,000 ("Third Tranche"), respectively to independent third-parties who are entitled to interest payable at 1% per annum.

The Convertible Bond holders (the "Holders") may request redemption before maturity date if certain conditions occur.

The Convertible Bonds with embedded derivatives were fair valued by the directors with reference to a valuation report carried out by Vigers Appraisal & Consulting Limited, independent and recognised international business valuers, whose address is 10/F The Grande Building, 398 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong, on June 30, 2005, December 31, 2005 and June 30, 2006 at approximately RMB358,169,000, RMB584,138,000 and RMB634,499,000 respectively. The change in fair value of such Convertible Bonds with embedded derivatives of approximately RMB107,062,000, RMB179,599,000 and RMB27,444,000 has been recognized in the consolidated income statements for the six months ended June 30, 2005, the year ended December 31, 2005 and the six months ended June 30, 2006, respectively.

The assumptions adopted for the valuation of the Convertible Bonds are as follows:

(1) The estimation of risk free rate has made reference to the yield of Exchange Fund Notes with same duration as the Convertible Bonds;

(2) The estimation of volatility for the underlying share price has considered the historical price movements of those companies engaged in relatively similar industry;

(3) The dividend yield on the Company's share is approximately 5% per annum;

(4) The probability of a successful listing is 100% in the valuation.

The terms of conversion are as follows:

For the First Tranche and Second Tranche bonds, if the date on which the Shares are listed on the Main Board of the Stock Exchange from which dealings in the Shares first commence on the Stock Exchange (the "Listing Date") is within two years from the date of issue of the First Tranche of the Convertible Bonds, the conversion rights in respect of the whole or any part of the respective principal amounts outstanding under the First Tranche of the Convertible Bonds cannot be exercised prior to the Listing Date and such outstanding amounts may be converted into shares in accordance with the following:

(i) at any time during the period from 12 months after the Listing Date to 30 days prior to the maturity date of the Convertible Bonds, each investor may require the Company to convert the whole or any part of up to 50% of the principal amount outstanding under the Convertible Bonds into share at the conversion price in accordance with the terms of agreement.

(ii) if the listing does not take place within two years from the date of issue of the First Tranche of the Convertible Bonds, each Holder may require the Company to convert the entire principal amount outstanding under the Convertible Bonds into shares at the conversion price mentioned below at any time during the period after expiry of two years from the First Tranche issue date to 30 days prior to the maturity date. No fraction of a share will be issued on conversion but a cash payment will be made to the Holders in respect of such fraction.

For the Third Tranche bonds, if the Listing Date is within two years from the First Tranche issue date, the Holder of the Third Tranche bonds may, at any time during the period from the expiry of a six month period after the Listing Date to 30 days prior to the maturity date of the Third Tranche bonds, require the Company to convert the entire principal amount outstanding under the Convertible Bonds into shares at the conversion price in accordance with the terms of agreement.

If the Listing Date does not take place within two years from the First Tranche issue date, the Holder of the Third Tranche bonds may, at any time during the period after two years from the First Tranche issue date to 30 days prior to the maturity of the Convertible Bonds, convert the entire principal amount outstanding under the Third Tranche of the Convertible Bonds into shares at conversion price in accordance with the terms of agreement. No fraction of a share will be issued, of which the same as the term of First and Second Tranche of the Convertible Bonds.

The Convertible Bonds are convertible into ordinary shares of the Company at the conversion price subject to the terms as described below and in accordance with the basis of the following formula:

$$\frac{\text{Ratio x 2004 IFRS Audited Net Profits x PRC Equity Stake}}{\text{Total Number of Pre-IPO Shares}}$$

Where

PE Ratio = 8

2004 IFRS Audited Net Profits = net profits of the consolidated financial statements of Jiangsu Xingda for the year ended December 31, 2004 as prepared in accordance with International Financial Reporting Standards.

PRC Equity Stake = the percentage of equity interests held by Faith Maple in Jiangsu Xingda on (i) the "Listing Date" (if the Listing Date is within 2 years from the date of issue of the first tranche Convertible Bonds) or (ii) the date which is 2 years from the date of issue of the First Tranche Convertible Bonds (if Listing does not take place within 2 years from the date of the First Tranche Convertible Bonds) or (iii) the date of determination of the conversion price at any time from the date of issue of the First or Second Tranche Convertible Bonds (as the case may be) to the earlier of the Listing Date or the date which is 2 years from the date of issue of the First Tranche of the Convertible Bonds. As of the latest practicable date for the inclusion of certain information in this prospectus prior to its publication (the "Latest Practicable Date"), the percentage of equity Interest held by Faith Maple in Jiangsu Xingda was approximately 69.54%. The Company expects such percentage to remain the same on the Listing Date and thus the PRC Equity Stake to be fixed at approximately 69.54%.

Total Number of Pre-IPO Shares = the aggregate of: (i) the total number of Shares in issue on the Listing Date (if the Listing Date is within 2 years from the date of issue of the First Tranche of the Convertible Bonds) but excluding any Shares issued in relation to the Listing or the date which is 2 years from the date of issue of the First Tranche of the Convertible Bonds (if Listing does not take place within 2 years from the date of the First Tranche of the Convertible Bonds) or on the date of determination of the conversion price at any time from the date of issue of the First or Second Tranche of the Convertible Bonds (as the case may be) to the earlier of the Listing Date or the date which is 2 years from the date of issue of the First Tranche of the Convertible Bonds; and (ii) the maximum number of Shares issuable upon the exercise of the conversion rights under the Convertible Bonds.

Subject to all applicable laws, regulations, the Listing Rules and any requirements of the Stock Exchange or any other applicable government or regulatory authorities, the conversion price shall not be below the par value of the Shares and shall not be higher than (i) 80% of the final offer price (the "Offer Price") if the Listing takes place within 12 months from the date of issue of the First Tranche of the Convertible Bonds; or (ii) 70% of the Offer Price if the Listing takes place after 12 months from the date of issue of the First Tranche of the Convertible Bonds, and the conversion price shall be adjusted to the applicable cap amount if the conversion price shall be higher than the applicable cap amount.

The Holders could elect to redeem the Convertible Bonds at predefined rate if:

(i) such bonds have not been converted in whole prior to its maturity date;

(ii) the Holders had sought prior consent of the Company for a transfer of such bonds (as the case may be) prior to the Listing Date to a person other than those prescribed which was refused by the Company; or

(iii) there is a change in control of the Company other than as a result of the Listing.

Pursuant to the agreements signed on December 4, 2006, the Company has entered into a supplement agreement with each of the Holders, of which, in the event that the Offer Price is less than HK$2.65, Mr. Liu Jin Lan, Mr. Liu Xiang, Mr. Tao Jin Xiang, Mr. Zhang Yu Xiao and Mr. Hang You Ming (the "Five Parties") agree to compensate each of the Holders, within seven days of any exercise of the conversion rights under the Convertible Bonds, by the way of:

(i) payment of cash representing an amount ("Cash Amount") to be determined by multiplying such shortfall by the number of Shares which will be issued and allotted upon such exercise of the conversion rights under the relevant Convertible Bonds pursuant to their conditions;

(ii) if the Holders elect at time of exercise of the conversion rights under the relevant Convertible Bonds to receive shares instead of cash, procuring transfer of shares, the number of which is determined by dividing the Cash Amount by the subscription price per share at the listing, to the Holders, as the case may be (subject to all applicable laws, regulations, Rule 10.07 of the Listing Rules (or any similar requirement under the Listing Rules from time to time) or any lock-up arrangements as may be imposed by the Stock Exchange or any other regulatory authorities in relation to the Listing); or

(iii) payment of Cash Amount to the Holders, as the case may be, partially in cash and partially by transfer of Shares, the number of which is determined by dividing the remaining balance of the Cash Amount that is not paid in cash by the subscription price per share at the listing if the Holders so elects at the time of exercise of the conversion rights under the relevant Convertible Bonds.

The Five Parties also agreed, among other things, to be responsible for the payment of and to indemnify the Holders against, any stamp, issue, registration, documentary or transfer taxes and duties (together with any related costs reasonably incurred) that are payable on or in connection with the payment of the Cash Amount and/or the transfer of the shares pursuant to the said amendment agreement and the execution, delivery and performance by the Holders of such amendment agreement. The Five Parties' obligations and liabilities in this regard shall be several, and neither joint nor joint and several for all purposes, in the proportion specified in such amendment agreement.

The conversion price is determined on the assumption that the Company has 900,000,000 Shares in issue immediately before the global offering. In the event the number of Shares in issue immediately before the global offering differs from such assumption, the conversion price of HK$1.853 shall be adjusted to such extent as required to ensure that the Holders derive the same economic benefit as would have been the case had such assumption been correct.

The new conversion price of HK$1.853 superseded the formula of conversion price computation mentioned on I-38 and I-39 upon signing of the supplement agreement.

On the maturity date, May 7, 2008, December 29, 2008 and January 18, 2009, the Company is required to redeem all the Convertible Bonds at the redemption amount of US$30.4 million, US$19.7 million and US$3.9 million respectively on the basis of the formula described below (plus accrued interest due and payable) if not already converted by that date.

Principal amount x $(1+0.05)^3$-B

B - the aggregate of all interest paid by the Company prior to such redemption.

The Holders could elect to extend the Convertible Bonds for a period of one year by giving notice in writing to the Company not less than 14 days prior to the maturity date.

The effective interest rate of the Convertible Bonds is ranging from 7.1% to 7.65%.

31. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities in respect of taxable temporary difference recognized by the Group and movements thereon during the Track Record Period:

	Taxable temporary difference
	(RMB in thousands)
At January 1, 2003	3,034
Charge to consolidated income statement	1,125
At December 31, 2003 and January 1, 2004 and December 31, 2004 and January 1, 2005	4,159
Credit to consolidated income statement	(4,159)
At December 31, 2005 and January 1, 2006 and June 30, 2006	—

The Group has no significant unprovided deferred tax for the Track Record Period or at the respective balance sheet dates.

32. GOVERNMENT GRANTS

	(RMB in thousands)
Additions and at December 31, 2005	7,500
Additions	7,500
At June 30, 2006	15,000

The amounts represent government grants received to be used mainly for an advanced technology project which is expected to be completed in 2007. They are recorded as liabilities because the completion of the project has to be approved by Technology Bureau of Taizhou. The directors consider that the carrying amount of the government grants approximates to its fair value.

33. TRADE AND OTHER PAYABLES

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

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Trade payables				
0 - 90 days	106,470	85,256	108,257	121,201
91 - 180 days	9,582	22,741	26,579	22,746
181 - 360 days	5,732	13,535	14,169	11,147
Over 360 days	3,625	12,679	6,364	5,410
	125,409	134,211	155,369	160,504
Note payables				
91 - 180 days	28,000	—	—	—
Other payables				
Value-added tax payables and other tax payables	29,004	39,917	18,560	39,378
Accrued staff costs	81,760	60,894	64,296	47,395
Payable for purchase of property, plant and equipment	55,420	91,151	164,471	124,475
Payable of land use rights	35,888	—	—	—
Others	21,377	23,552	35,098	33,382
	223,449	215,514	282,425	244,630
	376,858	349,725	437,794	405,134

The Group's trade and other payables that are denominated in currencies other than the functional currency of the group entities are set out below:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(Foreign currencies in thousands)			
Euro	—	—	23,065	23,714
United States dollars	—	—	—	3,641

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days.

The directors consider that the carrying amount of trade and other payables at the respective balance sheet dates approximates to its fair value.

34. AMOUNTS DUE TO DIRECTORS

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Liu Jinlan (note 1)	89	764	—	200
Liu Xiang (note 1)	521	935	8	—
Zhang Yuxiao (note 1)	8	108	171	39
Tao Jinxiang (note 1)	420	—	—	—
Lu Guangmong, George (note 2)	—	3,070	—	—
	1,038	4,877	179	239

Notes:

(1) The amounts represent expenses paid by the directors on behalf of the Group.

(2) The amount represents an advance from a director.

The amounts are non-trading in nature.

The amounts are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of the amounts due to directors at the respective balance sheet dates approximates to its fair value because of the short maturity of the liabilities. The directors confirmed that the amounts would be fully settled before the Listing.

35. AMOUNT DUE TO A RELATED COMPANY

The amount at December 31, 2004 represented expenses payable to Xingda Xiu Yuan which is trading in nature. It is unsecured, non-interest bearing and repayable on demand.

The amount at December 31, 2005 and June 30, 2006 represents an advance from the preparation committee of Xinghua Municipality Xingda Themo Power Company Limited 興化市興達熱電有限公司 ("Xinghua Municipality"), which was established on August 4, 2005. Mr. Liu Xiang, is a common director of the Company and Xinghua Municipality.

The directors consider that the carrying amount of the amount due to a related company at the respective balance sheet dates approximate to its fair value because of the short maturity of the liabilities. The directors confirmed that the amount will be fully settled before the Listing.

36. AMOUNTS DUE TO SHAREHOLDERS

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Xingda Labour Union(1)	—	22,018	48,408	26,781
Xing Hong Da(2)	—	—	—	6,000
The members of the ESC(3)	—	250,510	—	—
	—	272,528	48,408	32,781

Notes:

(1) The amount mainly represents dividend payable to Xingda Labour Union and cash advanced from Xingda Labour Union, which would be used to settle the construction costs of the staff quarters. Jiangsu Xingda acted as an agent for Xingda Labour Union for the construction of the staff quarters.

(2) The amount represents dividend payables to Xing Hong Da.

(3) The amount represents considerations payables to the members of the ESC for the acquisition of 45.4% equity interest in Jiangsu Xingda.

The amounts are non-trading in nature. They are unsecured, non-interest bearing and repayable on demand. The directors consider that the carrying amount of the amounts due to shareholders at respective balance sheet dates approximates to their fair value because of the short maturity of the liabilities. Apart from the dividend payable to Xing Hong Da where the subject matter has been described in note 43, the directors confirm that the amount payable to Xingda Labour Union will be fully settled before the Listing.

37. DIVIDEND PAYABLE

The directors consider that the carrying amount at June 30, 2006 approximately to its fair value and the amount was paid in July 2006.

38. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions among the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

			Year ended December 31,			Six months ended June 30,	
Name of related party	Nature of transaction	Note	2003	2004	2005	2005	2006
			(RMB in thousands)				
						(unaudited)	
Xingda Xiu Yuan	Provision of hotel and catering services		140	4,445	3,861	1,800	2,296
Xingda Labour Union	Rental expenses	(1)	1,320	1,320	2,307	660	360
	Union fees	(2)	1,321	2,023	2,663	892	1,246
Surfmax Corporation	Incentive compensation paid for negotiating and procuring the execution of the convertible loan note agreements	(3)	—	—	4,045	2,511	315

Notes:

(1) The Group entered into tenancy agreements with Xingda Labour Union, pursuant to which Xingda Labour Union agreed to lease to the Group the premises located in Shanghai and Beijing at a monthly rental of RMB50,000 and RMB60,000, respectively. Leases are negotiated and rentals are fixed for terms from one to three years.

In addition, Xingda Labour Union also agreed to lease the land use rights at a monthly rental of approximately RMB217,000 for May and June 2005.

(2) The union fees were calculated at 2% on the annual staff salaries and wages of Jiangsu Xingda.

(3) An incentive compensation was calculated at 1% on the principal amount of the Convertible Bonds issued. Mr. Lu Guangming, George is a common shareholder and director of Surfmax Corporation and the Company.

During the Track Record Period, Jiangsu Xingda entered into an agency agreement with Xingda Labour Union to act as its agent at nil consideration for negotiating with the constructors, procuring building materials and arranging payments in respect of the construction of the staff quarters. Pursuant to another agreement entered into between Jiangsu Xingda, Xingda Labour Union and the constructors, Xingda Labour Union is solely liable to the constructors in respect of the construction costs incurred for the staff quarters.

In addition, during the Track Record Period, TIAC acted as a guarantor in respect of the bank loans amounting to RMB359,000,000, RMB520,000,000 and RMB445,000,000 and RMB600,000,000 granted to the Group at December 31, 2003, 2004 and 2005 and June 30, 2006, respectively. The directors confirmed that the guarantees will be released before the Listing.

During the year ended December 31, 2005, Faith Maple acquired an additional 11.14% equity interest in Jiangsu Xingda and Jiangsu Xingda acquired an additional 40% equity interest in Xinghua Lianxing from TIAC and Xingda Labour Union.

The directors confirmed that, the provision of hotel and catering services by Xingda Xiu Yuan to the Group and the union fees payable to Xingda Labour Union will continue after the listing of the Company. However, the Group will discontinue leasing premises from Xingda Labour Union.

Compensation of key management personnel

The remuneration of key management, excluding all directors whose remuneration is set out in note 14, during the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Salaries and other allowances	411	446	628	215	155
Bonus	6,289	3,918	2,910	1,864	1,144
Retirement benefits scheme contributions	2	2	2	2	—
	6,702	4,366	3,540	2,081	1,299

39. MAJOR NON-CASH TRANSACTIONS

(1) For the years ended December 31, 2004 and 2005 and the six months ended June 30, 2005 and 2006, the dividend declared but not yet paid, amounting to RMB14,420,000, RMB28,840,000, RMB26,920,000 and RMB8,200,000, respectively, were included in amount due to a shareholder.

(2) For the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2005 and 2006, property, plant and equipment acquired but not yet paid of approximately RMB55,420,000, RMB91,151,000, RMB164,471,000, RMB72,694,000 and RMB124,475,000 respectively, were included in trade and other payables.

(3) As of December 31, 2003, land use rights acquired but not yet paid of approximately RMB35,888,000 was included in trade and other payables.

40. OPERATING LEASE COMMITMENTS

As lessee

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Minimum lease payments under operating lease during the year/period	1,338	1,211	2,541	669	1,871

As of December 31, 2003, 2004 and 2005 and June 30, 2006, respectively, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of office premises and staff quarters fall due as follows:

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Within one year	1,020	1,020	3,508	1,085
In the second to fifth year inclusive	738	—	5,204	300
	1,758	1,020	8,712	1,385

Leases are negotiated and rentals are fixed for terms from one to three years.

41. CAPITAL COMMITMENTS

	At December 31,			At June 30,
	2003	2004	2005	2006
	(RMB in thousands)			
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	129,514	165,530	152,308	62,323
Capital expenditure in respect of acquisition of property, plant and equipment authorized but not contracted for	—	—	290,230	108,784

42. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The Group's full-time employees are covered by a state-managed defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 22% to approximately 80% of the average employees' salaries in the Xinghua Municipality, which are charged as an expense when the contributions are due.

The Group's contributions to the retirement benefits scheme are charged to the consolidated income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(RMB in thousands)				
				(unaudited)	
Retirement benefits scheme contributions made during the year/period	1,069	1,874	7,466	2,787	4,115

43. CONTINGENT LIABILITIES

On September 1, 2004, The Shanghai Intermediate People's Court 上海市第二中級人民法院 served a formal notice to Jiangsu Xingda that 30,000,000 shares of Jiangsu Xingda held by Xing Hong Da were frozen. The notice was silent on the prohibition of payment of dividends to Xing Hong Da. However, advised by the Group's PRC lawyers, pursuant to the 最高人民法院關於人民法院執行工作若干問題規定 (Provisions of People's Court on Several Issues Concerning the Execution (for Trial Implementation)), the relevant enterprise, of which paid-in capital is the subject of the frozen shares, shall be formally notified by the People's Court of the PRC not to (i) take any procedures to effect any transfer of the frozen shares nor (ii) pay any dividends to the person, whose interest in the frozen shares are the subject matter of the prohibition judgment, after the date of receipt of such notice.

Inadvertently, Jiangsu Xingda paid a dividend of RMB6,000,000 to Xing Hong Da on January 24, 2005. The Group's PRC lawyers advised that the legal consequences for the payment of the dividends will only be confined to a monetary liability of up to RMB6,000,000 and that the probability of being liable for repayment of the amount is remote.

No provision has been recognized at December 31, 2005 and June 30, 2006 as the directors concur with the legal opinion that the chance of being liable for repaying RMB6,000,000 is remote.

In connection with the above, Jiangsu Xingda has obtained an indemnity from the shareholders of the Company to indemnify the Company from time to time against any actions, claims losses, damages, costs, charges and expenses which may be made against, suffered or incurred in respect of arising, directly or indirectly, from or in connection with the dividend payment. The indemnity amount of each shareholder is calculated by the factual amount compensated by Jiangsu Xingda multiplied by the proportional interests of each shareholder.

VI. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate remuneration payable to the directors of the Company for the year ending December 31, 2006 is approximately RMB17,900,000 taking into no account of any discretionary bonus which the directors may be entitled.

VII. SUBSEQUENT EVENTS

The following events took place subsequent to June 30, 2006:

On September 13, 2006, a bondholder sold US$5,257,058 Convertible Bonds and a shareholder sold 339 shares of the Company to Goldman Sachs Strategic Investments (Asia) LLC.

On September 15, 2006, the Company established a wholly-owned subsidiary 興達國際(上海)特種簾線有限公司 (Xingda International (Shanghai) Special Cord Co., Ltd.) with a registered capital of US$12,000,000. The subsidiary has not yet commenced operations.

On December 3, 2006, shareholders' resolutions were passed to approve the matters set out in paragraph headed "Written resolutions of the Shareholders passed on December 3, 2006" in Appendix VI to the Prospectus.

Save as aforesaid, no other significant events took place subsequent to June 30, 2006.

VIII. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Unaudited pro forma adjusted net tangible assets

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out to illustrate the effect of the Global Offering on the net tangible assets of the Group as of June 30, 2006 as if they had taken place on June 30, 2006.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the net tangible assets of the Group following the Global Offering. It is based on the consolidated net assets of the Group as of June 30, 2006 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets statement does not form part of the Accountants' Report.

	Audited consolidated net tangible assets attributable to the equity holders of the Company as of June 30, 2006 *(Note 1)*	Estimated net proceeds from the Global Offering *(Note 2)*	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per share *(Note 3)*	Unaudited pro forma adjusted net tangible assets per share *(Note 3)*
	(RMB in thousands)			RMB	HK$
Based on an Offer Price of HK$2.45 per Share (being the lowest price of the stated range of the Offer Price)	748,432	868,848	1,617,280	1.26	1.24
Based on an Offer Price of HK$3.08 per Share (being the highest price of the stated range of the Offer Price)	748,432	1,115,731	1,864,163	1.45	1.43

Notes:

1. International Financial Reporting Standards require land use rights to be classified as operating leases. Payments made on acquiring land use rights are accounted for as prepaid lease payments. Accordingly, land use rights of RMB121,550,000 as set out in Appendix I to this prospectus do not meet the definition of intangible assets and are included in net tangible assets above.

2. The lowest and highest net proceeds from the Global Offering are estimated to be approximately HK$855,815,000 (equivalent to approximately RMB868,848,000) and approximately HK$1,098,995,000 (equivalent to approximately RMB1,115,731,000), respectively, after deduction of the underwriting fees and other related expenses payable by the Company in relation to the Global Offering. Please refer to the sub-section headed " Use of proceeds" under the section headed "Future plans and use of proceeds" to this prospectus for future use of the net proceeds.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,286,000,000 Shares in issue immediately after completion of the Capitalization Issue and the Global Offering, without taking into account any Shares which may be issued upon (i) the exercise of the right to convert the Convertible Bonds; or (ii) any Shares which may be allotted and issued or repurchased under the general mandates granted to the directors for the allotment and issue or repurchase of Shares.

4. By comparing the valuation of the properties and the land use rights as set out in Appendix V to this prospectus and the unaudited net book value of these properties and the land use rights as of September 30, 2006, the net valuation surplus is approximately RMB54.0 million, which has not been included in the above net tangible assets. The revaluation of the properties and the land use rights will not be incorporated in the financial statements for the year ending December 31, 2006. If the revaluation surplus is to be included in the financial statements for the year ending December 31, 2006, an additional depreciation charge of approximately RMB2.4 million per annum would be incurred.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter from Deloitte Touche Tohmatsu, the auditors and reporting accountants of the Company, in connection with the unaudited pro forma financial information of the Group.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF XINGDA INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Xingda International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors for illustrative purposes only, to provide information about how the global offering comprising International Offering and Hong Kong Public Offering of an aggregate of 386,000,000 shares of HK$0.10 each in the Company (subject to adjustment and over-allotment option) might have affected the financial information presented, for inclusion under the heading of "Unaudited Pro Forma Financial Information" of Appendix II to the Prospectus of the Company dated December 8, 2006. The basis of preparation of the unaudited pro forma financial information is set out on Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as of June 30, 2006 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 8, 2006

The forecast of the consolidated profit attributable to equity holders of the Company for the year ending December 31, 2006 is set out in the section headed "Financial information — Profit forecast" in this prospectus.

1. Bases and assumptions

The forecast of the consolidated profit attributable to equity holders of the Company for the year ending December 31, 2006 prepared by the Directors is based on the audited accounts of the Group for the six months ended June 30, 2006, unaudited management accounts of the Group for the four months ended October 31, 2006 and a forecast of the results of the Group for the remaining two months ending December 31, 2006. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending December 31, 2006. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the Accountants' Report, the text of which is set out in Appendix I:

Assumption with respect to valuation of the Convertible Bonds

Changes in the fair value of the Convertible Bonds are dependent on market conditions and other factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast an assumed market price of HK$2.75 per Share, representing approximately the mid-point of the stated range of the Offer Price, the best assumption for the valuation of the Convertible Bonds, the fair value of the Convertible Bonds and/or any revaluation increase or decrease on the Convertible Bonds as of the relevant time may differ materially from our estimate.

The amount of the fair value adjustment increase if the market price of our Shares increases (and vice versa). Increases result in lower profit attributable to equity holders of the Company (and vice versa). The forecast profit of RMB262.4 million for the year ending December 31, 2006 is after the fair value adjustment on the Convertible Bonds and includes a charge in respect of the fair value adjustment estimated at RMB73.8 million based on an assumed market price of HK$2.75 per Share, representing approximately the mid-point of the stated range of the Offer Price (i.e., in the Profit Forecast it is assumed there is no change in our Share price between the issue date and December 29, 2006) and on the assumption that:

(i) 50% of the Tetrad Bond and Henda Bond are converted 6 months after the Listing Date and the remaining 50% 12 months after the Listing Date; and

(ii) 100% of the GSSIA Bond is converted 6 months after the Listing Date.

The following table illustrates the sensitivity of the consolidated profit attributable to equity holders of the Company, by the changes in the fair value adjustment on the Convertible Bonds resulting from movements in our Share price:

	HK$	HK$	HK$	HK$	HK$
Assumed closing market price on December 29, 2006	2.45	2.60	2.90	3.05	3.20
	HK$'m	**HK$'m**	**HK$'m**	**HK$'m**	**HK$'m**
Increase (decrease) to consolidated profit attributable to equity holders of the Company (RMB' million)	12.4	18.4	(30.8)	(62.4)	(94.6)

This sensitivity illustration is intended for reference only, and any variation could exceed the ranges given. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited solely to the amount of the fair value adjustment on the Convertible Bonds and (ii) the profit forecast is subject to further and additional uncertainties generally. See "Risk Factors — Risks relating to Global Offering". Our consolidated profit attributable to equity holders of the Company has been materially adversely impacted by required accounting adjustments arising from our Convertible Bonds and may continue to be so impacted as long as the Convertible Bonds are outstanding; our profit forecast for 2006 includes an estimate of fair value of our Convertible Bonds which is based on an assumption as to the price of our Shares on December 29, 2006 which may be materially different from the actual price on that date. The trading of our Shares could be materially adversely affected in the future by such adjustments and by our actual Share price compared to that in the forecast.

General assumptions

The Directors have adopted the following further assumptions in the preparation of the profits forecast:

(a) there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which the Group operates, where the Group's customers carry out business, to where the Group exports its products or from which it imports its raw materials;

(b) there will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the PRC; or any of the countries in which the Group carries on business;

(c) there will be no material changes in the bases or rates of taxation applicable to the Group in the respective jurisdictions in which they operate;

(d) the Group is not materially and adversely affected by any of the risk factors set out in the section headed "Risk Factors" in this prospectus; and

(e) the Group's operation and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

2. Comfort letters

Set out below are texts of the letters, prepared for inclusion in this prospectus, received by the Directors from the Company's auditors and reporting accountants, Deloitte Touche Tohmatsu, and from the sponsor, Goldman Sachs, in connection with the forecast of the consolidated profit after taxation and minority interests of the Group for the year ending December 31, 2006 respectively.

(i) Letter from the reporting accountants

Deloitte.
德勤

December 8, 2006

The Directors
Xingda International Holdings Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the net profit of Xingda International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2006 (the "Profit Forecast") attributable to equity holders of the Company as set out in the section headed "Financial Information — Profit Forecast for the Year Ending December 31, 2006" to the prospectus of the Company dated December 8, 2006 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast attributable to equity holders of the Company, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited results of the Group for the six months ended June 30, 2006, the results shown in the unaudited management accounts of the Group for the four months ended October 31, 2006 and a forecast of the results for the remaining two months of the financial year ending December 31, 2006.

In our opinion, the Profit Forecast attributable to equity holders of the Company, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors of the Company as set out in the section headed "Profit Forecast" in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies adopted in preparing the Accountants' Report dated December 8, 2006, as set out in Appendix I to the Prospectus.

Without qualifying our opinion above, we draw to your attention that the Directors of the Company have disclosed in the section headed "Profit Forecast" in Appendix III to the Prospectus that in preparing the Profit Forecast, the Directors have assumed that there will be a charge to the income statement in respect of the net change in the fair value of the Convertible Bonds amounting to approximately RMB73.8 million, which is estimated based on an assumed market price of the Company's shares of HK$2.75 per share (representing approximately the mid-point of the stated range of the Offer Price) at December 31, 2006. The actual adjustment to the fair value of the Convertible Bonds for the year ending December 31, 2006 will be dependent on, amongst other things, the actual market price of the Company's Shares. Should the increase or decrease in the actual market price of the Company's Shares differ from the amount estimated by the Directors of the Company, such difference would have the effect of decreasing or increasing the net profit of the Group for the year ending December 31, 2006 attributable to equity holders of the Company.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Letter from the Sponsor

Goldman Sachs

December 8, 2006

The Board of Directors
Xingda International Holdings Limited

Dear Sirs,

We refer to the forecast of the net profit of Xingda International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2006 (the ''Forecast'') attributable to equity holders of the Company as set out in the section headed "Financial Information — Profit Forecast for the year ending December 31, 2006" to the prospectus of the Company dated December 8, 2006.

The Forecast attributable to equity holders of the Company, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited results of the Group for the six months ended June 30, 2006, the results shown in the unaudited management accounts of the Group for the four months ended, October 31, 2006, and a forecast of the results for the remaining two months of the financial year ending December 31, 2006.

We have discussed with you the basis upon which the Forecast attributable to equity holders of the Company has been made. We have also considered the letter dated December 8, 2006 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast attributable to equity holders of the Company and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, we are of the opinion that the Forecast attributable to equity holders of the Company, for which you as the Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.
Dang Lauren
Executive Director

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this prospectus and received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations as of September 30, 2006 of the property interests of the Group.

DTZ Debenham Tie Leung 戴德梁行
International Property Advisers
National Grade A Real Estate Valuation Company in China
National Land Valuation Company in China

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

December 8, 2006

The Directors
Xingda International Holdings Limited
No. 88 Renmin Road West
Dainan Town
Xinghua City, Jiangsu Province
The PRC

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with your instructions for us to value the property interests of Xingda International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have inspected the properties, made relevant inquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such property interests as of September 30, 2006.

DEFINITION OF MARKET VALUE

Our valuation of each of the property interests represents its Market Value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS & ASSUMPTIONS

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property interests in the PRC, we have assumed that transferable land use rights in respect of the property interests for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information and advice given by the Group and its legal advisors on PRC law, Jingtian & Gongcheng Law Firm, respectively, regarding the title to each of the property interests and the interests of the Group in the properties. In valuing the property interests, we have assumed that the Group has an enforceable title to each of the property interests and has free and uninterrupted right to use, occupy or assign the property interests for the whole of the respective unexpired terms as granted.

In respect of the property interests situated in the PRC, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group and the advice provided by Jingtian & Gongcheng Law firm, are set out in the notes in the respective valuation certificate.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and PN12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

METHOD OF VALUATION

In valuing the property interests in Group I which are owned and occupied by the Group in the PRC, we have valued the property interests by direct comparison method by making reference to comparable sales evidences as available in the relevant market.

In valuing the property interests in Group II which is held under development by the Group in the PRC, we have valued the property interests on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals provided to us. We have assumed that approval for the proposals has been obtained. In arriving at our opinion of value, we have adopted the direct comparison method by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the construction costs that will be expended to complete the developments to reflect the quality of the completed developments. The "Capital value when completed" represents our opinion of the aggregate selling prices of the development assuming that it would have completed at the date of valuation.

Properties in Group III which are rented by the Group in the PRC have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and advice given by its PRC legal advisors on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, completion date of buildings, identification of buildings, particulars of occupancy, joint venture agreements, articles of association, development schemes, construction costs, site and gross floor area and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents in relation to the titles to the property interests. However, we have not been able to carry out searches to verify the ownership of the property interests or to ascertain any amendment which may not appear on the copies supplied to us.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and gross floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

CURRENCY & EXCHANGE RATES

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificate.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Director

Note: Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 18 years of experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUATION

	Property	Capital value in existing state as of September 30, 2006	Attributable interest to the Group	Capital value in existing state as of September 30, 2006 attributable to the Group
		RMB	%	RMB

Group I — Property interests owned and occupied by the Group in the PRC

1.	Headquarters situated at Lot No. 034-1112-001, west side of Ningyan Road, Dainan Town, Xinghua City, Jiangsu Province, the PRC	25,000,000	69.54	17,385,000
2.	Factory Division 1 situated at Lot No. 20-13-17-1, north side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province, the PRC	25,100,000	69.54	17,454,540
3.	Factory Division 2 situated at Lot Nos. 20-43-29-1, 034-1211-009 and 034-1211-011, west side of Ningyan Road, east side of Yanjing River, Dainan Town, Xinghua City, Jiangsu Province, the PRC	28,400,000	69.54	19,749,360
4.	Factory Division 3 situated at Lot Nos. 20-43-29 and 20-43-30, west side of Ningyan Road, Dainan Town, Xinghua City, Jiangsu Province, the PRC	48,000,000	69.54	33,379,200

	Property	Capital value in existing state as of September 30, 2006	Attributable interest to the Group	Capital value in existing state as of September 30, 2006 attributable to the Group
		RMB	%	RMB
5.	Factory Division 4 situated at Lot Nos. 20-43-28-1 and 20-43-28-2, west side of Ningyan Road, Dainan Town, Xinghua City, Jiangsu Province, the PRC	24,900,000	69.54	17,315,460
6.	Factory Division 5 situated at Lot No. 034-1212-001, Xingda Avenue, Dainan Town, Xinghua City, Jiangsu Province, the PRC	142,000,000	69.54	98,746,800
7.	Factory Division 6 situated at Lot No. 043-1911-001, east side of Yanjing River, Dainan Town, Xinghua City, Jiangsu Province, the PRC	60,700,000	69.54	42,210,780
8.	Warehouse and Shipping Centre situated at Lot No. 034-1211-007, north side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province, the PRC	2,900,000	69.54	2,016,660
9.	Mechanical Factory situated at Lot No. 034-1211-008, south side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province, the PRC	7,500,000	69.54	5,215,500

	Property	Capital value in existing state as of September 30, 2006	Attributable interest to the Group	Capital value in existing state as of September 30, 2006 attributable to the Group
		RMB	%	RMB
10.	Lots Nos. 034-1211-002, 034-1211-003 and 034-1211-004 (the land portion only) situated at northern side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province the PRC			No commercial value
11.	Lot No. 034-1409-002 (the land portion only) situated at northern side of Renmin Road, Dainan Town, Xinghua City, Jiangsu Province the PRC			No commercial value
			Sub-total:	253,473,300

	Property	Capital value in existing state as of September 30, 2006	Attributable interest to the Group	Capital value in existing state as of September 30, 2006 attributable to the Group
		RMB	%	RMB

Group II — Property interests held under development by the Group in the PRC

	Property	Capital value in existing state as of September 30, 2006	Attributable interest to the Group	Capital value in existing state as of September 30, 2006 attributable to the Group
12.	The thermo-electric Power Plant under construction, Lot No. 034-1112-003, Zhangwan Village, Dainan Town, Xinghua City, Jiangsu Province, the PRC	98,000,000	69.54	68,149,200
13.	Factory Division 8 situated at Lot No. 34-1216-001, west side of Xingda Avenue, east side of Yangjing River, Zhaojiang Village, Dainan Town, Xinghua City, Jiangsu Province, the PRC	158,200,000	69.54	110,012,280
			Sub-total:	178,161,480

Property	Capital value in existing state as of September 30, 2006	Attributable interest to the Group	Capital value in existing state as of September 30, 2006 attributable to the Group
	RMB	%	RMB
Group III — Property Interests leased by the Group in the PRC			
14. Units 3003, 3004, 3005, 3006, 3007 and 3008, Level 30, Shanghai Mart, No. 2299 Yan'an West Road, Changning District, Shanghai, the PRC			No commercial value
15. Villa No.103, Sub-lane No.88 of Lane No. 3001, Hongmei Road, Minhang District, Shanghai, the PRC			No commercial value
		Grand total:	431,634,780

VALUATION CERTIFICATE

Group I — Property interests owned and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
1.	Headquarters situated at Lot No. 034-1112-001, west side of Ningyan Road, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon a plot of land of roughly rectangular-shaped having a total site area of approximately 27,116.70 sq.m. (291,884 sq.ft.). The industrial complex mainly comprises three office buildings, a canteen and a guard-house completed mainly in 2001, with the gross floor areas as follows:	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for industrial and ancillary office uses.	RMB25,000,000 (69.54% interest attributable to the Group RMB17,385,000)

Use	Approximate Gross Floor Area sq.m.	sq.ft.
Office	13,562.28	145,984
Guard-house	47.28	509
Canteen	1,060.50	11,415
	14,670.06	157,908

In addition, the property comprises various ancillary building and structures with a total area of approximately 7,013 sq.m. (75,488 sq.ft.) the earliest usage or occupation of which commenced in December 2002.

The land use rights of the property have been granted for a term due to expire on September 17, 2053 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary building and structures with a total area of 7,013 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) XGY(2003) No. 01852 興國用(2003)字第01852號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) dated September 18, 2003, the land use rights of the property comprising a total site area of 27,116.7 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on September 17, 2053 for industrial use.

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990909 (興房證戴字第439990909號)	5	Industrial	14,670.06

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
September 9, 2003	Industrial	50 years	82,144.80	14,281,800

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 14,670.06 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon; and

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged.

(iv) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
2.	Factory Division 1 situated at Lot No. 20-13-17-1, north side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon two plots of land having a total site area of approximately 43,988.40 sq.m. (473,491 sq.ft.) The industrial complex comprises various workshops, office buildings, storehouses and other ancillary buildings completed mainly in 1992, with the gross floor areas as follows:	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. for industrial, dormitory and ancillary office uses.	RMB25,100,000 (69.54% interest attributable to the Group RMB17,454,540)

Use	Approximate Gross Floor Area sq.m.	sq.ft.
Office	2,473.67	26,627
Industrial	22,492.77	242,112
Dormitory & ancillary uses	741.12	7,977
Guard-house	89.68	965
Canteen	910.39	9,799
	26,707.63	287,480

In addition, the property comprises various ancillary building and structures with a total area of approximately 20,524 sq.m. (220,920 sq.ft.) the earliest usage or occupation of which commenced in August 1992.

The land use rights of the property have been granted for a term due to expire on May 16, 2051 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary building and structures with a total area of 20,524 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Date of Issue	Location	Use of Land	Land Use Term	Site Area
					sq.m.
XGY(2001) 01078	May 17, 2001	Northern side of West Renmin Road	Industrial	due to expire on May 16, 2051	28,278.10
XGY(2003) 01850	September 18, 2003	Northern side of West Renmin Road	Industrial	due to expire on September 17, 2053	15,710.30

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated July 30, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990101 (興房證戴字第439990101號)	34	Industrial	26,707.63

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
May 7, 2001	Industrial	50 years	28,278.10	4,893,800
September 9, 2003	Industrial	50 years	82,144.80	14,281,800

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 26,707.63 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon;

(iii) The property, together with Factory Division 2 and their plant and machinery, are subject to a mortgage in favor of China Agricultural Bank for a maximum remaining loan of not exceeding an amount equivalent to RMB150,000,000; and

(iv) Without the approval of the bank, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) cannot lease, transfer, mortgage the land use rights together with the building ownership of the property.

(v) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
3.	Factory Division 2 situated at Lot Nos. 20-43-29-1, 034-1211-009 and 034-1211-011, west side of Ningyan Road, east side of Yanjing River, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon three plots of land having a total site area of approximately 39,852.60 sq.m. (428,973 sq.ft.).	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. for industrial, warehouse and ancillary office uses.	RMB28,400,000 (69.54% interest attributable to the Group RMB19,749,360)

The industrial complex comprises various workshops and office buildings, warehouse and other accessorial buildings completed mainly in 1999, with the gross floor areas as follows:

Use	Approximate Gross Floor Area	
	sq.m.	sq.ft.
Office	3,588.00	38,621
Industrial	23,261.83	250,390
Warehouse	4,114.75	44,291
Ancillary uses	705.89	7,598
Canteen	332.00	3,574
	32,002.47	344,474

In addition, the property comprises various ancillary structures with a total area of approximately 6,935 sq.m. (74,648 sq.ft.) the earliest usage and occupation of which commenced in December 1992.

The land use rights of the property have been granted for terms due to expire on May 16, 2051, September 17, 2053 and April 6, 2054, respectively for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary structures with a total area of 6,935 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Date of Issue	Location	Use of Land	Land Use Term	Site Area
					sq.m.
XGY(2001) 01081	May 17, 2001	Western side of Ningyan Highroad	Industrial	due to expire on May 16, 2051	29,255.10
XGY(2003) 01848	September 18, 2003	Eastern side of Yanjing River	Industrial	due to expire on September 17, 2053	5,554.00
XGY(2004) 0963	April 6, 2004	Zhaojia Village	Industrial	due to expire on April 6, 2054	5,043.50
				Total:	39,852.60

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990202 (興房證戴字第439990202號)	18	Industrial	32,002.47

(4) According to 3 Contracts for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
May 7, 2001	Industrial	50 years	29,255.10	4,298,500
September 9, 2003	Industrial	50 years	82,144.80	14,281,800
April 6, 2004	Industrial	50 years	5,044.00	801,900

(5) According to Business License No. 企股蘇總字第000378號 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 32,002.47 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon;

(iii) The property, together with Factory Division 1 and their plant and machinery, are subject to a mortgage in favor of China Agricultural Bank for a maximum remaining loan of not exceeding an amount equivalent to RMB150,000,000; and

(iv) Without the approval of the bank, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) cannot lease, transfer, mortgage the land use rights together with the building ownership of the property.

(v) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
4.	Factory Division 3 situated at Lot Nos. 20-43-29 and 20-43-30, west side of Ningyan Road, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon two plots of land having a total site area of approximately 56,610 sq.m. (609,350 sq.ft.). The industrial complex comprises workshops, warehouses and other accessorial buildings completed mainly between 2001 and 2002, with the gross floor areas as follows:	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for industrial and warehouse uses.	RMB48,000,000 (69.54% interest attributable to the Group RMB33,379,200)

Use	Approximate Gross Floor Area sq.m.	sq.ft.
Industrial	47,603.90	512,408
Warehouse	3,897.82	41,956
	51,501.72	554,365

In addition, the property comprises various ancillary buildings and structures with a total area of approximately 17,383 sq.m. (187,111 sq.ft.) the earliest usage and occupation of which commenced in June 2002.

The land use rights of the property have been granted for a term due to expire on May 16, 2051 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary buildings and structures with a total area of 17,383 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Date of Issue	Location	Use of Land	Land Use Term	Site Area
					sq.m.
XGY(2001) 01076	May 17, 2001	Western side of Ningyan Highroad	Industrial	due to expire on May 16, 2051	28,305.00
XGY(2001) 01077	May 17, 2001	Western side of Ningyan Highroad	Industrial	due to expire on May 16, 2051	28,305.00
				Total:	56,610.00

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990303 (興房證戴字第439990303號)	9	Industrial	51,501.72

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land Administration Bureau of Xinghua City (興化市土地管理局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
May 7, 2001	Industrial	50 years	28,305.00	4,274,100
May 7, 2001	Industrial	50 years	28,305.00	4,315,900
		Total:	56,610.00	8,590,000

(5) According to Business License No. 企股蘇總字第000378號 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 51,501.72 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon; and

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged.

(iv) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
5.	Factory Division 4 situated at Lot Nos. 20-43-28-1 and 20-43-28-2, west side of Ningyan Road, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises a power workshop erected upon two plots of land having a total site area of approximately 53,536.30 sq.m. (576,265 sq.ft.).	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for generating steam and electricity, warehouse and ancillary office uses.	RMB24,900,000 (69.54% interest attributable to the Group RMB17,315,460)

The power workshop comprises power plant with capacity of generating approximately 15,000 kW (with a reserve capacity of 6,000 kW), warehouses and other accessorial buildings completed mainly in 1997, with the gross floor areas as follows:

Use	Approximate Gross Floor Area sq.m.	sq.ft.
Office	1,000.25	10,767
Power workshop	16,884.02	181,740
Warehouse	1,201.25	12,930
Ancillary	511.56	5,506
	19,597.08	210,943

In addition, the property comprises various ancillary buildings and structures with a total area of approximately 24,669 sq.m. (265,537 sq.ft.) the earliest usage and occupation of which commenced in June 1997.

The two plots of land use rights of the property have been granted for a term of 50 years from May 17, 2001 to May 16, 2051 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary buildings and structures with a total area of 24,669 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Date of Issue	Location	Use of Land	Land Use Term	Site Area
					sq.m.
XGY(2001) 01079	May 17, 2001	Western side of Ningyan Highroad	Industrial	due to expire on May 16, 2051	32,111.40
XGY(2001) 01080	May 17, 2001	Western side of Ningyan Highroad	Industrial	due to expire on May 16, 2051	21,424.90
				Total:	53,536.30

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990404 (興房證戴字第439990404號)	19	Industrial	19,597.08

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land Administration Bureau of Xinghua City (興化市土地管理局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
May 7, 2001	Industrial	50 years	32,111.40	4,943,900
May 7, 2001	Industrial	50 years	21,424.90	3,219,300
		Total:	53,536.30	8,163,200

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 19,597.08 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon; and

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged.

(iv) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
6.	Factory Division 5 situated at Lot No. 034-1212-001, Xingda Avenue, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon a plot of land which a roughly formed oblong-shaped site having a total site area of approximately 143,935.80 sq.m. (1,549,325 sq.ft.).	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for industrial, warehouse and ancillary office uses.	RMB142,000,000 (69.54% interest attributable to the Group RMB98,746,800)

The industrial complex comprises workshops, office buildings, warehouses and other accessorial buildings completed in 2004, with the gross floor areas as follows:

Use	Approximate Gross Floor Area	
	sq.m.	sq.ft.
Office	1,162.13	12,509
Industrial	147,541.86	1,588,141
Warehouse	7,268.91	78,243
Ancillary	230.34	2,479
	156,203.24	1,681,372

The land use rights of the property have been granted for a term due to expire on September 17, 2053 for industrial use.

Notes:

(1) According to Certificate for the Use of State-owned Land (國有土地使用證) XGY(2003) No. 01857 (興國用(2003)字第01857號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) dated September 18, 2003, the land use rights of the property comprising a total site area of 143,935.80 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on September 17, 2053 for industrial use.

(2) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City, Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990505 (興房證戴字第439990505號)	41	Industrial	156,203.24

(3) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Site Area	Consideration
			sq.m.	RMB
September 12, 2003	Industrial	50 years	143,935.80	22,543,200

(4) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(5) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 156,203.24 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon;

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged; and

(iv) The construction of the property was approved by Xinghua Development and Planning Bureau on May 9, 2003 with a gross floor area of 99,537 sq.m. Since the existing gross floor area of the property indicated on the Village and Town Building Ownership Certificate is exceeding the above approved gross floor area, planning approval should be obtained from the relevant government authority. However, as the Group has obtained a valid Village and Town Building Ownership Certificate of the property, there is no material legal impact on the excess of the planning construction area of the property.

(6) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
7.	Factory Division 6 situated at Lot No. 043-1911-001, east side of Yanjing River, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon a plot of land which a roughly formed trapezium-shaped site having a total site area of approximately 67,867.20 sq.m. (730,523 sq.ft.). The industrial complex comprises workshops, warehouses and other accessorial buildings completed mainly in 2003, with the gross floor areas as follows:	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for industrial and warehouse uses.	RMB60,700,000 (69.54% interest attributable to the Group RMB42,210,780)

Use	Approximate Gross Floor Area	
	sq.m.	sq.ft.
Industrial	53,867.60	579,831
Warehouse	3,800.39	40,907
Ancillary	7,733.60	83,244
	65,401.59	703,982

In addition, the property comprises various ancillary structures with a total area of approximately 7,214 sq.m. (77,651 sq.ft.) the earliest usage or occupation of which commenced in December 1999.

The land use rights of the property have been granted for a term due to expire on January 1, 2053 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary structures with a total area of 7,214 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) XGY(2002) No. 02882 (興國用(2002)字第02882號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) dated December 31, 2002, the land use rights of the property comprising a total site area of 67,867.20 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on January 1, 2053 for industrial use.

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990606 (興房證戴字第439990606號)	11	Industrial	62,664.59* (see remark below)

* According to the detailed floor area calculations attached to the above Village and Town Building Ownership Certificate, the total gross floor area of the property by calculation should be 65,401.59 sq.m.

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Site Area	Consideration
			sq.m.	RMB
June 18, 2004	Industrial	50 years	67,867.20	13,217,100

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 65,401.59 sq.m. for industrial use (according to the floor area calculation breakdown attached to the building ownership certificate of the property, the total gross floor of 62,664.59 sq.m. was a typographical error);

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon;

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged;

(iv) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the

PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal; and

(v) The construction of the property was approved by Xinghua Development and Planning Bureau on June 26, 2002 with a gross floor area of 18,000 sq.m. Since the existing gross floor area of the property indicated on the Village and Town Building Ownership Certificate is exceeding the above approved gross floor area, planning approval should be obtained from the relevant government authority. However, as the Group has obtained a valid Village and Town Building Ownership Certificate of the property, there is no material legal impact on the excess of the planning construction area of the property.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
8.	Warehouse and Shipping Centre situated at Lot No. 034-1211-007, north side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon a plot of land which a roughly formed oblong-shaped site having a total site area of approximately 7,100.00 sq.m. (76,424 sq.ft.). The industrial complex comprises office buildings, warehouses and other accessorial buildings completed mainly in 1997, with the gross floor areas as follows:	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for warehouse, dormitory and ancillary office uses.	RMB2,900,000 (69.54% interest attributable to the Group RMB2,016,660)

Use	Approximate Gross Floor Area sq.m.	sq.ft.
Office	668.65	7,197
Dormitory	275.00	2,960
Warehouse	3,169.76	34,119
Ancillary	539.00	5,802
	4,652.41	50,078

In addition, the property comprises various ancillary structures with a total area of approximately 3,113 sq.m. (33,508 sq.ft.) the earliest usage or occupation of which commenced in December 1999.

The land use rights of the property have been granted for a term of due to expire on September 17, 2053 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary structures with a total area of 3,113 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) XGY(2003) No. 01851 (興國用(2003)字第01851號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) dated September 18, 2003, the land use rights of the property comprising a total site area of 7,100.00 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on September 17, 2053 for industrial use.

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990808 (興房證戴字第439990808號)	12	Industrial	4,652.41

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
September 9, 2003	Industrial	50 years	82,144.80	14,281,800

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 4,652.41 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon; and

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged.

(iv) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
9.	Mechanical Factory situated at Lot No. 034-1211-008, south side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial complex erected upon a plot of land which a roughly formed trapezium-shaped site having a total site area of approximately 13,484.80 sq.m. (145,150 sq.ft.).	The property is currently occupied by Jiangsu Xingda Steel Tyre Cord Co., Ltd. mainly for industrial and warehouse uses	RMB7,500,000 (69.54% interest attributable to the Group RMB5,215,500)

The industrial complex comprises workshops, office buildings, warehouses and other accessorial buildings completed mainly in 1998, with the gross floor areas as follows:

Use	Approximate Gross Floor Area sq.m.	sq.ft.
Industrial	5,182.78	55,787
Warehouse	2,387.88	25,703
Guardhouse	61.98	667
	7,632.64	82,157

In addition, the property comprises various ancillary buildings and structures with a total area of approximately 3,633 sq.m. (39,106 sq.ft.)

The land use rights of the property have been granted for a term due to expire on September 17, 2053 for industrial use.

Notes:

(1) The building ownership certificate for the above ancillary buildings and structures with a total area of 3,633 sq.m. has not been obtained yet. Our valuation above reflects only the value of the building floor areas that have obtained the building ownership certificate.

(2) According to Certificate for the Use of State-owned Land (國有土地使用證) XGY(2003) No. 01849 (興國用(2003)字第01849號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) dated September 18, 2003, the land use rights of the property comprising a total site area of 13,484.80 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on September 17, 2053 for industrial use.

(3) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated August 11, 2004, the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990707 (興房證戴字第439990707號)	9	Industrial	7,632.64

(4) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Total Site Area	Consideration
			sq.m.	RMB
September 9, 2003	Industrial	50 years	82,144.80	14,281,800

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the building ownership certificate of the property with a total gross floor area of 7,632.64 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon; and

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged.

(iv) The above mentioned ancillary buildings and structures mainly comprise of rain shelters, boundary walls, courtyards, internal roads, gardens and internal waterways, permit or approval from any relevant government authorities is not mandatorily required under the applicable PRC laws and regulations prior to or for the continued occupation or usage of such structures. As a result, the construction and continued and occupation or usage of such structures without obtaining any permit or approval from the relevant government authorities do not contravene any laws or regulations that are currently enforceable in the PRC. In addition, such structures do not constitute a crucial part to the Group's production facilities or operational system. Hence, even if there is a breach of law such that such structures are required to be demolished or a fine or penalty is imposed, the impact on the Group's results of operation and operational condition would be minimal.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
10.	Lots Nos. 034-1211-002, 034-1211-003 and 034-1211-004 (the land portion only) situated at northern side of Renmin Road West, Dainan Town, Xinghua City, Jiangsu Province the PRC	The property comprises three adjoining pieces of land with a total site area of 32,740.9 sq.m. (352,423 sq.ft.). Erected on the land are various blocks of residential buildings sold or to be sold to the staffs of the Company. The land use rights of the property have been granted for a term of 70 years from September 18, 2003 to September 17, 2073 for residential use.	Erected on the land are various blocks of residential buildings owned by Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會).	No commercial value

Notes:

(1) According to 4 Certificates for the Use of State-owned Land (國有土地使用證) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) with the details as follows:

Certificate No.	Date of Issue	Location	Use of Land	Expiry Date	Site Area
					sq.m.
XGY(2003) 01853	September 18, 2003	Northern side of Renmin Road West	Residential	September 17, 2073	9,377.30
XGY(2003) 01854	September 18, 2003	Northern side of Renmin Road West	Residential	September 17, 2073	7,243.40
XGY(2003) 01855	September 18, 2003	Northern side of Renmin Road West	Residential	September 17, 2073	16,120.20
				Total:	**32,740.90**

(2) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) with the details as follows:

Contract No.	Date of Contract	Use of Land	Land Use Term	Site Area	Consideration
				sq.m.	RMB
32128320031F203	September 12, 2003	Residential	70 years	32,740.90	7,833,000

(3) According to 3 Village and Town Building Ownership Certificates (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) all dated August 11, 2004, the ownership of the buildings erected on the land of the property have been vested to Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會委員會).

(4) According to an Agreement Letter dated August 25, 2005 issued by Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) ("Party A") to Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會) ("Party B"), Party A has agreed to abandon the land use rights of the property, including the transfer, mortgage and leasing of the land, until the transfer of the land use rights together with the buildings to Party B or the staffs of the Party A. As such, we have assigned no commercial value to the property in our valuation.

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a limited company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) The Agreement made by Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) to Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會) mentioned in Note (4) above is valid and binding under the PRC laws;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title to the land use rights of the property with a total site area of 32,740.90 sq.m.; and

(iii) The property is free from mortgage or any other encumbrances and the land premium has been fully settled.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property but is not entitled to freely transfer the property with the residual term of its land use right to third-parties; and

(ii) All land premium and other costs of ancillary utilities services have been settled in full.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
11.	Lot No. 034-1409-002 (the land portion only) situated at northern side of Renmin Road, Dainan Town, Xinghua City, Jiangsu Province the PRC	The property comprises a piece of land with a site area of 23,204.80 sq.m. (249,776 sq.ft.). Erected on the land are various blocks of residential buildings sold or to be sold to the staffs of the Company. The land use rights of the property have been granted for a term of 70 years from September 18, 2003 to September 17, 2073 for residential use.	Erected on the land are various blocks of residential buildings owned by Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會).	No commercial value

Notes:

(1) According to a Certificates for the Use of State-owned Land (國有土地使用證) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局), the land use rights of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) with the details as follows:

Certificate No.	Date of Issue	Location	Use of Land	Expiry Date	Site Area
					sq.m.
XGY(2003) 01856	September 18, 2003	Northern side of Renmin Road	Residential	September 17, 2073	23,204.80

(2) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) with the details as follows:

Contract No.	Date of Contract	Use of Land	Land Use Term	Site Area	Consideration
				sq.m.	RMB
32128320031F204	September 12, 2003	Residential	70 years	23,204.80	5,512,300

(3) According to 3 Village and Town Building Ownership Certificates (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) all dated August 11, 2004, the ownership of the buildings erected on the land of the property have been vested to Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會).

(4) According to an Agreement Letter dated August 25, 2005 issued by Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) ("Party A") to Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會) ("Party B"), Party A has agreed to abandon the land use rights of the property, including the transfer, mortgage and leasing of the land, until the transfer of the land use rights together with the buildings to Party B or the staffs of the Party A. As such, we have assigned no commercial value to the property in our valuation.

(5) According to Business License No. 000378 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a limited company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(6) According to the PRC legal opinion:

(i) The Agreement made by Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) to Labour Union of Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司工會) mentioned in Note (4) above is valid and binding under the PRC laws;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title to the land use rights of the property with a site area of 23,204.80 sq.m.; and

(iii) The property is free from mortgage or any other encumbrances and the land premium has been fully settled.

(7) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property but is not entitled to freely transfer the property with the residual term of its land use right to third-parties; and

(ii) All land premium and other costs of ancillary utilities services have been settled in full.

VALUATION CERTIFICATE

Group II — Property interests held under development by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
12.	The thermo-electric Power Plant under construction, Lot No. 034-1112-003, Zhangwan Village, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises a site with a site area of 41,926.5 sq.m. (451,297 sq.ft.). The property is planned to be developed into a thermoelectric power plant development scheduled for completion in 2006. The property is planned to house the equipment to generate electricity of 25,000 kW upon its completion, with a reserve capacity of another 25,000kW in future expansion. The land use rights of the property have been granted for a term due to expire on April 15, 2054 for industrial use.	The property is under construction.	RMB98,000,000 (69.54% interest attributable to the Group RMB68,149,200)

Notes:

(1) According to Certificate for the Use of State-owned Land (國有土地使用證) XGY(2004)Z No. 0964 (興國用(2004)字第0964號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) dated April 16, 2004, the land use rights of the property comprising a total site area of 41,926.50 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on April 15, 2054 for industrial use.

(2) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of the property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司). The salient information are cited, *inter alia*, as follows:

Date of Contract	Use of Land	Land Use Term	Site Area	Consideration
			sq.m.	RMB
April 17, 2004	Industrial	50 years	41,926.50	6,896,500

(3) According to a letter dated February 24, 2004 issued by Jiangsu Economic and Trading Committee, construction of a power plant with electricity-generating capacity of 25MV is approved.

(4) According to Business License No. 企股蘇總字第000378號 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a joint stock company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(5) As advised by the Group, the total construction costs expended as of September 30, 2006 was approximately RMB86,500,000 and the outstanding construction costs to complete the development was approximately RMB23,700,000. In the course of our valuation, we have taken into account such construction costs.

(6) The capital value of the property after completion is estimated to be approximately RMB125,000,000.

(7) According to PRC legal opinion:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of proper legal title and has obtained the land use certificate of the property with a total site area of 41,926.5 sq.m. for industrial use;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is entitled to transfer the land use rights of the property together with the buildings erected thereon; and

(iii) The property is free from mortgage or any other encumbrances and can be freely transferred, leased or mortgaged.

(8) We have relied on the aforesaid legal opinion and prepared our valuation on the following assumptions:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as of September 30, 2006
13.	Factory Division 8 situated at Lot No. 34-1216-001, west side of Xingda Avenue, east side of Yangjing River, Zhaojiang Village, Dainan Town, Xinghua City, Jiangsu Province, the PRC	The property comprises an industrial site with a site area of 230,000 sq.m. (2,475,720 sq.ft.). The property is planned to develop 6 industrial buildings plus ancillary constructions with a total gross floor area of approximately 188,971.5 sq.m. (2,034,089 sq.ft.) for industrial use. Completion of the proposed development is scheduled in 2007. The land use rights of the property have been granted for a term of 50 years due to expire on October 30, 2055 for industrial use.	The property is under construction and its completion is scheduled in early 2007.	RMB158,200,000 (69.54% interest attributable to the Group RMB110,012,280)

Notes:

(1) According to Certificate for the Use of State-owned Land (國有土地使用證) (2005) 4096 (興國用(2005)字第4096號) issued by Land and Resources Bureau of Xinghua City (興化市國土資源局) in November 2005, the land use rights of the property comprising a total site area of 230,000 sq.m. have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term due to expire on October 30, 2055 for industrial use.

(2) According to Village and Town Building Ownership Certificate (村鎮房屋所有權證) issued by Xinghua City Dainan Town Construction Service Station (興化市戴南鎮村鎮建設服務站) dated February 13, 2006 , the building ownership of the property have been vested in Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) as follows:

Certificate No.	Total Number of Buildings	Use of Land	Gross Floor Area
			sq.m.
XFZDZ No. 439990818 (興房證戴字第439990818號)	5	Industrial	80,731.50
XFZDZ No. 439990828 (興房證戴字第439990828)	5	Industrial	108,240.00

(3) According to Contract for Grant of State-owned Land Use Rights (國有土地使用權出讓合同) entered into between Land and Resources Bureau of Xinghua City (興化市國土資源局) and Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司), the land use rights of property have been granted to Jiangsu Xingda Steel Tyre Cord Co., Ltd. as follows:

Contract No.	Date of Contract	Use of Land	Land Use Term	Site Area	Consideration
				sq.m.	RMB
XH2005XC071	October 10, 2005	Industrial	50 years	230,000	41,498,900

(4) According to Business License No. 企股蘇總字第000378號 dated December 10, 2004, Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) was established as a limited company with a registered capital of RMB134,600,000, and has a valid operation period from March 27, 1998.

(5) As advised by the Group, the total construction costs expended as of September 30, 2006 was approximately RMB108,807,788. According to our inspection, the construction of the property is almost completed. In the course of our valuation, we have taken into account such construction costs.

(6) The capital value of the property after completion is estimated to be approximately RMB200,000,000.

(7) According to PRC legal opinion:

(i) The property is located at southern side of Renmin Road, Dainan Town, Xinghua City Jiangsu Province, which comprises a total site area of approximately 230,000 sq.m.;

(ii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾線股份有限公司) has obtained a good title and is sole legal owner to the land use rights and buildings ownership of the property. The land use right of the property have been granted for a term of 50 years due to expire on October 30, 2055 for industrial use;

(iii) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾線股份有限公司) has obtained all of the prerequisite governmental approval or consent for the owning and the using of the property; and

(iv) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾線股份有限公司) is duly incorporated as a company with limited liability and is validly existing as a separate legal entity under the laws of the PRC. The registered capital of RMB134,600,000 was entirely paid.

(8) We have relied on the aforesaid legal opinion and prepared our valuation on the following basis:

(i) Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾線股份有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of its land use right at no extra land premium or other onerous payment payable to the government;

(ii) All land premium and other costs of ancillary utilities services have been settled in full;

(iii) The design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities; and

(iv) The property may be disposed of freely to the purchasers.

VALUATION CERTIFICATE

Group III — Property Interests leased by the Group in the PRC

	Property	Description and tenure	Capital value in existing state as of September 30, 2006
14.	Units 3003, 3004, 3005, 3006, 3007 and 3008, Level 30, Shanghai Mart, No. 2299 Yan'an West Road, Changning District, Shanghai, the PRC	The property comprises 6 office units on level 30 of a 30-storey office/commercial building completed in 1999. The property has a total gross floor area of approximately 885.27 sq.m. (9,529 sq.ft.) and is currently occupied by the Group for office use. The lessor leases the property to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司) for a term from June 25, 2006 to August 24, 2008 at a monthly rent of RMB148,098.29, exclusive of management fees, water and electricity fees.	No commercial value

Notes:

(1) The property is leased by Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾綫股份有限公司)from Shanghai World Trade City Co., Ltd. (上海世界貿易商城有限公司), an independent third-party of the Group.

(2) We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Group's PRC legal adviser, which, contains, inter alia, the followings:

(i) The lessor is the owner of the property and had obtained valid long-term land use right certificate for the property;

(ii) The lease is legal, valid and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenure	Capital value in existing state as of September 30, 2006
15.	Villa No. 103, Sub-lane No. 88 of Lane No. 3001, Hongmei Road, Minhang District, Shanghai, the PRC	The property comprises a 3-storey residential building completed in 2002. The property has a total gross floor area of approximately 317 sq.m. (3,412 sq.ft.) and is occupied by the Group as staff quarters. The lessor leases the property to Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾線股份有限公司) for a term from October 1, 2005 to December 31, 2007 at a monthly rent of RMB 50,000, exclusive of management fees, water and electricity fees and other outgoings.	No commercial value

Notes:

(1) The property is leased by Jiangsu Xingda Steel Tyre Cord Co., Ltd. (江蘇興達鋼簾線股份有限公司) from an independent third party.

(2) We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Group's PRC legal adviser, which, contains, inter alia, the followings:

(i) The lessor is the owner of the property and had obtained valid building ownership certificate for the property;

(ii) The lease is legal, valid and enforceable; and

(iii) The property is subject to mortgage.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 19, 2005 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on December 3, 2006. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third-party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third-party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto, respectively, any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from May 3, 2005.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) **Winding up**

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of the Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated on April 19, 2005 in the Cayman Islands under the Companies Law as an exempted company with limited liability. Our Company has established a place of business in Hong Kong at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong and has been registered on October 21, 2005 as an oversea company in Hong Kong under Part XI of the Companies Ordinance under the same address. Tse Shiu Wah of Flat A, 10th Floor, King Fai Building, 106 Main Street East, Shaukeiwan, Hong Kong has been appointed as the agent of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitutive documents which comprise the Memorandum and the Articles of Association. A summary of certain parts of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated on April 19, 2005 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On April 25, 2005, one US$ Share was allotted and issued to the initial subscriber and was subsequently transferred to Win Wide on the same date.

On April 28, 2005, an aggregate of 9,999 US$ Shares were allotted and issued to Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative, Win Wide and Surfmax-Estar Fund A, respectively. For details, please refer to the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus.

Pursuant to the written resolutions of the Shareholders passed on December 3, 2006, the par value of the shares of our Company was changed from US$1.00 to HK$0.10 through the following steps:

(a) the authorized share capital of US$50,000 and the issued share capital of US$10,000 were re-denominated to HK$390,000 and HK$78,000, respectively, by adopting the exchange rate of US$1.00 to HK$7.8;

(b) every issued and unissued share of HK$7.8 was subdivided into 78 shares of HK$0.10 each;

(c) the authorized share capital of our Company was then increased from HK$390,000 to HK$300,000,000 by the creation of 2,996,100,000 new Shares.

Assuming the Global Offering becomes unconditional and upon completion of the Capitalization Issue and the Global Offering (assuming the rights to convert the Convertible Bonds are not exercised), the authorized share capital of our Company will be HK$300,000,000 divided into 3,000,000,000 Shares of par value of HK$0.10 each and the issued share capital will be HK$128,600,000 divided into 1,286,000,000 Shares of par value of HK$0.10 each, fully paid or credited as fully paid.

Save as disclosed herein, there has been no alteration in the share capital of our Company since its incorporation.

3. **Changes in share capital of the subsidiaries**

The subsidiaries of our Company are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of the subsidiaries of our Company have taken place within the two years preceding the date of this prospectus:

Faith Maple

(a) Faith Maple was incorporated on January 26, 2004 in the BVI with an authorized share capital of US$50,000 divided into 50,000 shares of a par value of US$1.00 each.

(b) On June 16, 2004, an aggregate of 100 Faith Maple Shares were allotted and issued to Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative and Win Wide, respectively. For details, please refer to the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus.

(c) On December 9, 2004, an aggregate of 9,900 Faith Maple Shares were allotted and issued to Great Trade, In-Plus, Perfect Sino, Power Aim and Wise Creative, respectively. For details, please refer to the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus.

(d) On December 16, 2004, 606 and 3,477 Faith Maple Shares were allotted and issued to Win Wide and Surfmax-Estar Fund A, respectively.

(e) As of the Latest Practicable Date, the authorized share capital of Faith Maple was US$50,000 divided into 50,000 shares of a par value of US$1.00 each and the issued share capital was US$14,083 divided into 14,083 shares of a par value of US$1.00 each.

Xinghua Lianxing

(a) Xinghua Lianxing was established on April 15, 2002 in the PRC with a registered capital of RMB1,000,000.

(b) On March 17, 2005, the registered capital of Xinghua Lianxing was increased from RMB1,000,000 to RMB3,000,000, of which RMB1,650,000 was contributed by Jiangsu Xingda and RMB1,350,000 was contributed by Xingda Labour Union.

(c) On November 3, 2005, Jiangsu Xingda acquired RMB1,200,000 of the registered capital of Xinghua Lianxing from Xingda Labour Union.

Save as disclosed herein, there has been no alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

4. **Written resolutions of the Shareholders passed on December 3, 2006**

On December 3, 2006, written resolutions of the Shareholders were passed pursuant to which, among other matters:

(a) the denomination of the share capital of our Company was converted from US dollars to HK dollars through the steps set out in the section headed “Changes in share capital of our Company” in this Appendix;

(b) after the re-denomination mentioned in paragraph 4(a) above, our Company’s authorized share capital was increased from HK$390,000 to HK$300,000,000 by the creation of 2,996,100,000 new ordinary Shares;

(c) the Memorandum and the Articles of Association of our Company were approved and adopted with effect from the Listing Date;

(d) conditional on the same conditions stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus:

(1) the Global Offering and the grant of Over-allotment Option were approved and the Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;

(2) conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, the Directors were authorized to allot and issue an aggregate of 899,220,000 Shares by way of capitalization of the amount of HK$89,922,000 (approximately RMB91,288,814) from the amount standing to the credit of the share premium account of our Company to pay up in full at par 899,220,000 Shares for allotment and issue to persons whose names appear on the register of members of our Company at the close of business on November 30, 2006, pro rata to their then existing shareholdings in our Company;

(3) a general unconditional mandate was granted to the Directors to allot, issue and deal with, otherwise than by way of rights issues, scrip dividends or pursuant to the exercise of any options which may be granted under any share option schemes or similar arrangements, Shares with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of our Company's share capital in issue or to be issued as mentioned in this prospectus (excluding Shares that may be issued upon conversion of the Convertible Bonds) and (ii) the aggregate nominal amount of our Company's share capital repurchased under the authority referred to in sub-paragraph (4) below; and

(4) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of our Company's share capital in issue and to be issued as mentioned in this prospectus (excluding Shares that may be issued upon conversion of the Convertible Bonds).

Each of the general mandates referred to in sub-paragraphs (3) and (4) above will remain in effect until (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual meeting of our Company is required by the Articles of Association or the Companies Law or any other applicable laws to be held; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

5. **Reorganization**

We underwent the Reorganization in preparation for the Listing, details of which are set out in the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus.

6. **98 Owners**

According to the Five Parties' Agreement, each of the Five Parties agreed to hold and manage the beneficial interest of all of the 98 Owners (including themselves) and Mr. Wu (after July 1, 2005) in our Company (held through the Five BVI Companies) in the proportions set out below, with the objective of maintaining the spirit of unity and the voting arrangements among the 98 Owners as previously existing among the 98 Owners under the ESC Articles:

Name of the 98 Owners	Shareholdings in Five BVI Companies	Position in our Company or its subsidiaries
Chairman Liu	16.69%	Executive Director/Chairman and director of Jiangsu Xingda
Mr. Liu Xiang	15.72%	Executive Director/General manager of Jiangsu Xingda
Mr. Tao	12.89%	Executive Director/Deputy general manager of Jiangsu Xingda
Mr. Hang	8.03%	Manager of marketing department of Jiangsu Xingda
Hua Xiaoming (花小明)	7.12%	Officer-in-charge of network center (網絡中心主任) of Jiangsu Xingda
Han Guowen (韓國文)	5.17%	Officer-in-charge of planning center (計劃中心主任) of Jiangsu Xingda
Mr. Wu (not one of the 98 Owners)	4.72%	Executive Director/Vice president of Jiangsu Xingda
Mr. Zhang	3.93%	Executive Director/Vice president of Jiangsu Xingda
Fei Hangqi (費杭棋)	2.34%	Funding accountant of Jiangsu Xingda (資金籌措會計)
Pan Xiangyu (潘祥玉)	2.20%	Salesman of Jiangsu Xingda
Han Weihua (韓衛華)	1.89%	Salesman of Jiangsu Xingda
Liu Jiansong (劉健松)	1.62%	Salesman of Jiangsu Xingda
Hu Yuqian (胡玉乾)	1.44%	Deputy general manager of Jiangsu Xingda

Name of the 98 Owners	Shareholdings in Five BVI Companies	Position in our Company or its subsidiaries
Ma Weigen (馬維根)	1.34%	Officer-in-charge of promotion department (宣傳部主任) of Jiangsu Xingda
Cui Mingsheng (崔明生)	1.26%	Officer-in-charge of external affairs reform department (外事改革部主任) of Jiangsu Xingda
Jiang Riqin (蔣日勤)	1.18%	Officer-in-charge of technical center (技術中心主任) of Jiangsu Xingda
Li Huiwu (李惠武)	1.16%	Sales manager of supply department (供應部銷售經理) of Jiangsu Xingda
Cui Dongshu (崔東樹)	1.10%	Deputy officer-in-charge of planning center (計劃中心副主任) of Jiangsu Xingda
The remaining 81 members of the 98 Owners *(Note)*	10.20% (each holding less than 1%)	
	100%	

Note: The following is a list of the remaining 81 members of the 98 Owners, each of whom holds less than 1% shareholding in the Five BVI Companies:

1. Cao Shuangzhi (曹爽芝)
2. Chen Deming (陳德明)
3. Chen Junhua (陳俊華)
4. Chen Xushan (陳旭山)
5. Chen Yongfu (陳永富)
6. Chen Yuyong (陳玉勇)
7. Deng Wei (鄧偉)
8. Ding Jiangang (丁建剛)
9. Dong Yuhua (董玉華)
10. Fei Qiaolin (費巧林)
11. Fu Bin (付斌)
12. Gu Min (顧敏)
13. Gu Zhengliang (顧正良)
14. Han Guohong (韓國宏)
15. Han Jianjun (韓建軍)
16. Han Maorong (韓茂榮)
17. Hang Weiming (杭衛明)
18. Hang Yajun (杭亞軍)
19. Hang Youquan (杭友全)
20. He Guangren (何廣仁)

21. Hu Yuchi (胡玉赤)
22. Hu Ziming (胡自明)
23. Huang Juntai (黃俊太)
24. Huang Lanfen (黃蘭粉)
25. Ji Yongjun (季擁軍)
26. Jiang Xiangfeng (蔣向鋒)
27. Jiang Rihua (蔣日華)
28. Ju Songyun (居松雲)
29. Li Guohuo (李國華)
30. Li Jiang (李江)
31. Li Xiangxi (李祥喜)
32. Li Xingtai (李興太)
33. Li Yucheng (李玉成)
34. Liu Aixiang (劉愛祥)
35. Liu Gui An (劉桂安)
36. Liu Guiquan (劉桂權)
37. Liu Guohua (劉國華)
38. Liu Hongjin (劉紅錦)
39. Liu Rongjun (劉榮軍)
40. Liu Xiangbing (劉祥兵)
41. Liu Yingjun (劉應軍)
42. Liu Yougui (劉有桂)
43. Ma Chunxi (馬春喜)
44. Ma Hongsuo (馬洪鎖)
45. Ma Jinxiang (馬金祥)
46. Ma Jinyu (馬金餘)
47. Ma Lanfeng (馬蘭風)
48. Ma Weidong (馬衛東)
49. Ma Weiming (馬衛銘)
50. Ma Xingxiang (馬興祥)
51. Ma Yuanping (馬元萍)
52. Ma Yunxiang (馬雲祥)
53. Mu Xiaohai (沐小海)
54. Pan Diansheng (潘甸生)
55. Pan Jiajun (潘加俊)
56. Pan Weihong (潘衛紅)
57. Qian Hongxiang (錢紅響)
58. Shen Guangyou (沈廣友)
59. Sun Huaren (孫華仁)
60. Sun Qin (孫芹)
61. Wei Xueqing (魏雪晴)
62. Xu Jun (徐軍)
63. Xu Xiaobin (許小兵)
64. Yan Jianhong (嚴建宏)
65. Yan Zhibin (顏質彬)
66. Yang Weiwen (楊衛文)
67. Yuan Xiaopeng (袁驍鵬)
68. Zhai Chengping (翟成萍)
69. Zhai Chengwu (翟成武)
70. Zhai Chengyong (翟成勇)
71. Zhai Liguo (翟麗國)
72. Zhai Peiyun (翟培雲)
73. Zhai Xiangyang (翟向陽)
74. Zhai Xuegui (翟學貴)
75. Zhang Deqin (張德勤)
76. Zhang Jingyang (張井楊)
77. Zhang Mingzhi (張明智)
78. Zhang Renjie (張仁杰)
79. Zhao Dayu (趙大玉)
80. Zhao Xuesheng (趙學生)
81. Zhou Yin (周寅)

7. **Repurchase by our Company of its own securities**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) ***Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Note: Attention is drawn to the general unconditional mandate granted to the Directors as referred to in paragraph A4(d)(4) of this Appendix.

(ii) *Source of funds*

Repurchases must only be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of shares made for the purposes of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company or out of our Company's share premium account.

(iii) *Trading restrictions*

The total number of shares which a company is authorized to repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, all repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for that company required by the Stock Exchange. A company must procure that any broker appointed by it to effect the repurchase of securities discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(iv) *Status of repurchased securities*

All repurchased securities (whether on the Stock Exchange or otherwise) will be automatically delisted and the relative certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchases*

Securities repurchases are prohibited after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person, that is, a director, chief executive or substantial shareholder of our company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to our company.

(b) ***Information relevant to the repurchase mandate***

(i) The Directors believe that it is in the best interests of our Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit our Company and its Shareholders.

(ii) In repurchasing securities, our Company may only apply funds legally available for such purchase in accordance with the Memorandum of Association and Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands.

(iii) The Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(iv) None of the Directors or, to the best of their knowledge having made all reasonable inquiries, any of their associates, have any present intention to sell any Shares to our Company or its subsidiaries if the repurchase mandate is exercised.

(v) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

(vi) If as a result of a repurchase of securities a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.

(vii) Any repurchase of Shares which results in the amount of Shares held by the public being reduced to less than 25% of the issued share capital of our Company could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. Except in extraordinary circumstances, a waiver of this provision would not normally be given by the Stock Exchange.

(viii) No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY AND ITS SUBSIDIARIES

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the subscription and shareholders agreement relating to Faith Maple dated December 16, 2004 entered into among Faith Maple, Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative, Win Wide and Surfmax-Estar Fund A, pursuant to which, among other things, Win Wide agreed to subscribe for 606 Faith Maple Shares at a subscription price of US$1,660,000 and Surfmax-Estar Fund A agreed to subscribe for 3,477 Faith Maple Shares at a subscription price of US$9,500,000, together with the supplemental agreement dated March 19, 2005 entered into by the aforesaid parties for the amendment of terms of the said subscription and shareholders agreement;

(b) the supplemental agreement dated February 28, 2005 entered into between Faith Maple and Xingda Labour Union whereby, among other things, the parties thereto agreed to amend the payment term of the purchase price payable by Faith Maple to Xingda Labour Union for the transfer of 61,100,000 Jiangsu Xingda Shares under the share acquisition agreement dated June 28, 2004 between Faith Maple and Xingda Labour Union;

(c) the sale and purchase agreement dated April 28, 2005 entered into between, among others, our Company as purchaser and Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative, Win Wide and Surfmax-Estar Fund A as vendors (the "Vendors") whereby our Company agreed to acquire from the Vendors an aggregate of 14,083 Faith Maple Shares (representing the entire issued share capital of Faith Maple) and, as consideration of the said acquisition, our Company agreed to allot and issue an aggregate of 9,900 shares of par value of US$1.00 each to the Vendors, credited as fully paid;

(d) the shareholders agreement relating to our Company dated April 28, 2005 entered into among our Company, Great Trade, In-Plus, Perfect Sino, Power Aim, Wise Creative, Win Wide, Surfmax-Estar Fund A, Tetrad and Henda and the termination agreement dated December 4, 2006 in respect of the said shareholders agreement entered into among the same parties;

(e) the Tetrad Bond Agreement dated April 28, 2005 entered into between our Company, Tetrad and the Five Parties whereby, among other things, our Company agreed to issue the convertible bond in an aggregate principal amount of US$45,000,000 (approximately RMB355,612,500) in two tranches to Tetrad subject to various conditions precedent having been fulfilled;

(f) the Henda Bond Agreement dated April 28, 2005 entered into between our Company, Henda and the Five Parties whereby, among other things, our Company agreed to issue the Henda Bond subject to various conditions precedent having been fulfilled;

(g) the donation agreement dated May 18, 2005 entered into between Jiangsu Xingda and Xingda Labour Union for and on behalf of the Employee Shareholding Committee, whereby it was agreed that an amount of RMB212,000,000, being the balance of the purchase price paid by Faith Maple under the share acquisition agreement dated June 28, 2004 between Faith Maple and Xingda Labour Union after deducting all relevant costs, expenses and levies, shall be donated to Jiangsu Xingda for the purposes of its development and staff incentives;

(h) the share acquisition agreement dated May 22, 2005 entered into between Faith Maple and TIAC whereby Faith Maple agreed to acquire 14,999,900 Jiangsu Xingda Shares (representing approximately 11.14% shareholding) from TIAC at a consideration of RMB97,499,350;

(i) the supplemental agreement dated August 5, 2005 entered into between our Company, Tetrad and the Five Parties whereby, among other things, the second tranche of the Tetrad Bond to be issued under the Tetrad Bond Agreement was reduced to US$19,666,667 (approximately RMB155,415,836) and the agreed exchange rate for the purposes of any conversion between an amount quoted in RMB or US$ that is referred to in either the Tetrad Bond Agreement or the Tetrad Bond shall be RMB8.27 to US$1;

(j) the supplemental agreement dated August 5, 2005 entered into between our Company, Henda and the Five Parties whereby, among other things, the second tranche of the Henda Bond to be issued under the Henda Agreement was reduced to US$3,933,333 (approximately RMB31,083,164) and the agreed exchange rate for the purposes of any conversion between an amount quoted in RMB or US$ that is referred to in either the Henda Bond Agreement or the Henda Bond shall be RMB8.27 to US$1;

(k) the termination agreement dated August 26, 2005 entered into between Jiangsu Xingda and Xingda Labour Union in respect of the termination of the asset leasing agreement dated December 26, 2000 entered into between the same parties relating to the lease by Xingda Labour Union of its non-operational assets and certain housings to Jiangsu Xingda at an annual rent of RMB720,000;

(l) the registered capital transfer agreement dated October 18, 2005 entered into between Jiangsu Xingda and Xingda Labour Union whereby Xingda Labour Union agreed to transfer 40% of the registered capital in Xinghua Lianxing in the amount of RMB1,200,000 to Jiangsu Xingda at a consideration of RMB1,200,000;

(m) the deed of termination dated December 13, 2005 entered into between Jiangsu Xingda, Hong Kong Xingda Steel Tyre Cord Limited, Dong Li and Zhang Xiulin in relation to, among other things, the de-registration or winding up of Hong Kong Xingda Steel Tyre Cord Limited;

(n) the letter of indemnity dated December 14, 2005 given by the Five BVI Companies and the Five Parties (collectively the "Indemnifiers") in favor of Jiangsu Xingda whereby the Indemnifiers have agreed to indemnify Jiangsu Xingda in respect of any loss and charges which it may sustain in relation to the payment of a dividend of RMB6 million by Jiangsu Xingda to Xing Hong Da in January 2005, with the indemnity amount of each Indemnifier to be calculated as the amount compensated by Jiangsu Xingda multiplied by its/his proportional interest in Jiangsu Xingda;

(o) the undertaking dated January 13, 2006 entered into between the Five Parties, Surfmax-Estar Fund A, Win Wide, Tetrad and our Company in respect, among other things, maintaining the minimum public float of our Company in relation to exercise of conversion rights attached to the Tetrad Bond by Tetrad;

(p) the supplemental agreement dated as of December 29, 2005 entered into between our Company, Tetrad and the Five Parties whereby, among other things, it was agreed that the completion date of the issue of second tranche of the Tetrad Bond shall be December 29, 2005 and the agreed exchange rates for any conversion between an amount quoted in RMB and HK$ and between an amount quoted in US$ and HK$ shall be RMB1.06 to HK$1 and US$1 to HK$7.8 respectively for the purpose of the Tetrad Bond Agreement and the Tetrad Bond;

(q) the supplemental agreement dated as of December 29, 2005 entered into between our Company, Henda and the Five Parties whereby, among other things, it was agreed that the completion date of the issue of second tranche of the Henda Bond shall be January 18, 2006 and the agreed exchange rates for any conversion between an amount quoted in RMB and HK$ and between an amount quoted in US$ and HK$ shall be RMB1.06 to HK$1 and US$1 to HK$7.8 respectively for the purpose of the Henda Bond Agreement and the Henda Bond;

(r) the agreement dated December 29, 2005 entered into between Jiangsu Xingda, Xingda Labour Union, 興化市戴南建築工程公司 (Xinghua Municipality Dainan Construction Engineering Company) and 江蘇鎮江四建建工集團有限公司 whereby it was acknowledged and agreed, among other things, that Jiangsu Xingda was appointed by Xingda Labour Union to manage the construction of staff quarters in Dainan Town, Xinghua City and to deal with the related matters, and that 興化市戴南建築工程公司 (Xinghua Municipality Dainan Construction Engineering Company) and 江蘇鎮江四建建工集團有限公司 were appointed as the sub-contractors in respect of such contraction at a fee to be agreed;

(s) the GSSIA Side Agreement dated September 13, 2006 between our Company, the Five Parties and GSSIA in respect of the transfers under the GSSIA Agreement, particulars of which are set out in the sub-section headed "Reorganization" under the section headed "Corporate Structure and Reorganization" in this prospectus;

(t) the supplemental agreement dated September 13, 2006 between our Company, the Five Parties and Tetrad in respect of the transfer of the GSSIA Bond under the GSSIA Transfer Agreement;

(u) the letter of consent dated September 13, 2006 and executed by our Company, the Five BVI Companies, Win Wide, Surfmax-Estar Fund A and Tetrad whereby the Five BVI Company and Surfmax-Estar Fund A granted their consents to the transfer of certain Shares by Win Wide to GSSIA under the GSSIA Transfer Agreement;

(v) the deed of transfer and adherence dated September 14, 2006 between GSSIA, our Company, the Five Parties and Tetrad in respect of the transfer of the GSSIA Bond under the GSSIA Transfer Agreement and pursuant to which, among other things, GSSIA, as a holder of the GSSIA Bond, agreed to be bound by and observe and perform the terms and conditions of the first tranche of Original Tetrad Bond subject to the amendments as prescribed therein;

(w) the deed of adherence and amendments dated September 14, 2006 between our Company, the Five BVI Companies, Win Wide, Surfmax-Estar Fund A, Tetrad, Henda and GSSIA in respect of the shareholders' agreement relating to our Company dated April 28, 2005 as mentioned in paragraph B1(d) above;

(x) the deed of adherence dated September 14, 2006 between our Company, the Five Parties, Win Wide, Surfmax-Estar Fund A, Tetrad and GSSIA in respect of the undertakings dated January 13, 2006 regarding the minimum public float requirement under the Listing Rules as mentioned in paragraph B1(o) above;

(y) the agreement dated September 14, 2006 between our Company, the Five BVI Companies, Win Wide, Surfmax-Estar Fund A, Tetrad and Henda whereby it was agreed that with effect from the date of completion of the transfers under the GSSIA Transfer Agreement, each of our Company, Win Wide, Surfmax-Estar Fund A and Tetrad shall, to the extent permitted by applicable laws, regulations and rules, use all reasonable commercial endeavors to support Henda in participating in the Listing to subscribe for Shares of an aggregate value up to US$6 million subject to the consent of the sponsor(s), underwriter(s) and/or global co-ordinator(s) in respect of the Listing, the market conditions prevailing from time to time, all applicable laws, regulations, the Listing Rules and any requirements of the Stock Exchange or any other applicable authorities and also subject to formal agreement(s) to be entered into in relation thereto and on terms satisfactory to the parties thereto;

(z) the supplemental agreement dated September 14, 2006 between our Company, the Five Parties and Tetrad whereby, among other things, amendments were made to certain terms and conditions of the Tetrad Bond Agreement and the terms and conditions of the Original Tetrad Bond;

(aa) the supplemental agreement dated September 14, 2006 between our Company, the Five Parties and Henda whereby, among other things, amendments were made to certain terms and conditions of the Henda Bond Agreement and the terms and conditions of the Henda Bond;

(bb) the supplemental agreement dated December 4, 2006 between our Company, the Five Parties and Tetrad pursuant to which, among other things, Tetrad agreed and consented to the sale by each of the Founders, through the relevant Five BVI Company of which he is the sole registered shareholder, of the relevant number of the Sale Shares as required by the Global Coordinator under the Over-allotment Option;

(cc) the supplemental agreement dated December 4, 2006 between our Company, the Five Parties and Henda pursuant to which, among other things, Henda agreed and consented to the sale by each of the Founders, through the relevant Five BVI Company of which he is the sole registered shareholder, of the relevant number of the Sale Shares as required by the Global Coordinator under the Over-allotment Option;

(dd) the supplemental agreement dated December 4, 2006 between our Company, the Five Parties and GSSIA pursuant to which, among other things, GSSIA agreed and consented to the sale by each of the Founders, through the relevant Five BVI Company of which he is the sole registered shareholder, of the relevant number of the Sale Shares as required by the Global Coordinator under the Over-allotment Option;

(ee) the amendment agreement dated December 4, 2006 between our Company and Tetrad whereby the parties agreed, among other things, to amend the conversion price in respect of the Tetrad Bond, further details of which are set out in the section headed "Principal terms and conditions of the Convertible Bonds";

(ff) the amendment agreement dated December 4, 2006 between our Company and Henda whereby the parties agreed, among other things, to amend the conversion price in respect of the Henda Bond, further details of which are set out in the section headed "Principal terms and conditions of the Convertible Bonds";

(gg) the amendment agreement dated December 4, 2006 between our Company and GSSIA whereby the parties agreed, among other things, to amend the conversion price in respect of the GSSIA Bond, further details of which are set out in the section headed "Principal terms and conditions of the Convertible Bonds";

(hh) the deed of non-competition dated December 4, 2006 entered into by the Five BVI Companies, the Five Parties, the Directors and the 98 Owners in favor of our Company, further details of which are set out in the section headed "Controlling Shareholders and Substantial Shareholders" in this prospectus;

(ii) the Hong Kong Underwriting Agreement;

(jj) the deed of tax indemnity dated December 3, 2006 entered into by the Indemnifiers in favor of our Company for itself and as trustee for its subsidiaries, pursuant to which the Indemnifiers gave certain indemnities in favor of our Company and its subsidiaries containing, among other things, the indemnities referred to in the sub-paragraph headed "Estate duty and tax indemnity" under the paragraph headed "Other information" in this Appendix;

(kk) the deed of indemnity dated December 3, 2006 entered into by the Indemnifiers in favor of our Company for itself and its subsidiaries, in respect of any loss and charges which it may suffer in relation to the payment of a dividend of RMB6 million by Jiangsu Xingda to Xing Hong Da in January 2005, superseding the letter of indemnity mentioned in paragraph (n) above;

(ll) the lock-up agreement dated December 7, 2006 between Surfmax-Estar Fund A, our Company and the Global Coordinator pursuant to which, among other things, Surfmax-Estar Fund has given certain lock-up undertakings relating to the Shares;

(mm) the lock-up agreement dated December 7, 2006 between Win Wide, Mr. Lu, our Company and the Global Coordinator pursuant to which, among other things, Win Wide has given certain lock-up undertakings relating to the Shares;

(nn) the lock-up agreement dated December 7, 2006 between Tetrad, our Company and the Global Coordinator pursuant to which, among other things, Tetrad has given certain lock-up undertakings relating to the Tetrad Bond and the Shares;

(oo) the lock-up agreement dated December 7, 2006 between Henda, our Company and the Global Coordinator pursuant to which, among other things, Henda has given certain lock-up undertakings relating to the Henda Bond and the Shares; and

(pp) the lock-up agreement dated December 7, 2006 between GSSIA, our Company and the Global Coordinator pursuant to which, among other things, GSSIA has given certain lock-up undertakings relating to the GSSIA Bond and the Shares.

2. Intellectual property rights

(a) *Trademarks*

As of the Latest Practicable Date, we had registered the following trademarks in the PRC with Jiangsu Xingda as the registrant:

Trademark	Class	Registration number	Effective Period
兴达	6	902659	November 21, 2006 - November 20, 2016

Trademark	Class	Registration number	Effective Period
	6	1127459	November 14, 1997 - November 13, 2007
兴 达	6	1757038	April 28, 2002 - April 27, 2012

As of the Latest Practicable Date, we had registered the following trademarks in the regions outside of the PRC with Jiangsu Xingda as the registrant:

Trademark	Place of Registration	Class	Registration number	Effective Period
兴 达	Hong Kong	6	300272402	August 21, 2004 - August 20, 2014
兴 达	Taiwan	6	01142162	March 1, 2005 - February 28, 2015
兴 达	Mexico	6	897269	November 26, 2004 - November 25, 2014
兴 达	International Bureau of the World Intellectual Property Organization *(Note)*	6	839210	July 21, 2004 - July 20, 2014

Note: We had applied to the International Bureau of the World Intellectual Property Organization under the Madrid Agreement and Protocol for registration of its trademark in 25 countries, among which the relevant authorities in the United States, the United Kingdom, Japan, Singapore, Australia and Korea had granted protection of the trademark for the period mentioned above.

As of the Latest Practicable Date, we had made applications for the registration of the following trademarks with Jiangsu Xingda as the applicant:

Trademark	Place of Application	Class	Application date	Application number
兴	PRC	6	July 26, 2004	4186109
达	PRC	6	July 26, 2004	4186108

Trademark	Place of Application	Class	Application date	Application number
兴 达	South Africa	6	August 23, 2004	2004\14436
兴 达	Canada	6	August 24, 2004	1227984
兴 达	India	6	August 24, 2004	11037
兴 达	Malaysia	6	August 24, 2004	04012465
兴 达	Indonesia	6	August 30, 2004	2004.25449.25662
兴 达	Brazil	6	September 15, 2004	230400536611
兴 达	Argentina	6	September 20, 2004	2542408
兴 达	Philippines	6	August 24, 2004	4-2004-007813
兴 达	Thailand	6	September 9, 2004	564920
兴 达	Syria	6	September 16, 2004	280633
兴 达	International Bureau of the World Intellectual Property Organization *(Note)*	6	July 21, 2004	839210

Note: We had applied to the International Bureau of the World Intellectual Property Organization under the Madrid Agreement and Protocol for registration of our trademark in 25 countries, among which the relevant authorities in the United States, the United Kingdom, Japan, Singapore, Australia and Korea had granted protection of the trademark whereas applications for registration in the remaining countries are still under review.

(b) ***Patents***

As of the Latest Practicable Date, we had registered the following patents in the PRC with Jiangsu Xingda as the registrant:

Production equipment

Patent	Type of patent	Patent number	Effective Period
Steel rod manufacturing method and a type of drawing machine	Invention	ZL 00 1 12572.9	September 26, 2000 - September 25, 2020
Drawing machine	New utility model	ZL 00 2 21908.5	September 26, 2000 - September 25, 2010
A wrapping machine	New utility model	ZL 03 2 77863.5	August 19, 2003 - August 18, 2013
Spool handling clamp equipment	New utility model	ZL 03 2 77864.3	August 19, 2003 - August 18, 2013
Sealing equipment of pulley cone axis for wet drawing machine	New utility model	ZL 03 2 77865.1	August 19, 2003 - August 18, 2013
Strand pay-off equipment of wrapping machine	New utility model	ZL 03 2 77866.X	August 19, 2003 - August 18, 2013
Wet drawing machine	New utility model	ZL 03 2 78153.9	August 29, 2003 - August 28, 2013
Pay-off seating	New utility model	ZL 03 2 78167.9	August 29, 2003 - August 28, 2013
Twisting machine	New utility model	ZL 03 2 78154.7	August 29, 2003 - August 28, 2013
Twisting machine	New utility model	ZL 03 2 78155.5	August 29, 2003 - August 28, 2013
Flywheel	New utility model	ZL 03 2 78156.3	August 29, 2003 - August 28, 2013
Spool upturn equipment	New utility model	ZL 03 2 78157.1	August 29, 2003 - August 28, 2013
An high speed finishing machine	New utility model	ZL 03 2 78158.X	August 29, 2003 - August 28, 2013

Patent	Type of patent	Patent number	Effective Period
Improvement motor driving framework of twisting machine	New utility model	ZL 03 2 78159.8	August 29, 2003 - August 28, 2013
Breaks detecting equipment	New utility model	ZL 03 2 78160.1	August 29, 2003 - August 28, 2013
Tension pulley for twisting machine	New utility model	ZL 03 2 78161.X	August 29, 2003 - August 28, 2013
Improvement principal machine framework for twisting machine	New utility model	ZL 03 2 78162.8	August 29, 2003 - August 28, 2013
Pay off equipment with stable tension	New utility model	ZL 03 2 78163.6	August 29, 2003 - August 28, 2013
Pre-deformation equipment using in twisting machine	New utility model	ZL 03 2 78164.4	August 29, 2003 - August 28, 2013
Ridging detecting equipment	New utility model	ZL 03 2 78165.2	August 29, 2003 - August 28, 2013
Improvement cradle frame of inner pay-off twisting machine	New utility model	ZL 03 2 78166.0	August 29, 2003 - August 28, 2013
Computer auto-control equipment for stabling tension	New utility model	ZL 200420025783.0	March 26, 2004 - March 25, 2014
Water supply equipment controlled by constant pressure SCM	New utility model	ZL 200420025782.6	March 26, 2004 - March 25, 2014
Synchronizing signal generator by multiplex electrical motor	New utility model	ZL 2004 20 026014.2	April 1, 2004 - March 31, 2014
Pre-deformation equipment of twisting machine	New utility model	ZL 200420054346.1	December 7, 2004 - December 6, 2014
A pre-deformation equipment	New utility model	ZL 200420054345.7	December 7, 2004 - December 6, 2014
A pre-deformation equipment of twisting machine	New utility model	ZL 200420054343.8	December 7, 2004 - December 6, 2014
Online air lancing equipment	New utility model	ZL 200520069644.2	January 7, 2005 - January 6, 2015

Patent	Type of patent	Patent number	Effective Period
Pay off device for heat-treatment	New utility model	ZL 200520076480.6	October 19, 2005 - October 18, 2015
Pay-off tension device for wrap machine	New utility model	ZL 200520076481.0	October 19, 2005 - October 18, 2015
Stress release device for steel cord	New utility model	ZL 200520076479.3	October 19, 2005 - October 18, 2015
Stress and torsion release device	New utility model	ZL 200520077073.7	November 4, 2005 - November 3, 2015
Pay off device of twisting machine	New utility model	ZL 200520077072.2	November 4, 2005 - November 3, 2015
A geer-box park zerk	New utility model	ZL 200420054206.4	December 9 2004 - December 8, 2014
Worm wheel drive axis of geer-box	New utility model	ZL 200420054205.X	December 9, 2004 - December 8, 2014

Radial tire cords and bead wire

Patent	Type of patent	Patent number	Effective Period
Radial Tire Cord	New utility model	ZL 00 2 21275.7	August 4, 2000 - August 3, 2010
Radial Tire Cord	New utility model	ZL 00 2 21276.5	August 4, 2000 - August 3, 2010
Radial Tire Cord	New utility model	ZL 2003 2 0123317.1	December 18, 2003 - December 17, 2013
Radial Tire Cord	New utility model	ZL 2003 2 0123318.6	December 18, 2003 - December 17, 2013
Radial Tire Cord	New utility model	ZL 2003 2 0123319.0	December 18, 2003 - December 17, 2013
Radial Tire Cord	New utility model	ZL 2003 2 0123320.3	December 18, 2003 - December 17, 2013
Anticorrosion steel cord with 5 filaments	New utility model	ZL 200420078440.0	August 9, 2004 - August 8, 2014

Patent	Type of patent	Patent number	Effective Period
A high tensile steel cord with 24 filaments and a wrapping wire	New utility model	ZL 200420078443.4	August 9, 2004 - August 8, 2014
A steel cord with 21 filaments	New utility model	ZL 200420078439.8	August 9, 2004 - August 8, 2014
A steel cord with 24 filaments and a wrapping wire	New utility model	ZL 200420078445.3	August 9, 2004 - August 8, 2014
Total rubber penetration steel cord with 7 filaments	New utility model	ZL 200420078441.5	August 9, 2004 - August 8, 2014
A high tensile steel cord with 12 filaments and a wrapping wire	New utility model	ZL 200420078442.X	August 9, 2004 - August 8, 2014
A steel cord with 9 filaments and a wrapping wire	New utility model	ZL 200420078438.3	August 9, 2004 - August 8, 2014
A high tensile steel cord with 10 filaments	New utility model	ZL 200420078444.9	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078699.5	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078707.6	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078698.0	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078706.1	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078705.7	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078702.3	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078704.2	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078697.6	August 9, 2004 - August 8, 2014

Patent	Type of patent	Patent number	Effective Period
Radial Tire Cord	New utility model	ZL 2 00420078703.8	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 2 00420078701.9	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 200420078700.4	August 9, 2004 - August 8, 2014
Radial Tire Cord	New utility model	ZL 200420054344.2	December 7, 2004 - December 6, 2014
Steel cord with 4 filaments	New utility model	ZL 200520075312.5	September 5, 2005 - September 4, 2015
A high tensile steel cord with 21 filaments and a wrapping wire	New utility model	ZL 200520076955.1	October 26, 2005 - October 25, 2015
Radial Tire Cord	New utility model	ZL 200420054207.9	December 9, 2004 - December 8, 2014

As of the Latest Practicable Date, we had made applications for the registration of the following patents in the PRC with Jiangsu Xingda as the applicant:

Production equipment

Patent	Type of patent	Application date	Application number
Wet drawing machine	Invention	August 29, 2003	03152876.7
Spool upturn equipment	Invention	August 30, 2003	03152875.9
Online air lancing equipment	Invention	January 7, 2005	200510037632.6
General purpose twisting machine	Invention	August 31, 2005	200510094153.8
A measurement method and device for steel cord lay length	Invention	September 19, 2006	200610096078.3
Assembled drawing die	New utility model	May 11, 2006	2 00620071211.5
Height test control device used in twist machine	New utility model	May 11, 2006	2 00620071212.x

Patent	Type of patent	Application date	Application number
A measurement device for steel cord lay length	New utility model	September 19, 2006	200620076587.5
Pay-off device of twisting machine	New utility model	August 4, 2005	200520074179.1
Molding die for twisting machine	New utility model	August 4, 2005	200520074180.4
General purpose twisting machine	New utility model	August 31, 2005	200520075060.6
Meter counting device for wet drawing machine	New utility model	August 31, 2005	200520075061.0
Arm device	New utility model	September 22, 2005	200520075699.4
Take-up device for twisting machine	New utility model	September 19, 2005	200520075698.X

Radial tire cords and bead wire

Patent	Type of patent	Application date	Application number
High tensile bead wire	Invention	January 19, 2006	200610037871.6
Steel cord with 19 filaments	New utility model	September 5, 2005	200520075311.0
Steel cord with 7 filaments	New utility model	September 5, 2005	200520075319.7
Steel cord with 5 filaments	New utility model	September 5, 2005	200520075318.2
Steel cord with 15 filaments	New utility model	September 5, 2005	200520075317.8
A high tensile steel cord with 49 filaments and a wrapping wire	New utility model	September 5, 2005	200520075313.x
A high tensile steel cord with 3 filaments	New utility model	October 26, 2005	200520076956.6
A steel cord with 21 filaments and a wrapping wire	New utility model	March 28, 2006	2 00620070706.6
A steel cord with 28 filaments and a wrapping wire	New utility model	March 28, 2006	2 00620070705.1

(c) ***Domain name***

As of the Latest Practicable Date, we had registered the following domain name:

Domain name	Registrant
www.xingda.com.cn	Jiangsu Xingda

3. **Subsidiaries established in the PRC**

We have established the following subsidiaries in the PRC. A summary of the corporate information and the principal terms of these subsidiaries are set out below.

(a) ***Jiangsu Xingda***

(i)	Economic nature	:	Sino-foreign joint stock limited company
(ii)	Date of establishment	:	March 27, 1998
(iii)	Term of operation	:	Perpetual existence
(iii)	Registered capital	:	RMB134,600,000 (fully and timely paid in compliance with the relevant PRC laws and regulations)
(iv)	Percentage of equity interest owned by us	:	Approximately 69.54% owned by Faith Maple

Note: Our Company has been advised by its legal advisors on PRC law that Xing Hong Da, which held 22.29% of the registered capital of Jiangsu Xingda as of the Latest Practicable Date, is involved in a litigation in the PRC in which its shareholding in Jiangsu Xingda has been frozen by the People's Court of the PRC prohibiting any transfers thereof. Our Company has also been advised by its PRC legal advisors that such prohibition by the People's Court of the PRC would not have any effect on the normal production and operating activities of Jiangsu Xingda or the rights of the other shareholders of Jiangsu Xingda.

(b) ***Shanghai Xingda***

(i)	Economic nature	:	Domestic limited liability company
(ii)	Date of establishment	:	July 8, 2002
(iii)	Term of operation	:	July 8, 2002 to July 7, 2012
(iv)	Registered capital	:	RMB500,000 (fully and timely paid in compliance with the relevant PRC laws and regulations)
(v)	Percentage of equity interest owned by us	:	90% owned by Jiangsu Xingda 10% owned by Xinghua Lianxing

(c) ***Xinghua Lianxing***

(i)	Economic nature	:	Domestic limited liability company
(ii)	Date of establishment	:	April 15, 2002
(iii)	Term of operation	:	Perpetual existence
(iii)	Registered capital	:	RMB3,000,000 (fully and timely paid in compliance with the relevant PRC laws and regulations)
(iv)	Percentage of equity interest owned by us	:	95% owned by Jiangsu Xingda

(d) ***Xingda International (Shanghai)***

(i)	Economic nature	:	Wholly foreign owned enterprise
(ii)	Date of establishment	:	September 15, 2006
(iii)	Term of operation	:	September 15, 2006 to September 14, 2036
(iv)	Registered capital	:	US$12,000,000 (which has not been paid, as payment is not yet due under the relevant PRC laws and regulations)
(v)	Percentage of equity interested owned by us	:	100% owned by Faith Maple

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Particulars of Directors' service agreements

Each of the executive Directors and non-executive Directors has entered into a service agreement with our Company, particulars of which are summarized below:

(i) each service agreement is of an initial term of three years and is deemed to have commenced on the appointment date of each such Director and will continue subject to termination by giving not less than three months' prior written notice by the Company (in respect of the executive Directors) or by either party (in respect of the non-executive Directors);

(ii) our Company and/or its subsidiaries shall pay an annual salary to each of the executive Directors and non-executive Directors and such annual salary may be adjusted subject to the discretion of the remuneration and management development committee of our Company;

(iii) each of the executive Directors and non-executive Directors will be entitled to a discretionary bonus as decided by the Board and the remuneration and management development committee of our Company;

(iv) each of the executive Directors and non-executive Directors will be entitled to reimbursement of travelling expenses and all reasonable out-of-pocket expenses properly incurred in the performance of his/her duties under the employment.

Each of the independent non-executive Directors has signed a letter of appointment with our Company under which they agreed to act as independent non-executive Directors for a period of three years which is deemed to have commenced on the appointment date of each such Director and may be terminated by either party at any time by giving to the other not less than three months' prior written notice. The initial annual fee payable to each independent non-executive Director is US$50,000 (RMB3,951,250).

2. Directors' remuneration

Remuneration and benefits in kind of approximately RMB13,053,000 in aggregate were paid and granted by our Company and/or any of its subsidiaries to the Directors for the financial year ended December 31, 2005.

Under the current arrangements, the aggregate amount of the remuneration and benefits in kind (excluding any discretionary) which the Directors are entitled to receive for the financial year ending December 31, 2006 is expected to be approximately RMB17,900,000 (approximately HK$17,631,500).

3. Interests and/or short positions of Directors and chief executive in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following the Global Offering and the Capitalization Issue (but without taking into account any Shares which may be taken up under the Global Offering and Shares that may be issued on the conversion of the Convertible Bonds and assuming that the Over-allotment Option is not exercised), the Directors or the chief executive of our Company will have the following interests in the share capital of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they have taken or are deemed to have under such provisions of the SFO), or which will be required pursuant to section 352 of the SFO to be entered in the register referred therein, or pursuant to the Model Code for Securities by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange:

Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of interest in our Company
Chairman Liu . .	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Notes 1 and 5)*	844,133,164	65.64%
Mr. Liu Xiang . .	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Notes 2 and 5)*	844,133,164	65.64%
Mr. Tao	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Notes 3 and 5)*	844,133,164	65.64%
Mr. Zhang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Notes 4 and 5)*	844,133,164	65.64%
Mr. Lu	Interests of controlled corporations *(Note 6)*	230,490,000	17.92%

Notes:

1. Chairman Liu owns 100% of the issued share capital of Great Trade for and on behalf of the 98 Owners (including himself) and Mr. Wu subject to the terms of the Five Parties' Agreement. Great Trade holds 270,000,000 Shares. For the purpose of Part XV of the SFO, Chairman Liu is deemed to be interested in the Shares held by Great Trade. Chairman Liu is also a party to the Five Parties' Agreement, and is deemed to be interested in Shares in which the other parties to the Five Parties' Agreement (being Mr. Liu Xiang, Mr. Tao, Mr. Zhang and Mr. Hang) are interested for the purpose of Part XV of the SFO.

2. Mr. Liu Xiang owns 100% of the issued share capital of In-Plus for and on behalf of the 98 Owners (including himself) and Mr. Wu subject to the terms of the Five Parties' Agreement. In-Plus holds 153,000,000 Shares. For the purpose of Part XV of the SFO, Mr. Liu Xiang is deemed to be interested in the Shares held by In-Plus. Mr. Liu Xiang is also a party to the Five Parties' Agreement, and is deemed to be interested in Shares in which the other parties to the Five Parties' Agreement (being Chairman Liu, Mr. Tao, Mr. Zhang and Mr. Hang) are interested for the purpose of Part XV of the SFO.

3. Mr. Tao owns 100% of the issued share capital of Perfect Sino for and on behalf of the 98 Owners (including himself) and Mr. Wu subject to the terms of the Five Parties' Agreement. Perfect Sino holds 126,000,000 Shares. For the purpose of Part XV of the SFO, Mr. Tao is deemed to be interested in the Shares held by Perfect Sino. Mr. Tao is also a party to the Five Parties' Agreement, and is deemed to be interested in Shares in which the other parties to the Five Parties' Agreement (being Chairman Liu, Mr. Liu Xiang, Mr. Zhang and Mr. Hang) are interested for the purpose of Part XV of the SFO.

4. Mr. Zhang owns 100% of the issued share capital of Power Aim for and on behalf of the 98 Owners (including himself) and Mr. Wu subject to the terms of the Five Parties' Agreement. Power Aim holds 45,000,000 Shares. For the purpose of Part XV of the SFO, Mr. Zhang is deemed to be interested in the Shares held by Power Aim. Mr. Zhang is also a party to the Five Parties' Agreement, and is deemed to be interested in Shares in which the other parties to the Five Parties' Agreement (being Chairman Liu, Mr. Liu Xiang, Mr. Tao and Mr. Hang) are interested for the purpose of Part XV of the SFO.

5. Chairman Liu, Mr. Liu Xiang, Mr. Tao and Mr. Zhang, being parties to each of the Tetrad Bond Agreement and the Henda Bond Agreement, are deemed to be interested in Shares in which the other parties to such agreements (being Mr. Hang, Tetrad and Henda) are interested for the purpose of Part XV of the SFO. Tetrad and Henda are holders of the Tetrad Bond and the Henda Bond, respectively, which are convertible into an aggregate of 205,133,164 Shares subject to the terms and conditions thereof.

6. Mr. Lu legally owns 100% of the issued share capital of Surfmax Corporation, which is the member manager of Surfmax-Estar Fund A. Surfmax-Estar Fund A holds 222,210,000 Shares. Mr. Lu also legally owns approximately 45.48% of the issued share capital of Win Wide, which holds 8,280,000 Shares. For the purpose of Part XV of the SFO, Mr. Lu is deemed to be interested in the Shares held by Surfmax-Estar Fund A and Win Wide respectively.

Long position in share capital of associated corporation

Name of Director	Capacity	Associated corporation	Number of shares in associated corporation	Approximate percentage of interest in associated corporation
Mr. Zhang	Beneficial owner	Jiangsu Xingda	100	0.000074%

Save as disclosed above, immediately following completion of the Global Offering (but without taking into account any Shares which may be taken up under the Global Offering and Shares that may be issued on the conversion of the Convertible Bonds and assuming that the Over-allotment Option is not exercised), none of the Directors or the chief executive of our Company will have any interests and/or short position in the Shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered into the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

4. **Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors, immediately following the completion of the Global Offering (but without taking into account Shares which may be taken up under the Global Offering and Shares falling to be allotted and issued upon the conversion of the Convertible Bonds and assuming that the Over-allotment Option is not exercised), the following persons (not being a Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Long positions in the Shares

Name	Capacity	Number of Shares	Approximate percentage of interest in our Company
Great Trade	Beneficial owner	270,000,000	21.00%
In-Plus	Beneficial owner	153,000,000	11.90%
Perfect Sino	Beneficial owner	126,000,000	9.80%
Mr. Hang	Interest of a controlled corporation and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Note 1)*	844,133,164	65.64%
Surfmax-Estar Fund A .	Beneficial owner	222,210,000	17.28%
Surfmax Corporation . .	Interest of a controlled corporation *(Note 2)*	222,210,000	17.28%
Tetrad	Beneficial owner and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Note 3)*	806,256,942	62.69%
Henda	Beneficial owner and interests of parties to an agreement required to be disclosed under section 317 of the SFO *(Note 4)*	676,876,222	52.63%

Notes:

1. Mr. Hang owns 100% of the issued share capital of Wise Creative for and on behalf of the 98 Owners (including himself) and Mr. Wu subject to the terms of the Five Parties' Agreement. Wise Creative holds 45,000,000 Shares. For the purpose of Part XV of the SFO, Mr. Hang is deemed to be interested in the Shares held by Wise Creative. Mr. Hang is also a party to the Five Parties' Agreement, and is deemed to be interested in Shares in which the other parties to the Five Parties' Agreement (being Chairman Liu, Mr. Liu Xiang, Mr. Tao and Mr. Zhang) are interested for the purpose of Part XV of the SFO. Mr. Hang, being a party to each of the Tetrad Bond

Agreement and the Henda Bond Agreement, is also deemed to be interested in Shares in which the other parties to such agreements (being Chairman Liu, Mr. Liu Xiang, Mr. Tao, Mr. Zhang, Tetrad and Henda) are interested for the purpose of Part XV of the SFO. Tetrad and Henda are holders of the Tetrad Bond and the Henda Bond, respectively, which are convertible into an aggregate of 205,133,164 Shares subject to the terms and conditions thereof.

2. Surfmax Corporation is the member manager of Surfmax-Estar Fund A. For the purpose of Part XV of the SFO, Surfmax Corporation is deemed to be interested in Shares held by Surfmax-Estar Fund A.

3. Tetrad is the holder of the Tetrad Bond, which is convertible into an aggregate of 167,256,942 Shares subject to the terms and conditions thereof. Tetrad, being a party to the Tetrad Bond Agreement, is deemed to be interested in Shares in which the other parties to such agreement (being the Five Parties) are interested for the purpose of Part XV of the SFO.

4. Henda is the holder of the Henda Bond, which is convertible into an aggregate of 37,876,222 Shares subject to the terms and conditions thereof. Henda, being a party to the Henda Bond Agreement, is deemed to be interested in Shares in which the other parties to such agreement (being the Five Parties) are interested for the purpose of Part XV of the SFO.

5. For details regarding interests of substantial shareholders who are also Directors, please see the sub-paragraph headed "Interests and/or short positions of Directors and chief executive in the Shares, underlying shares or debentures of our Company and its associates" under the paragraph headed "Further information about Directors, management and staff" in this Appendix VI.

Save as disclosed above, so far as is known to the Directors, immediately following completion of the Global Offering (but without taking into account of Shares which may be taken up under the Global Offering and Shares falling to be allotted and issued upon the conversion of the Convertible Bonds and assuming that the Over-allotment Option is not exercised), there is no other person (not being a Director or chief executive of our Company) who has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

5. Personal guarantees

The Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to our Company or any of its subsidiaries.

6. Disclaimers

Save as disclosed in this Appendix VI and the sections headed "Business" and "Corporate Structure and Reorganization" in this prospectus:

(a) none of the Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be required to be notified to our Company and the Stock Exchange;

(b) so far as is known to any of the Directors or the chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;

(c) none of the Directors has entered or has proposed to enter into any service contracts with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(d) none of the Directors or any of the persons referred to in paragraph D6 of this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be so acquired, disposed of or leased;

(e) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(f) none of the persons referred to in paragraph D6 of this Appendix has any shareholding in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries;

(g) none of the Directors, their associates or any shareholder of our Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest suppliers or five largest customers.

D. OTHER INFORMATION

1. Estate duty and tax indemnity

The Five BVI Companies and the Five Parties have entered into a deed of tax indemnity whereby they shall jointly and severally indemnify and keep indemnified each of our Company and its subsidiaries on demand against any depletion in or diminution in value of its assets as a direct or indirect consequence of, and in respect of any amount which any of our Company and its subsidiaries may hereafter become liable to pay by virtue of section 35 and 43 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong by reason of the death of any person and by reason of the assets of our Company and its subsidiaries or any of them being deemed for the purpose of estate duty to be included in the property passing on his or her death by reason of that person making or having made a transfer to our Company and its subsidiaries or any of them on or before the date of fulfillment of the last of the conditions set out in the sub-section headed "Conditions" under the section headed "Structure of the Global Offering" of this prospectus. The Five BVI Companies and the Five Parties shall jointly and severally indemnify and at all times keep each of our Company and its subsidiaries indemnified against taxation, duties, rates or other impositions whenever created or imposed falling on any of our Company and its subsidiaries resulting from, or relating to, or in consequence of any income, profits or gains earned, accrued or received on or before the date of fulfillment of the last of the conditions set out in the sub-section headed "Conditions" under the section headed "Structure of the Global Offering" of this prospectus.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands.

2. **Litigation**

Neither our Company nor any of its subsidiaries is engaged in any material litigation or claims or arbitration proceedings and, so far as the Directors are aware, no material litigation or claims or arbitration proceedings is pending or threatened against our Company or any of its subsidiaries.

3. **Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

4. **Preliminary expenses**

The preliminary expenses incurred or proposed to be incurred by our Company are estimated to be approximately HK$89.89 million (approximately RMB91.25 million) and are payable by our Company.

5. **Promoter**

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinion in this prospectus are as follows:

Name	Qualifications
Goldman Sachs (Asia) L.L.C.	Licensed corporation holding a license under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer
Jingtian and Gongcheng, Attorneys-at-Law	Legal advisors on PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Vigers Appraisal & Consulting Limited	Independent valuer

7. Consents of experts

Each of Goldman Sachs, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Jingtian and Gongcheng, Conyers Dill & Pearman and Vigers Appraisal & Consulting Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with inclusion of its report and/or letter and/or valuation certificates and/or the references to its name in the form and context in which it appears.

8. Share register

The register of members of our Company will be maintained in the Cayman Islands by Butterfield Fund Services (Cayman) Limited and a branch register of members will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

Unless the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch share registers in Hong Kong and may not be lodged in the Cayman Islands.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. **Miscellaneous**

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;

(b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) save as disclosed below, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries:

(i) as an incentive compensation for the participation, contribution and dedication of Surfmax Corporation, its employees and its affiliates in negotiating and procuring the execution of the Tetrad Bond Agreement and the Henda Bond Agreement as well as its efforts in coordinating related regulatory approval by the government for the benefits of our Company,

— a sum equivalent to 1% of the principal amount of each of the first tranche and second tranche of the Tetrad Bond was paid to Surfmax Corporation upon the respective completions of the issue thereof in pursuance of the Tetrad Bond Agreement; and

— a sum equivalent to 1% of the principal amount of each of the first tranche and second tranche of the Henda Bond was paid to Surfmax Corporation upon the respective completions of the issue thereof in pursuance of the Henda Bond Agreement;

(ii) an amount of US$540,000 (approximately RMB4,267,350) was paid by our Company to BNP Paribas Peregrine Capital Limited as commission for the issue of the Original Tetrad Bond and the Henda Bond;

(d) since June 30, 2006 there has been no material adverse change in our financial or trading position; and

(e) our Company have not issued or agreed to issue any founder shares, management shares or deferred shares.

E. PARTICULARS OF THE SELLING SHAREHOLDERS

Name	Description	Registered office	Number of the Sale Shares
Great Trade	Investment holding company incorporated in BVI	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	18,152,000
In-Plus.	Investment holding company incorporated in BVI	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	10,286,000
Perfect Sino	Investment holding company incorporated in BVI	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	8,471,000
Power Aim	Investment holding company incorporated in BVI	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	3,025,000
Wise Creative	Investment holding company incorporated in BVI	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	3,025,000
Surfmax-Estar Fund A	Limited liability company incorporated in Delaware, the United States, principally engaged in identifying venture capital opportunities and activities	2711 Centerville Road, Suite 400, Wilmington, De 19808, Delaware, United States	14,941,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" in Appendix VI to this prospectus, the statement of adjustments relating to the accountants' report contained in Appendix I to this prospectus and copies of the material contracts referred to in sub-paragraph headed "Summary of material contracts" under the paragraph headed "Further information about the business of our Company and its subsidiaries" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons, 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including December 22, 2006:

(a) the memorandum of association of the Company and the Articles of Association;

(b) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, and the related statement of adjustments;

(c) the consolidated financial statements of Jiangsu Xingda, Xinghua Lianxing and Shanghai Xingda for the years ended December 31, 2003, 2004 and 2005;

(d) the comfort letter relating to the unaudited pro-forma financial information issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(e) the comfort letters from Deloitte Touche Tohmatsu and the Sponsor respectively relating to the profit forecast, the text of which is set out in Appendix III to this prospectus;

(f) the letter, summary of valuations and valuation certificates prepared by DTZ Debenham Tie Leung Limited, the text of which is set out in Appendix IV to this prospectus;

(g) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of the Companies Law;

(h) the Companies Law;

(i) a legal opinion prepared by Jingtian and Gongcheng in respect of, among other things, the establishment, operation and property interests of our Group within the PRC;

(j) the valuation report prepared by Vigers Appraisal & Consulting Limited in respect of the fair value of the Convertible Bonds;

(k) the material contracts referred to in the sub-paragraph headed "Summary of material contracts" under the paragraph headed "FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY AND ITS SUBSIDIARIES" in Appendix VI to this prospectus;

(l) the written consents referred to in the sub-paragraph headed "Consents of experts" under the paragraph headed "Other information" in Appendix VI to this prospectus; and

(m) the service agreements referred to in the sub-paragraph headed "Particulars of Directors' service agreements" under the paragraph headed "Further information about Directors, management and staff" in Appendix VI to this prospectus.