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

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1899)**

## FINAL RESULTS ANNOUNCEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2008

### FINANCIAL HIGHLIGHTS

| | **2008** <br> ***RMB in million*** | 2007 <br> *RMB in million* | **Growth (%)** |
|---|---|---|---|
| Revenue | **3,488.5** | 2,778.1 | +25.6 |
| Gross profit | **920.8** | 701.9 | +31.2 |
| Gross profit margin | **26.4%** | 25.3% | +1.1pp |
| EBITDA *(Note)* | **931.4** | 707.3 | +31.7 |
| Profit attributable to equity holders of the Company | **418.2** | 345.4 | +21.1 |
| Earnings per share – Basic (RMB cents) | **30.17** | 25.97 | +16.2 |
| Earnings per share – Diluted (RMB cents) | **25.39** | 16.05 | +58.2 |
| Proposed dividend per share (HK cents) | **8.0** | 6.0 | +33.3 |

*Note: It is defined as profit before finance costs, income tax expense, depreciation, amortization, gain on fair value adjustment on the convertible bonds and gain on deregistration of a subsidiary*

## RESULTS

The board of directors (the "Board") of Xingda International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT
### FOR THE YEAR ENDED 31 DECEMBER 2008

| | *NOTES* | **2008** | 2007 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Revenue | 4 | **3,488,518** | 2,778,061 |
| Cost of sales | | **(2,567,757)** | (2,076,112) |
| Gross profit | | **920,761** | 701,949 |
| Other income | 5 | **68,920** | 102,628 |
| Government grants | | **65,840** | 11,282 |
| Selling and distribution expenses | | **(139,488)** | (102,128) |
| Administrative expenses | | **(212,175)** | (187,489) |
| Finance costs | 6 | **(103,808)** | (89,743) |
| Gain on fair value adjustment on the convertible bonds | | **24,903** | 76,915 |
| Gain on deregistration of a subsidiary | | **3,398** | — |
| Profit before tax | | **628,351** | 513,414 |
| Income tax expense | 7 | **(85,953)** | (64,593) |
| Profit for the year | 8 | **542,398** | 448,821 |
| Profit attributable to: | | | |
| Equity holders of the Company | | **418,219** | 345,412 |
| Minority shareholders | | **124,179** | 103,409 |
| | | **542,398** | 448,821 |
| Dividend | 9 | | |
| Dividend recognised as distribution | | **74,043** | 50,305 |
| Dividend proposed | | **97,754** | 74,043 |
| Earnings per share | 10 | | |
| Basic (RMB cents) | | **30.17** | 25.97 |
| Diluted (RMB cents) | | **25.39** | 16.05 |

## CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2008

| | *NOTES* | **2008** | 2007 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **ASSETS AND LIABILITIES** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **2,575,489** | 2,074,219 |
| Prepaid lease payments | | **179,524** | 115,298 |
| Available-for-sale investments | | **98,585** | 500 |
| Deferred tax assets | | **12,605** | — |
| Deposits paid for purchase of property, plant and equipment | | **11,870** | 190,294 |
| | | **2,878,073** | 2,380,311 |
| **CURRENT ASSETS** | | | |
| Prepaid lease payments | | **3,858** | 2,487 |
| Inventories | | **510,985** | 288,724 |
| Trade and other receivables | 11 | **1,565,652** | 1,642,559 |
| Pledged bank deposits | | **33,880** | 42,676 |
| Bank balances and cash | | **445,971** | 947,356 |
| | | **2,560,346** | 2,923,802 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | **472,614** | 500,142 |
| Amounts due to directors | | **48** | 335 |
| Amount due to a related company | | **827** | 2,844 |
| Amounts due to a minority shareholder | | **1,718** | — |
| Government grants | | **900** | — |
| Tax payable | | **45,738** | 48,128 |
| Bank borrowings - due within one year | | **1,117,739** | 1,201,720 |
| Convertible bonds | | **41,561** | 237,083 |
| | | **1,681,145** | 1,990,252 |
| **NET CURRENT ASSETS** | | **879,201** | 933,550 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,757,274** | 3,313,861 |
| **NON-CURRENT LIABILITY** | | | |
| Government grants | | — | 24,900 |
| **NET ASSETS** | | **3,757,274** | 3,288,961 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 13 | **139,091** | 139,091 |
| Reserves | | **2,746,508** | 2,402,332 |
| | | **2,885,599** | 2,541,423 |
| **MINORITY INTERESTS** | | **871,675** | 747,538 |
| **TOTAL EQUITY** | | **3,757,274** | 3,288,961 |

**NOTES**

## 1. GENERAL

The Company was incorporated under the laws of the Cayman Islands with limited liability on 19 April 2005. Its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of its business is Xinghua City, Jiangsu Province, The People's Republic of China (the "PRC").

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

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board ("IASB"), which are or have become effective.

| | |
|---|---|
| IAS 39 & IFRS 7 (Amendments) | Reclassification of Financial Assets |
| IFRIC 11 | IFRS 2: Group and Treasury Share Transactions |
| IFRIC 12 | Service Concession Arrangements |
| IFRIC 14 | IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| IFRSs (Amendments) | Improvements to IFRSs[1] |
| IAS 1 (Revised) | Presentation of Financial Statements[2] |
| IAS 23 (Revised) | Borrowing Costs[2] |
| IAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| IAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[2] |
| IAS 39 (Amendment) | Eligible hedged items[3] |
| IFRS 1 & IAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2] |
| IFRS 2 (Amendment) | Vesting Conditions and Cancellations[2] |
| IFRS 3 (Revised) | Business Combinations[3] |
| IFRS 7 (Amendment) | Improving Disclosures about Financial Instruments[2] |
| IFRS 8 | Operating Segments[2] |
| IFRIC 9 & IAS 39 (Amendments) | Embedded Derivatives[4] |
| IFRIC13 | Customer Loyalty Programmes[5] |
| IFRIC 15 | Agreements for the Construction of Real Estate[2] |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation[6] |
| IFRIC 17 | Distribution of Non-cash Assets to Owners[3] |
| IFRIC 18 | Transfers of Assets from Customers[7] |

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The application of IFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company (the "Directors") anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

## 4. REVENUE

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

The Group's operations are located in the PRC and substantially all of the Group's consolidated revenue and segment profit from operations are derived from the manufacture and distribution of radial tire cords are bead wires to customers substantially located in the PRC. Accordingly, no analyses by business segment and geographical area of operations or customers are provided.

## 5. OTHER INCOME

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income earned on bank balances and bank deposits | **19,705** | 51,941 |
| Sales of scrap materials | **45,510** | 34,403 |
| Cash discounts received from suppliers | — | 11,924 |
| Sundry income | **3,705** | 4,241 |
| Gain on disposal of property, plant and equipment | — | 119 |
| | **68,920** | 102,628 |

## 6. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on: | | |
| Bank loans wholly repayable within five years | **89,986** | 69,043 |
| Note receivables discounted | **13,822** | 20,700 |
| | **103,808** | 89,743 |

## 7. INCOME TAX EXPENSE

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The charge comprises: | | |
| Current tax | | |
| Current year | **98,558** | 64,593 |
| Deferred taxation | **(12,605)** | — |
| | **85,953** | 64,593 |

The tax charge in respect of the current year represents income tax in the PRC which is calculated at the prevailing tax rate of 25% (2007: 33%) on the taxable income of the group entities in the PRC.

No provision for Hong Kong Profits Tax has been made as the Group's profits neither arises in, nor is derived from, Hong Kong for both years.

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, a major subsidiary of the Company, Jiangsu Xingda Steel Tyre Cords Co., Ltd. (“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 31 December 2005 and 2006 and enjoyed a 50% tax relief for the year ended 31 December 2007 and 2008.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% for certain subsidiaries of the Company from 1 January 2008.

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB’000*** | *RMB’000* |
| Profit before tax | **628,351** | 513,414 |
| Tax at the PRC tax rate of 25% (2007: 33%) | **157,088** | 169,427 |
| Tax effect of fair value adjustment on the convertible bonds not taxable for tax purposes | **(6,226)** | (25,382) |
| Tax effect of expenses not deductible for tax purposes | **22,654** | 15,422 |
| Tax effect of income not taxable for tax purposes | **(24,225)** | (11,859) |
| Tax effect of tax relief/ tax exemption | **(58,051)** | (88,263) |
| Recognition of deferred tax assets previously not recognised | **(8,237)** | - |
| Tax effect of deductible temporary differences not recognised | **-** | 4,041 |
| Others | **2,950** | 1,207 |
| Tax charge for the year | **85,953** | 64,593 |

## 8. PROFIT FOR THE YEAR

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit for the year has been arrived at after charging: | | |
| Directors' emoluments | **34,343** | 29,303 |
| Other staff costs | **216,134** | 192,789 |
| Retirement benefits scheme contributions | | |
| Current year | **7,195** | 3,515 |
| Overprovision in prior year | **—** | (1,331) |
| Total staff costs | **257,672** | 224,276 |
| Impairment loss recognised on trade and other receivables | **21,826** | 4,328 |
| Amortisation of prepaid lease payments | **2,942** | 2,485 |
| Auditor's remuneration | **1,818** | 1,941 |
| Cost of inventories recognised as an expense | **2,567,757** | 2,076,112 |
| Depreciation for property, plant and equipment | **224,592** | 178,612 |
| Loss on disposal of property, plant and equipment | **10,135** | — |
| Research and development expenditure | **16,539** | 20,914 |
| Net foreign exchange loss | **9,289** | 31,189 |

## 9. DIVIDEND

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Ordinary shares: | | |
| Final dividend paid for 2006 – 4.0 HK cents per share | **—** | 50,305 |
| Final dividend paid for 2007 – 6.0 HK cents per share | **74,043** | — |
| | **74,043** | 50,305 |
| Final dividend proposed for 2007 – 6.0 HK cents per share | **—** | 74,043 |
| Final dividend proposed for 2008 – 8.0 HK cents per share | **97,754** | — |
| | **97,754** | 74,043 |

A final dividend for the year ended 31 December 2008 of 8.0 HK cents (2007: 6.0 HK cents) per share has been proposed by the Directors and is subject to approval by its shareholders in the forthcoming annual general meeting.

## 10. EARNINGS PER SHARE

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Earnings | | |
| Earnings for the purposes of basic earnings per share | **418,219** | 345,412 |
| Effect of dilutive potential ordinary shares: | | |
| Fair value adjustment on the convertible bonds | **(24,903)** | (76,915) |
| Exchange realignment on the convertible bonds | **(15,145)** | (38,083) |
| Earnings for the purpose of diluted earnings per share | **378,171** | 230,414 |

| | **'000** | '000 |
|---|---|---|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,386,177** | 1,329,949 |
| Effect of dilutive potential ordinary shares on convertible bonds | **103,147** | 105,753 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,489,324** | 1,435,702 |

## 11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 120 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | | |
| 0 - 90 days | **415,486** | 706,665 |
| 91 - 180 days | **217,723** | 115,024 |
| 181 - 360 days | **183,528** | 98,824 |
| Over 360 days | **21,768** | 38,827 |
| | **838,505** | 959,340 |
| Note receivables | | |
| 0 - 90 days | **298,682** | 241,199 |
| 91 - 180 days | **247,009** | 228,733 |
| | **545,691** | 469,932 |

| | | |
|---|---|---|
| Advances to raw material suppliers | **125,555** | 137,581 |
| Value-added tax receivables | **10,846** | — |
| Spools | **2,479** | 20,381 |
| Excess payment for purchase of properties | **—** | 29,166 |
| Other receivables and prepayments | **42,696** | 26,279 |
| Less: Allowance for doubtful debts | **(120)** | (120) |
| | **181,456** | 213,287 |
| | **1,565,652** | 1,642,559 |

## 12. TRADE AND OTHER PAYABLES

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | | |
| 0 - 90 days | **169,379** | 139,113 |
| 91 - 180 days | **51,311** | 30,476 |
| 181 - 360 days | **6,971** | 9,220 |
| Over 360 days | **1,333** | 5,686 |
| | **228,994** | 184,495 |
| Value-added tax payables and other tax payables | **9,555** | 28,046 |
| Accrued staff costs | **90,324** | 100,077 |
| Payables for purchase of property, plant and equipment | **98,997** | 110,719 |
| Advances from customers | **631** | 25,239 |
| Accrual pension | **13,629** | 13,629 |
| Accrued interest expense | **2,288** | 2,105 |
| Accrued electricity charges | **17,581** | 25,777 |
| Others | **10,615** | 10,055 |
| | **243,620** | 315,647 |
| | **472,614** | 500,142 |

## 13. SHARE CAPITAL

| | Number of shares | Amount | Equivalent to |
|---|---|---|---|
| | | *HKD* | *RMB'000* |
| Authorised: | | | |
| Ordinary shares of HKD0.10 each | | | |
| At 1 January 2007, 31 December 2007 and 31 December 2008 | 3,000,000,000 | 300,000,000 | 301,410 |
| Issued and fully paid: | | | |
| At 1 January 2007 | 1,286,000,000 | 128,600,000 | 129,405 |
| Issue of shares upon conversion of convertible bonds | 121,504,693 | 12,150,469 | 11,748 |
| Repurchase of shares (note) | (21,328,000) | (2,132,800) | (2,062) |
| At 31 December 2007, 1 January 2008 and 31 December 2008 | 1,386,176,693 | 138,617,669 | 139,091 |

Note:

During the year ended 31 December 2007, the Company repurchased a total of 21,328,000 of its own shares on the Stock Exchange at a price of HKD2.40 to HKD2.66 per share, for a total consideration, before expenses, of RMB52,496,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of RMB2,062,000 was transferred from retained earnings to the capital redemption reserve. The premium paid on the repurchased shares was charged against the retained earnings.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

Although the global economic upheaval led to the slowdown of growth of China's automobile industry in the fourth quarter of 2008, the country's automobile market still had a growth for the entire year. According to the statistics of the China Association of Automobile Manufacturers, the country produced approximately 9,340,000 vehicles in 2008, representing a year-on-year growth of 5.2%.

During the year, the overall strong demand for automobiles in China boosted the tire industry of the country. According to the China Rubber Industry Association, the country's total tire output in 2008 rose by 6.1% year-on-year to 350 million units, of which 250 million were radial tire, 8.7% more against the previous year. Radialization rate of tires in China has reached around 71% by the end of 2008.

## BUSINESS REVIEW

Despite the global financial turmoil which surfaced in the last quarter of 2008, the Group's sales volume for the year increased by 7.6% to 252,300 tonnes. Sales volumes of radial tire cords grew by 7.6% to 213,300 tonnes, accounting for 84.5% of the total sales volume (2007: 84.6%), and the sales volume of bead wires also rose by 7.7% to 39,000 tonnes and accounted for 15.5% of the total sales volume (2007:15.4%) of the Group.

During the year, radial tire cords for truck with higher profit margin remained the Group's major source of revenue. Sales volume of this product type increased by 12.0% to 181,700 tonnes, whereas sales volume of radial tire cords for passenger cars amounted to 31,600 tonnes, down by 12.0%. Sales volumes of the two product types accounted for 85.2% and 14.8% of the Group's total sales volume of radial tire cords respectively (2007: 81.9% and 18.1%).

| **Sales Volume** | **2008** | 2007 | Change |
|---|---|---|---|
| | ***Tonnes*** | *Tonnes* | |
| Radial Tire Cord | **213,300** | 198,200 | +7.6% |
| *- For Truck* | ***181,700*** | *162,300* | *+12.0%* |
| *- For Passenger Car* | ***31,600*** | *35,900* | *-12.0%* |
| Bead Wire | **39,000** | 36,200 | +7.7% |
| Total | **252,300** | 234,400 | +7.6% |

During the year, bolstered by steady development of the China's transportation industry and persistent demand for replacement tires for trucks in the country, the Group remained its focus on the radial tire cords for truck in China market. Domestic sales volume of radial tire cords increased by 6.1% to 208,000 tonnes, accounting for 97.5% of the Group's total volume of radial tire cords sold (2007: 98.9%). As a result of the Group's relentless effort to develop overseas market, the Group secured 10 new overseas customers during the year and expects to attract even more customers in the future.

During the year, the Group continued to boost its overall production capacity for radial tire cords to 283,900 tonnes, 19.7% higher than in the previous year while the production capacity for bead wires increased by 49.2% to 58,200 tonnes. The utilization rates of capacity for radial tire cords and bead wires were 84% and 77% (2007: 84% and 93%) respectively.

| | **2008 Production Capacity (Tonnes)** | **2008 Utilization Rate** | 2007 Production Capacity (Tonnes) | 2007 Utilization Rate |
|---|---|---|---|---|
| Radial Tire Cord | **283,900** | **84%** | 237,100 | 84% |
| Bead Wire | **58,200** | **77%** | 39,000 | 93% |

To solidify its leadership in the market, the Group developed 31 new types of radial tire cords and 12 new types of bead wires during the year. As at the end of 2008, the Group offered a diverse range of products including 114 types of radial tire cord and 42 types of bead wire to customers.

## PROSPECTS

The sales performance in China in the beginning of 2009 would inevitably be affected by the global economic downturn which slowdown the tire demand. Nevertheless, the negative impact brought forth is believed to be offset by the increasing migration of overseas tire production base to China, the outsourcing of production process from global tire manufacturers to Chinese tire makers, the continuous tire radialization in China, as well as the RMB4 trillion stimulus package launched by the PRC Government. As one of the leading manufacturers of radial tire cords in China, the Group is well-positioned to benefit directly from the anticipated growth and huge untapped potential of the radial tire cords market.

With the Group's scale advantage to purchase bulk volume of steel wire rods at an even more competitive price, together with the Group's solid relationships with suppliers, it is expected to enjoy more favorable raw material cost as well as credit terms. Along with a flexible cost-plus pricing strategy, the Group is confident to maintain a sustainable and stable profit margin in the coming years. Furthermore, adhering to the Group's optimistic and pragmatic approach, the Group will continuously monitor its capacity expansion plan and ensure its development roadmap to be in line with the foreseeable market demand.

Looking ahead, the Group is committed to consolidating its leadership in China while expanding its market coverage globally. With more global tire giants using China-made radial tire cords to attain cost advantage, the Group is ready to tap the growing overseas markets, and revenue contribution from overseas is expected to play a more significant role in the coming years. Aiming at enhancing the Group's global foothold, the Group will seek every opportunity in expanding its presence in the rapidly consolidating industry world-wide.

## FINANCIAL REVIEW

### Revenue

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

| ***RMB in million*** | **2008** | **Proportion** | 2007 | Proportion | Change |
|---|---|---|---|---|---|
| Radial Tire Cord | **3,197** | **92%** | 2,589 | 93% | +608 |
| - *For Truck* | ***2,797*** | ***80%*** | *2,183* | *78%* | *+614* |
| - *For Passenger Car* | ***400*** | ***12%*** | *406* | *15%* | *-6* |
| Bead Wire | **292** | **8%** | 189 | 7% | +103 |
| Total | **3,489** | **100%** | 2,778 | 100% | +711 |

Benefited from the strong demand in the domestic market for radial tire cords for truck, the total sales volume of the Group reached 252,300 tonnes for the year ended 31 December 2008, representing a growth of 7.6% compared with last year. Moreover, the Group adopted a new pricing strategy to match the movement of the steel wire rods with the average selling price of the products. Hence, the total revenue increased by 25.6% or RMB710.4 million to RMB3,488.5 million in 2008.

## Gross profit and gross profit margin

During the year, the cost of the major raw material steel wire rods accounted for 54.8% of the Group's cost of sales (2007: 53.1%). Although the price of domestic steel wire rods climbed during the year, it remained competitive compared with those from overseas, thus, the Group continued to rely mostly on domestic sourcing. Moreover, the Group's strive to improve output ratio, coupled with the ability to increase product average selling price heeding market condition, gross profit margin achieved an expansion of 1.1 percentage point to 26.4%. The increase in sales and margin expansion boosted the Group's gross profit by 31.2% or RMB218.9 million to RMB920.8 million in 2008 (2007: RMB701.9 million).

## Other income and government grant

Other income was declined by RMB33.7 million or 32.8% from RMB102.6 million in 2007 to RMB68.9 million in 2008. The decrease was caused by a decrease in bank interest income, which partially offset the increase in sales of scrap materials. With the national policy which encourages development of the radial tire industry, the government grant for the year increased significantly by RMB54.5 million or 482.3% from RMB11.3 million in 2007 to RMB65.8 million in 2008. The increase was mainly contributed by the subsidy from the local government of Xinghua City in China for the Group's technological achievement.

## Operating expenses

Selling and distribution expenses of the Group increased by RMB37.4 million or 36.6% from RMB102.1 million in 2007 to RMB139.5 million in 2008. The increase was mainly caused by the increase in transportation cost and the performance based compensation payable to sales team as a result of the revenue growth of the Group. Meanwhile, administrative expenses increased by RMB24.7 million in 2008 as compared with last year, which was mainly attributable to the increase in staff cost for senior management and impairment on trade and other receivables.

## Finance costs

Finance costs increased by RMB14.1 million or 15.7% from RMB89.7 million in 2007 to RMB103.8 million in 2008. The increase was mainly caused by a higher average bank borrowings payable within one year as well as the increase in effective interest rate.

## Fair value adjustment on convertible bonds

The Company issued convertible bonds principal amount of USD30.4 million, USD19.7 million and USD3.9 million (the "Convertible Bonds") on 7 May 2005, 29 December 2005 and 18 January 2006 respectively, at a coupon rate of 1.0% per annum and the maturity date is the banking day immediately preceding the third anniversary of the relevant date of issue (subject to extension in accordance with the terms and conditions of the Convertible Bonds). Under International Accounting Standard 32 and 39, the Convertible Bonds have to be stated at fair value which is determined by an independent expert valuer as at each period end. The fair value of the Convertible Bonds is arrived at after using the Black-Scholes option pricing model with the input of various variables including the closing share price of the Company's shares, the volatility of the market for the Company's shares and the time to maturity of the Convertible Bonds.

The gain on fair value adjustment on the Convertible Bonds was RMB24.9 million in 2008, representing a decrease of RMB52.0 million when compared to the gain of RMB76.9 million in 2007. The gain in 2008 was mainly contributed by the drop in market price of the Company's shares from HKD1.91 per share as at 31 December 2007 (the last trading day of 2007) to HKD0.74 per share as at 31 December 2008.

## Income tax

The Group had an income tax charge of RMB86.0 million with an effective tax rate of 13.7% in 2008, representing an increase of 1.1 percentage points from 12.6% in 2007. The increase in effective tax rate was mainly due to the expiration of tax holiday of a major subsidiary on 1 January 2008.

## Net profit

Taking all the above factors into account, the Group's net profit for the year ended 31 December 2008 amounted to RMB542.4 million, representing an increase of 20.9% or RMB93.6 million from RMB448.8 million in 2007. Should the gain or loss on fair value adjustment on the convertible bonds be excluded, the adjusted net profit for the year ended 31 December 2008 would be RMB517.5 million, representing an increase of 39.2% or RMB145.6 million when compared with last year.

**Reconciliation of report profit and underlying profit**

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit for the year | **542,398** | 448,821 |
| Gain on fair value adjustment on the convertible bonds (note) | **(24,903)** | (76,915) |
| Underlying profit for the year | **517,495** | 371,906 |
| Underlying profit for the year attributable to: | | |
| Equity holders of the Company | **393,316** | 268,497 |
| Minority shareholders | **124,179** | 103,409 |
| | **517,495** | 371,906 |

Note: Gain on fair value adjustment on the convertible bonds represented the increase in the fair value of the convertible bonds as calculated by an independent and recognized international business valuer. The gain on fair value of the convertible bonds was subtracted from the profit for the year as it was not arose from the ordinary course of operation of the Group.

## LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The principal source of liquidity and capital resources was cash flow generated from operating activities whereas the principal uses of cash were operational costs and expansion of production capacity.

Bank balances and cash including bank deposits of the Group decreased by RMB501.4 million from RMB947.4 million as at 31 December 2007 to RMB446.0 million as at 31 December 2008. The decrease was the result of net cash of RMB707.4 million used in investing activities which was mainly for expanding production capacity and the net cash used in financing activities of RMB 417.3 million which was mainly for the repayment of bank borrowings and payment of interest and dividend as well as redemption of convertible bonds, partially offset by the net cash inflow of RMB623.3 million from operating activities.

Bank borrowings decreased by RMB84.0 million or 7.0% to RMB1,117.7 million as at 31 December 2008 from RMB1,201.7 million as at 31 December 2007. The bank borrowings carry interest at market rates from 4.54% to 9.20% and are repayable within one year from the balance sheet date.

The Group's current assets decreased by RMB363.5 million or 12.4% from RMB2,923.8 million as at 31 December 2007 to RMB2,560.3 million as at 31 December 2008 and its current liabilities decreased by 15.5% from RMB1,990.3 million as at 31 December 2007 to RMB1,681.1 million as at 31 December 2008. The Group's current ratio (being defined as current assets over current liabilities) was up from 1.47 times as at 31 December 2007 to 1.52 times as at 31 December 2008. The increase was mainly caused by the decrease in fair value of convertible bonds. Gearing ratio, which is measured by total debts (bank borrowings and Convertible Bonds) to total assets, was down from 27.1% as at 31 December 2007 to 21.3% as at 31 December 2008 because of decrease in bank borrowings and convertible bonds.

## CONVERTIBLE BONDS

In May 2005, the Company issued the first tranche of Convertible Bonds ("First Tranche Bonds") to Tetrad Ventures Pte Ltd ("Tetrad") and Henda Limited ("Henda") for an aggregate principal amount of USD30.4 million (approximately RMB222.1 million). Subject to adjustment, the First Tranche Bonds are convertible at approximately HKD1.853 (approximately RMB1.735) per ordinary share of the Company ("Share") to be issued upon conversion. If the First Tranche Bonds have not been converted in full into Shares on 6 May 2008 ("First Tranche Maturity Date"), Tetrad and Henda may require the Company to redeem the outstanding amounts of the First Tranche Bonds respectively. In December 2005 and January 2006, Tetrad and Henda subscribed for the second tranche of Convertible Bonds ("Second Tranche Bonds") for an aggregate principal amount of USD23.6 million (approximately RMB172.4 million), which will be repayable by Tetrad and Henda in December 2008 and January 2009 respectively. The Second Tranche Bonds are also convertible at approximately HKD1.853 (approximately RMB1.735) per Share subject to adjustment. On 13 September 2006, Tetrad agreed to transfer to Goldman Sachs Strategic Investments (Asia) L.L.C. ("GSSIA") part of the First Tranche Bonds in the aggregate principal amount of approximately USD5.3 million (approximately RMB38.4 million).

Under the terms and conditions of the Convertible Bonds, Henda, Tetrad and GSSIA each has the right to require early redemption of their respective Convertible Bonds under certain circumstances, including change in control of the Company other than as a result of listing of the Company.

In July 2007, Tetrad elected to convert a principal amount of approximately USD19.9 million (approximately RMB151.1 million) of the First Tranche Bonds into Shares at a conversion price of HKD1.853 per Share. Immediately following such conversion, Tetrad held 83,628,471 Shares, and the outstanding principal amount of the First Tranche Bond and the Second Tranche Bond then held by Tetrad was USD204,804 (approximately RMB1.42 million) and approximately USD19.7 million (approximately RMB134.9 million) respectively.

In July 2007 and December 2007, Henda elected to convert a principal amount of USD4.5 million (approximately RMB32.9 million), being part of the First Tranche Bonds, and a principal amount of USD4.5 million, being the total outstanding principal amount of the First Tranche Bonds and the Second Tranche Bonds held by Henda, respectively, into shares at a conversion price of HKD1.853 per Share. Immediately following such conversions, Henda held 37,876,222 Shares, representing approximately 2.73% of the Company's issued share capital as at the date of this announcement, and the First Tranche Bonds and the Second Tranche Bonds held by Henda were fully converted.

In April 2008, the Company received a notice given by GSSIA to extend the First Tranche Maturity Date for a period of one year to 6 May 2009. As at 31 December 2008, GSSIA has not exercised its conversion rights under the Convertible Bonds and the outstanding principal amount of the Convertible Bond it held was USD5,257,058 (approximately RMB38.4 million).

In May 2008, the Company received a notice given by Tetrad requiring the Company to redeem on the First Tranche Maturity Date an aggregate principal amount of USD204,804 (approximately RMB1.42 million) of the First Tranche Bonds, being all the outstanding principal amount of the First Tranche Bonds held by Tetrad, at the redemption amount of USD230,942. The Company also paid Tetrad an amount of USD34,169 (approximately RMB240,000), being all the outstanding and unpaid interests accrued on the First Tranche Bonds held by Tetrad up to and including the First Tranche Maturity Date. Upon the redemption becoming effective, Tetrad held 83,628,471 Shares, and the principal amount of USD204,804 of the First Tranche Bonds so redeemed was forthwith cancelled whereas the outstanding principal amount of the Second Tranche Bonds held by Tetrad remained unchanged at USD19,666,667 (approximately RMB134.9 million).

On 22 December 2008, the Company received a notice given by Tetrad to require the Company to redeem on 24 December 2008 ("Second Tranche Maturity Date") an aggregate principal amount of USD19,666,667 of the Second Tranche Bonds, being all the outstanding principal amount of the Second Tranche Bonds held by Tetrad, at the redemption amount of USD22,178,781. The Company shall also paid Tetrad an amount of USD194,511, being all the outstanding and unpaid interests accrued on the Second Tranche Bonds held by Tetrad up to and including the Second Tranche Maturity Date. Upon the said redemption becoming effective, Tetrad held 83,628,471 Shares, representing approximately 6.03% of the issued share capital of the Company as at the date of this announcement, and the Second Tranche Bonds so redeemed were forthwith cancelled whereupon Tetrad ceased to hold any convertible bond issued by the Company.

As at 31 December 2008, the total outstanding principal of the Convertible Bonds has been reduced to USD5,257,058.

## FOREIGN EXCHANGE RISK

The Group's sales and purchases were principally denominated in Renminbi and US dollars. As proceeds from sales in US dollars were used entirely in payment, appreciation of the Renminbi had little impact on the operation of the Group. As apart from certain bank balances in HK dollars and convertible bonds in US dollars, almost all of the assets and liabilities of the Group were denominated in Renminbi, the Group was not exposed to significant foreign exchange risk. Thus, during the year under review, exchange rate fluctuation had not caused any major adverse impact on the operation or liquidity of the Group. Accordingly, the Group did not engage in any instrument to hedge against foreign exchange risks during the year under review. However, the Group will closely monitor the impact of change in value of the Renminbi on its operation and consider appropriate hedging solutions to use, if required.

## CAPITAL EXPENDITURE

As at 31 December 2008, capital expenditure of the Group for property, plant and equipment amounted to RMB738.6 million (2007: RMB374.5 million).

## CAPITAL COMMITMENTS

As at 31 December 2008, the Group had made capital commitment of approximately RMB53.8 million (31 December 2007: RMB307.8 million) for acquisition of property, plant and equipment contracted for but not provided in the financial statements. The Group did not make any capital commitment for acquisition of property, plant and equipment authorized but not contracted for as at 31 December 2008.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2008 and 31 December 2007.

## PLEDGE OF ASSETS

As at 31 December 2008, the Group pledged bank deposits of RMB33.9 million to secure its bank borrowings (2007: land use right and property, plant and equipment with an aggregate carrying value of approximately RMB42.7 million).

## HUMAN RESOURCES

As at 31 December 2008, the Group had approximately 4,500 (2007: approximately 6,500) full time employees and all of them were based in the PRC. Total staff costs including directors' remuneration for the year ended 31 December 2008 was approximately RMB257.7 million (2007: approximately RMB224.7 million). The remuneration packages which consist of salaries and bonuses are based on the employees' merit, qualifications and competence and are generally reviewed annually. The Group continues to provide training programs for staff to enhance their technical and product knowledge as well as knowledge of industry quality standards.

In addition to salary payments, the Group also provides various benefits to employees through the Labor Union of Jiangsu Xingda ("Xingda Labor Union"). Each year, Jiangsu Xingda contributes 2% of the total salary of staff to support operation of the Xingda Labor Union ("Union Fee"). The Union Fee, together with other funds obtained by the Xingda Labor Union from other sources are used to provide different welfare benefits and services to the employees of the Group, including provision of staff quarters which are available for sale to employees. For the year ended 31 December 2008, the amount of Union Fee contributed by Jiangsu Xingda to the Xingda Labor Union amounted to RMB4.6 million (2007: RMB3.7 million).

On 14 January 1999, the State Council of the PRC published the Provisional Regulations for Collection of Social Funds (the "Social Insurance Regulations"). According to the Social Insurance Regulations, the Group is required to make contributions to pension funds, medical insurance, work-related injury insurance and unemployment insurance (collectively, "Social Insurance Funds") for its employees. Full-time employees of the Group in the PRC are covered by the contributory pension scheme managed by the state entitling them to a monthly pension after they retired. The PRC government is responsible for crediting the pension to the retired employees and the Group is required to make annual contributions to the retirement scheme run by the Xinghua Municipality of the PRC at a specified rate. The contribution is booked in due course as operating expense of the Group. Under the scheme, no forfeited contributions are available to reduce the existing level of contributions. Apart from the Social Insurance Fund, the Group has several medical and personal accidental insurance policies for employees of different level.

## DIVIDEND

The Board has recommended the payment of a final dividend of 8.0 HK cents (2007: 6.0 HK cents) per share for the financial year ended 31 December 2008 to the shareholders whose names appear on the register of members of the Company on Friday, 22 May 2009. The final dividend will be payable on Monday, 15 June 2009.

## ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Friday, 22 May 2009, notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 May 2009 to Friday, 22 May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend to be approved at the forthcoming annual general meeting to be held on Friday, 22 May 2009, all transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30p.m. on Tuesday, 19 May 2009.

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

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

## CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles in and complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, except for the deviation from code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman of the Board, Mr. Liu Jinlan, provides overall leadership for the Board and takes the lead to ensure that the Board acts in the best interest of the Company. The Company does not have the position of chief executive officer and the daily operation of the Group is assigned among the executive Directors. In addition to the fact that the responsibilities of the chairman are shared by the remaining five executive Directors, the Executive Committee of the Company (comprising four executive Directors) which has been established for determining, approving and overseeing the day-to-day control over the allocation of the Group's resources also segregates the duties of Mr. Liu Jinlan.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmation from all Directors that they have complied with the required standards set out in the Model Code during the year ended 31 December 2008.

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed with management the accounting principles and practice adopted by the Group, discussed auditing, financial reporting matters and has reviewed the annual results for the year ended 31 December 2008. In addition, the consolidated financial statements of the Group for the year ended 31 December 2008 have been audited by the Group's auditor, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2008 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

## PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.irasia.com/listco/hk/xingda/index.htm. The annual report will be dispatched to the shareholders and available on the above websites in due course.

## APPRECIATION

The Board would like to express its gratitude to all employees for their diligence and contribution. At the same time, the Board is also thankful for the support it has from all the customers, suppliers and shareholders of the Group. The Group will continue to work as a team to push for more brilliant results in 2009.

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

Shanghai, the PRC, 8 April 2009

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