

The Directors are pleased to present their first report for the financial year ended 31 December 2004 and the audited financial statements of the Group for the financial year ended 31 December 2004.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 25 June 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. On 30 December 2004, the Company acquired the entire issued share capital of Xinyi Automobile Glass (BVI) Company Limited, a company incorporated in the British Virgin Islands with limited liability on 13 June 2002, through a share exchange (the "Reorganisation") and consequently became the holding company of the subsidiaries as set out in note 31 to the financial statements of the Group. Details of the Reorganisation and the basis of presentation of the accounts of the Company and the consolidated accounts of the Group are set out in note 1 to the financial statements of the Group.

The Shares have been listed on the Main Board since 3 February 2005 (the "Listing Date").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of automobile glass products, construction and household glass products and a variety of related products in the PRC. Particulars of the subsidiaries of the Company are shown in note 31 to the financial statements of the Group.

The analysis of the Group's performance for the financial year by business and geographical segments is set out in note 3 to the financial statements of the Group.

RESULTS AND APPROPRIATIONS

Apart from the change in share capital of the Company as set out in note 23 to the financial statements of the Group no other transactions were carried out by the Company during the period from 25 June 2004 (date of incorporation) to 31 December 2004.

The results of the Group for the financial year ended 31 December 2004 are set out in the consolidated profit and loss account on page 32. During the financial year, interim dividend of HK\$51,197,000 were paid by subsidiaries of the Company out of the subsidiaries' retained earnings to their then shareholders before the Reorganisation.

No dividend has been paid or declared by the Company since its incorporation. The Directors propose the payment of a final dividend of 5.0 HK cents per Share to shareholders on the register of members of the Company on 20 May 2005. Subject to approval of the Directors' recommendation by Shareholders at the Annual General Meeting, the final dividend will be paid on 27 May 2005.

The register of members will be closed from Wednesday, 18 May 2005 to Friday, 20 May 2005, both dates inclusive, during which period, no transfer of Shares will be registered. In order to qualify for the final dividend, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 17 May 2005.

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in note 24 to the financial statements of the Group.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last four financial years is set out in the section headed "Financial Summary" in this report.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 12 to the financial statements of the Group.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK\$283,000 (2003: nil).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements of the Group.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2004, the Company had reserves available for distribution to Shareholders amounting to approximately HK\$30,000,000.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors during the financial year and up to the date of the report were:

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee (<i>Chairman</i>)	(appointed on 25 June 2004)
Mr. TUNG Ching Bor (<i>Vice chairman</i>)	(appointed on 25 June 2004)
Mr. TUNG Ching Sai (<i>Chief executive officer</i>)	(appointed on 25 June 2004)
Mr. LEE Shing Put	(appointed on 25 June 2004)
Mr. LEE Yau Ching	(appointed on 25 June 2004)
Mr. LI Man Yin	(appointed on 25 June 2004)
Mr. NG Ngan Ho	(appointed on 25 June 2004)
Mr. LI Ching Leung	(appointed on 25 August 2004)

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai	(appointed on 25 June 2004)
Mr. SZE Nang Sze	(appointed on 25 June 2004)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu	(appointed on 30 August 2004)
Mr. WONG Kong Hon	(appointed on 30 August 2004)
Mr. WONG Chat Chor Samuel	(appointed on 30 August 2004)

In accordance with article 111 of the Company's articles of association, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Put, Mr. LEE Yau Ching, Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LI Ching Wai and Mr. SZE Nang Sze will be retired and, be eligible, offer themselves for re-election at the Annual General Meeting. Pursuant to article 112 of the Company's articles of association, Mr. LAM Kwong Siu, Mr. WONG Kong Hon and Mr. WONG Chat Chor Samuel will be retired and, be eligible, offer themselves for re-election at the Annual General Meeting.

The independent non-executive Directors were appointed for an initial term of three years commencing on 3 February 2005 and shall continue thereafter until terminated by not less than three month's notice in writing served by either party on the other.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Put, Mr. LEE Yau Ching, Mr. LI Man Yin, Mr. NG Ngan Ho and Mr. LI Ching Leung has entered into a service agreement with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are summarised below:-

- (i) each service agreement is of an initial term of three years commenced on 1 January 2005 and shall continue thereafter until terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice;
- (ii) the monthly salary for each of Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Put, Mr. LEE Yau Ching, Mr. LI Man Yin, Mr. NG Ngan Ho and Mr. LI Ching Leung shall be HK\$3,800, HK\$32,000, HK\$100,000, HK\$32,000, HK\$40,000, HK\$22,000, HK\$20,000 and HK\$22,000, respectively. As from 1 January 2006, the annual salary of each executive Director shall be as determined by the Board; and
- (iii) each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus and, where applicable, housing allowance payable to himself.

Save as disclosed above, none of our Directors has entered or has proposed to enter into any service agreements with the Company or any other member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

DIRECTORS' REMUNERATION

The Company's policies concerning remuneration of the executive Directors are:-

- (i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;
- (ii) non-cash benefits may be provided to the executive Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Share Option Scheme, as part of their remuneration package.

Each of the non-executive Directors was appointed by the Company for a term of three years, commenced on 1 January 2005. None of the non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

Each of the independent non-executive Directors were appointed by the Company for a term of three years, commenced on 3 February 2005. Save for the annual remuneration of HK\$200,000 for each independent non-executive Director, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and other than in connection with the Reorganisation, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a financial party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

SHARE OPTION SCHEME

Pursuant to a written resolution of the Shareholders passed on 18 January 2005, a share option scheme (the "**Share Option Scheme**") was approved and adopted.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants (as defined below) and for such other purposes as the Directors may approve from time to time.

For the purpose of the Share Option Scheme, Participants include (i) any employees (whether full-time or part-time) of the Company or any of its subsidiaries, associated companies, jointly controlled entities and related companies from time to time (collectively, the "**Extended Group**"); (ii) any directors (whether executive directors or non-executive directors or independent non-executive directors) of the Extended Group; (iii) customers of the Extended Group or any of the subsidiaries or associated companies of such customers; and (iv) any consultants, professionals and other advisers to each member of the Extended Group.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. (the "**Scheme Mandate Limit**") of the total number of Shares on the Listing Date.

The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and other share option schemes of the Company in issue shall not exceed 10 per cent. (the "**Refreshed Limit**") of the issued share capital of the Company at the date of approval to refresh such limit.

Notwithstanding the above, the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30 per cent. limit being exceeded.

Unless with the approval of the Shareholders in general meeting, the maximum number of Shares issued and to be issued upon the exercise of the options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1 per cent. of the Shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, with period may commence from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option and the amount payable on acceptance of the grant of an option is HK\$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (the “**Trading Day**”);
- (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Trading Days immediately preceding the date of the offer for the grant; and
- (c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

As at the date of approval of the accounts, no options had been granted under the Share Option Scheme.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on page 14 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

The Company became a listed company on 3 February 2005. The interests and short positions of the Directors and chief executive in the Shares, the underlying share and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executives were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules as at the date of this report, were as follows:

THE COMPANY

Long position in the Shares

Name of Directors	Nature of interest	Number of ordinary Shares held	Percentage of the Company's issued share capital
Mr. LEE Yin Yee	Interest of a controlled corporation (<i>Note a</i>)	404,617,500	26.22%
Mr. TUNG Ching Bor	Interest of a controlled corporation (<i>Note b</i>)	148,837,500	9.65%
Mr. TUNG Ching Sai	Interest of a controlled corporation (<i>Note c</i>)	148,837,500	9.65%
Mr. LI Ching Wai	Interest of a controlled corporation (<i>Note d</i>)	66,150,000	4.29%
Mr. NG Ngan Ho	Interest of a controlled corporation (<i>Note e</i>)	44,100,000	2.86%
Mr. LI Man Yin	Interest of a controlled corporation (<i>Note f</i>)	44,100,000	2.86%
Mr. SZE Nang Sze	Interest of a controlled corporation (<i>Note g</i>)	60,637,500	3.93%
Mr. LI Ching Leung	Interest of a controlled corporation (<i>Note h</i>)	44,100,000	2.86%

Notes:

- (a) Mr. LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited ("Realbest"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LEE Yin Yee.
- (b) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("High Park"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.
- (c) Mr. TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("Copark"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. TUNG Ching Sai.
- (d) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("Goldbo"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.

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- (e) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("Linkall"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.
- (f) Mr. LI Man Yin's interests in the Shares are held through Perfect All Investments Limited ("Perfect All"), a company incorporated in the BVI with limited liability on 28 June 2004 and wholly-owned by Mr. LI Man Yin.
- (g) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("Goldpine"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.
- (h) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited ("Herosmart"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.

ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate shareholding percentage
Realbest (Note i)	Mr. LEE Yin Yee	2 ordinary shares	100%
High Park (Note j)	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copart (Note k)	Mr. TUNG Ching Sai	2 ordinary shares	100%
Telerich (Note l)	Mr. LEE Shing Din	2 ordinary shares	100%
Goldbo (Note m)	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall (Note n)	Mr. NG Ngan Ho	2 ordinary shares	100%
Perfect All (Note o)	Mr. LI Man Yin	2 ordinary shares	100%
Goldpine (Note p)	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart (Note q)	Mr. LI Ching Leung	2 ordinary shares	100%

Notes:

- (i) Realbest is wholly-owned by Mr. LEE Yin Yee.
- (j) High Park is wholly-owned by Mr. TUNG Ching Bor.
- (k) Copark is wholly-owned by Mr. TUNG Ching Sai.
- (l) Telerich is wholly-owned by Mr. LEE Shing Din.
- (m) Goldbo is wholly-owned by Mr. LI Ching Wai.
- (n) Linkall is wholly-owned by Mr. NG Ngan Ho.
- (o) Perfect All is wholly-owned by Mr. LI Man Yin.
- (p) Goldpine is wholly-owned by Mr. SZE Nang Sze.
- (q) Herosmart is wholly-owned by Mr. LI Ching Leung.

Save as disclosed above, as at the date of this report, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have, any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES

The Company became a listed company on 3 February 2005. The interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying share and debentures of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at the date of this report, were as follows:

THE COMPANY

Long position in the Shares

Name of Substantial Shareholders	Number of Shares held	Nature of interest	Percentage of the Company's issued share capital
Realbest	404,617,500	Registered and beneficial owner	26.2237%
High Park	148,837,500	Registered and beneficial owner	9.6463%
Copark	148,837,500	Registered and beneficial owner	9.6463%
Telerich Investment Limited (Note)	141,120,000	Registered and beneficial owner	9.1462%

Note: These Shares are registered in the name of Telerich Investment Limited, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching, who is an executive Director.

SUBSIDIARIES OF THE COMPANY

As at the date of this report, the persons who are, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Glass (North America) Inc.	Polaron International Inc.	30,000 class A common shares	25%
	Mr. CHAN Chung Shun Alex	20,000 class A common shares	16.7%
Xinyi Glass (America) Development Inc.	Mr. TAM Peng Kuan Antonio	30,000 common shares	25%
	Mr. LAU Chee Wai Daniel	20,000 common shares	16.7%

Save as disclosed herein, the Directors are not aware of any persons who were directly or indirectly interested in 10 per cent. or more of our Shares then in issue, or equity interest in any member of the Group representing 10 per cent. or more of the equity interest in such company, or who had any interests or short positions in our Shares and underlying share which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

- the largest customer	4.8%
- the largest five customers combined	13.1%

Purchases

- the largest supplier	12.4%
- the largest five suppliers combined	41.4%

None of the Directors, their associates or any shareholder of the Company which, to the knowledge of the Directors, owned more than five per cent. of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total borrowings of the Group as at 31 December 2004 amounted to approximately HK\$602.1 million (2003: HK\$102.0 million). Particulars of the borrowings are set out in note 22 to the financial statements of the Group.

REWARD FOR EMPLOYEES

As at 31 December 2004, we employed over 3,400 employees in the PRC, Hong Kong and Canada. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programmes to promote training.

CONNECTED TRANSACTIONS

Significant related party transactions entered into between the Company or its associates and the Group constituted connected transactions. Details of discloseable connected transactions of the Group during the year are set out below.

(a) *Provision of computer networking services*

For the period between 15 November 2003 to 15 January 2004, Fusion System (Shenzhen) Limited, a company wholly-owned by Fusion System Limited which is in turn owned by Xinyi Technologies Group Limited as to 30 per cent. and an independent third party as to 70 per cent. Xinyi Technologies Group Limited is owned by Mr. LEE Shing Put, an executive Director, as to 90 per cent., and Mr. TUNG Ching Bor, an executive Director, as to 10 per cent. Fusion System Limited provided computer networking services to Xinyi Automobile Glass (Shenzhen) Co., Ltd. (the "Xinyi Automobile Shenzhen") for a consideration of approximately HK\$0.4 million.

The Directors confirm that the consideration was determined at the then prevailing market rate. Such computer networking services included the design and the laying of fiber cables at our Shenzhen Production Complex and it was an one-off transaction.

(b) *Sale of a parcel of land*

Pursuant to a sale and purchase agreement dated 21 April 2004, Xinyi Automobile Shenzhen sold a parcel of land of approximately 15,224.9 sq.m. at He Ao Village, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC, to Madam TUNG Hai Chi, the spouse of Mr. LEE Yin Yee for a consideration of approximately HK\$3.4 million. The land was not used by us and as such, we disposed of it at the net asset value.

(c) *Sales to related parties*

(i) Shenzhen Xinyi Real Estate Developing Co., Ltd. (the "Xinyi Real Estate") was established in the PRC on 18 May 2000 and is principally engaged in property development in the PRC, sale and purchase of construction materials and motor vehicles. Xinyi Real Estate is owned by Ms. LEE Pui Pui as to 24.5 per cent. and Shenzhen Gangyi Trading Development Limited (the "Gangyi Trading") as to 75.5 per cent. Gangyi Trading is owned by Madam TUNG Hai Chi, the spouse of Mr. LEE Yin Yee, as to 38.0 per cent., Mr. LEE Shing Put, an executive Director, as to 31.0 per cent. and Mr. SZE Nang Sze, a non-executive Director, as to 31.0 per cent. Accordingly, Xinyi Real Estate is considered as an associate of a connected person (as defined under the Listing Rules) of the Company.

During the financial year, we sold raw materials and construction glass to Xinyi Real Estate for its property development which amounted to approximately HK\$1.7 million (2003: HK\$1.2 million), representing approximately 0.17 per cent. of our total turnover. The Directors confirm that the raw materials and construction glass were charged based on the then prevailing market rates, and the costs with a mark-up of approximately 3-5 per cent. of the costs of the products, respectively.

- (ii) Shenzhen Yuan Sheng Long Glass Limited (the “**YSL Glass**”) was established in the PRC on 27 December 2000 and was principally engaged in sales of glass products and raw materials in the PRC. YSL Glass was owned by Mr. SHI Neng Qi as to 90 per cent., and Mr. SU Qing Kuo as to 10 per cent. Mr. SHI Neng Qi is a cousin of Mr. LEE Yin Yee, Mr. TUNG Ching Bor and Mr. TUNG Ching Sai, executive Directors, and Mr. SU Qing Kuo is a cousin of Mr. LI Ching Wai, a non-executive Director. Accordingly, YSL Glass is an associate of a connected person (as defined under the Listing Rules) of the Company.

During the financial year, we sold glass products and raw materials to YSL Glass for trading which amounted to approximately HK\$23.6 million (2003: HK\$30.4 million) representing 2.3 per cent. of our total turnover. The transactions were charged based on the costs plus a mark-up of approximately 5 per cent. of the costs of the products.

- (iii) Shenzhen ZhanBao Development Industrial Co., Ltd. (the “**ZhanBao**”) was established in the PRC on 4 July 2001 and is principally engaged in car accessories, accessories for mechanical engineering, sale and purchase of mechanical and electrical accessories, import and export and car repairs in the PRC. ZhanBao is owned by Mr. LI Ching Wai, a non-executive Director, as to 33.2 per cent., Mr. SZE Nang Sze, a non-executive Director, as to 33.6 per cent. and Mr. LI Ching Leung, an executive Director, as to 33.2 per cent. Accordingly, ZhanBao is considered as an associate of a connected person (as defined under the Listing Rules) of the Company.

During the financial year, we sold automobile glass products to ZhanBao for its repairing business which amounted to approximately HK\$0.1 million (2003: HK\$0.8 million) representing approximately 0.01 per cent. of our total turnover. The Directors are of the view that the transactions were charged at market price.

(d) *Purchases from YSL Glass*

During the financial year, we purchased raw materials and construction glass from YSL Glass for our business which amounted to approximately HK\$1.1 million (2003: HK\$0.9 million) representing approximately 0.17 per cent. of our cost of sales.

Our Directors believe that the purchases from YSL Glass were charged by YSL Glass at the then prevailing market prices.

In the opinion of independent non-executive Directors, the connected transactions disclosed above were conducted in the ordinary and usual course of business of the Group, on normal commercial terms that are reasonable so far as the shareholders of the Company are concerned and in the interests of the shareholders as a whole.

In the opinion of the Directors, there were no other related party transactions, which also constitute connected transactions under the Listing Rules, entered into by the Group for the financial year ended 31 December 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with Code of Best Practice (“the **Code**”) as set out in the appendix 14 to the Listing Rules during the financial year ended 31 December 2004. The appendix 14 to the Listing Rules (Code of Best Practise) was replaced by the new appendix 14 (Code of Corporate Governance Practices) on 1 January 2005.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference set out in "A Guide For The Formation Of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants were adopted as the terms of reference of audit committee with the exception that the audit committee may have a minimum of two members. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and advice to the Board. The audit committee has reviewed the audited accounts of the Company and audited consolidated accounts of the Group for the financial year ended 31 December 2004.

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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

SUBSEQUENT EVENTS

Saved as disclosed in the note 32 to the financial statements of the Group, no other significant event has taken place subsequent to 31 December 2004.

AUDITORS

The retiring auditors, PricewaterhouseCoopers, have signified their willingness to continue in office. A resolution will be proposed at the annual general meeting to re-appoint them and to authorise the directors to fix their remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday, 23 May 2005, at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at 10:00 a.m. The notice convening the Annual General Meeting has been published on the newspaper and has been dispatched with this report.

On Behalf of the Board

LEE Yin Yee
Chairman

Hong Kong, 22 April 2005