



信義玻璃控股有限公司

XINYI GLASS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



2005 Interim Report

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Financial Highlights

	Six months ended 30 June 2005	2004	Year ended 31 December 2004
(in HK\$000)			
Turnover	601,459	467,768	1,028,334
Profit before taxation	124,724	119,355	251,641
Profit attributable to			
Company's shareholders	112,410	110,149	235,835
Dividends	46,285	1,197	128,344
Equity attributable to			
Company's shareholders	<u>1,626,861</u>	<u>691,780</u>	<u>796,986</u>
(number of ordinary shares ("Share") in '000)			
Weighted average number of Shares in issue	<u>1,503,472</u>	<u>1,102,500</u>	<u>1,102,562</u>
(in HK cents)			
Earnings per Share attributable to			
Company's shareholders	7.50	10.00	21.40
Dividends per Share	3.00	N/A	5.00
Equity attributable to			
Company's shareholders per Share	<u>108.21</u>	<u>62.75</u>	<u>72.28</u>

BUSINESS REVIEW

With the impressive performance in previous years, Xinyi Glass Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) continued to record a remarkable business growth for the period ended 30 June 2005. Turnover and net profit reached HK\$601.5 million and HK\$112.4 million, respectively, representing a year-on-year increase of 28.6% and 2.1% as compared to HK\$467.8 million and HK\$110.1 million for the period ended 30 June 2004.

BUSINESS OUTLOOK

2005 has been an exciting and challenging year for the Group. Besides having achieved significant turnover growth in the first half of the year, we become the largest automobile glass and windshield exporter in China for the first half of 2005. Moreover, recently in July, the PRC Construction Glass and Industrial Glass Association ranked our Group as the largest automobile glass producer in terms of capacity in China.

Following our successful listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 3 February 2005, both our Dongguan and Wuhu production complexes started commercial productions in the first quarter of the year. While these production complexes are expected to boost our production capacity, the time required for equipment set-up and initial trial-running in the first half of the year has to a certain extent affected our profit margin. However, we are confident that our new automobile glass and construction glass production lines at our Dongguan and Wuhu production complexes will commence full operation in the second half of the year, thereby expanding our production capacity and removing the factors that have caused a decline in our gross profit margin in the first half of the year.

Looking ahead, the Group foresees a healthy growth for both aftermarket automobile glass and construction glass markets in China and overseas. In particular, the directors of our Company (“the **Directors**”) believe that the overseas automobile glass market will continue to grow as more major international glass manufacturers will outsource their production to manufacturers in China. We have received increased orders from two major U.S. aftermarket automobile glass manufacturers and expect our relationship with these clients to continue in the future. In addition, we have opened a new sales office in Germany and aim at expanding our network and strengthening our market share in Europe in the second half of 2005.

Chairman's Statement

At the same time, we are positive with our business prospects in China. We have been negotiating with a number of automobile manufacturers on the sale of OEM automobile glass to them. Some of these automobile manufacturers have already begun trail-run and quality check of our automobile glass. Currently, we expect our sales to these automobile manufacturers to be another revenue drivers in the future.

At the same time, we have expanded our sales network for construction glass sales by increasing our network points in the greater China region and overseas to a total of seventeen. We also expect the sales of low-emission glass, our new product, to increase alongside with the increase in production capacity.

Our subsidiary for curtain wall installation business, 深圳市信義幕牆裝飾工程有限公司(Xinyi Curtain Wall Decorative Engineering (Shenzhen) Co., Ltd.*), was licensed as the First Class of Professional Construction Curtain Wall Engineering Contractor by the PRC Construction and Building Bureau in the first quarter of the year. The license certified our experience and ability and hence enabled us to tender major construction contracts. In the first half of 2005, our construction contract revenue recorded 5.5 times growth compared to the same period in 2004. Our Directors believe that our curtain wall installation business will contribute a remarkable return to the Group in future.

LEE Yin Yee
Chairman

Hong Kong, 13 September 2005

TURNOVER

Our growth in turnover was mainly due to the significant growth of automobile glass sales to the U.S. Our sales to the U.S. increased by approximately HK\$67.1 million compared to the six months ended 30 June 2004, representing an increase of 60.4% year-on-year, and contributed to more than 50.2% of our increase in turnover for the period. The increase was mainly due to the considerable increase in orders placed by two of our customers in the U.S., which are major aftermarket automobile glass players in the U.S., since we first received orders from them in the second half of 2004. The U.S. continued to be our largest overseas market, accounting for approximately 29.6% of our turnover for the period.

In addition, the approximately HK\$45.1 million increase in our domestic sales in China also contributed significantly to our overall turnover growth. The growth in China was mainly attributable to the growth in our curtain wall installation business, which increased by more than five times year-on-year in terms of revenue. For the six months ended 30 June 2005, our contribution from construction contract revenue increased substantially to 6.5% of our turnover, compared to 1.3% for the same period in 2004. Also, we received orders from a number of new customers who are domestic automobile manufacturers.

GROSS PROFIT

Our cost of sales in 2005 increased by approximately 33.0%, in line with the increase of our turnover. Our gross profit was approximately HK\$206.6 million, representing an increase of approximately 21.0% compared to same period in 2004. Our overall gross profit margin decreased slightly from approximately 36.5% in 2004 to approximately 34.3%. The decrease in overall gross margin was mainly due to the longer time required for the new equipment installation and the trial-run of our new automobile glass production lines in our Dongguan and Wuhu production complexes, and the construction glass production lines in our Dongguan production complex. The start-up costs incurred in the production the low-emission glass, our new product, also partly affected our gross profit margin.

OTHER GAINS

Our net other gains were approximately HK\$8.7 million, compared to approximately HK\$19.8 million in 2004. The decrease was mainly attributable to the decrease in government grant in China under the "tax refund on reinvestment" scheme. For the six months ended 30 June 2005, we received approximately HK\$4.2 million government grant, a decrease of approximately HK\$12.4 million from the six months ended 30 June 2004. In 2005, it took us a longer time for preparing our application for the government grant. As of the date of this announcement, we received more approvals on tax refund on reinvestment which amounted to approximately HK\$6.8 million, and we expect these amounts to be received in the second half of the year.

EARNINGS BEFORE INTERESTS AND TAXES (“EBIT”) AND OPERATING PROFIT

Our EBIT increased by approximately 18.9% compared to the same period in 2004, in line with our increase in gross profit. However, due to the significant decline of government grant received in the first half of 2005, our operating profit increased only slightly by approximately 5.9% compared to the same period in 2004.

TAXATION

Our taxation was HK\$10.8 million in 2005. Our effective tax rate increased slightly by approximately 1.9% to approximately 8.8% due to the increase of effective tax rate of 信義汽車玻璃（深圳）有限公司 (Xinyi Automobile Glass (Shenzhen) Co., Ltd.*), our major operating subsidiary in China.

NET PROFIT FOR THE YEAR

Our net profit for the six months ended 30 June 2005 was approximately HK\$112.4 million, representing an increase of approximately 2.1%, compared to the same period in 2004. Our net profit margin for the period decreased from approximately 23.6% in 2004 to approximately 18.7%. The decline was mainly due to the start-up costs in our automobile glass and construction glass production lines, the start-up costs for our low-emission glass production line, and the decline in government grants received in the first half of 2005.

INITIAL PUBLIC OFFERING AND USE OF PROCEEDS

The initial public offering (“**IPO**”) of our Shares was successfully launched on 24 January 2005. We raised a total of approximately HK\$794.6 million in net proceeds after the exercise of an over-allotment option granted to the underwriters in the IPO.

For the eight months ended 31 August 2005, a total of HK\$374.7 million had been used for the purchases of the machinery and equipment, factory, construction of float glass production lines in our Dongguan production complex, and building renovation in our Shenzhen production complex.

FINANCIAL RESOURCES AND LIQUIDITY

In 2005, our primary source of funding included cash generated from operating activities, IPO proceeds and credit facilities provided by its principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to approximately HK\$46.7 million (2004: HK\$89.7 million). As at 30 June 2005, we had balances of cash and bank overdrafts of approximately HK\$193.6 million (2004: approximately HK\$248.3 million).

Our total borrowings as at 30 June 2005 were approximately HK\$130.9 million. Our gearing ratio, calculated by dividing total bank borrowings by total shareholders' equity improved to approximately 8.0% mainly due to the repayment of bank borrowings during the period and the receipt of IPO proceeds in February 2005.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's transactions are mainly denominated in Renminbi, U.S. dollars and Hong Kong dollars with operations mainly in the China. As at 30 June 2005, the Group's bank borrowings were denominated in Hong Kong dollars and Renminbi with interest bearing at rates ranging from 1.3% to 5.0% per annum. The Group's exposure to the foreign exchange fluctuations was minimal and we have not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange and we may use financial instrument for hedging purpose when considered appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2005, the Group had 4,488 full-time employees of which 4,385 were based in China, 75 in Hong Kong, 27 in Canada and 1 in Germany. The Group has always maintained a good relationship with its employees and training is provided to its staff on business knowledge including information on the application of the Group's products and to maintain client's relationship. Remuneration packages offered to the staff were in line with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the Group's and the individual's performance.

The Group participates in state-sponsored defined contribution retirement schemes which are administered by the relevant government authorities in the China for its China based employees. The Group has also set up retirement schemes in accordance with the mandatory provident fund requirements prescribed by the Mandatory Fund Schemes Ordinance for all its Hong Kong based employees.

The Group also adopted a share option scheme on 18 January 2005 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Directors may at their discretion, invite any employees or Directors of the Group and other selected participants as set out in the share option scheme, to subscribe for shares in the Company. For the period up to the date of this report, no share options had been granted under the share option scheme.

Condensed Consolidated Income Statement

For the Six Months Ended 30 June 2005

		Unaudited Six months ended 30 June	
	Note	2005 HK\$000	2004 HK\$000
Sales	4	601,459	467,768
Cost of goods sold	5	(394,896)	(297,021)
Gross profit		206,563	170,747
Other gains – net	6	8,683	19,831
Selling and marketing costs	5	(59,038)	(43,641)
Administrative expenses	5	(29,579)	(27,401)
Operating profit		126,629	119,536
Finance costs	7	(1,905)	(181)
Profit before income tax		124,724	119,355
Income tax expense	8	(10,819)	(8,224)
Profit for the period		113,905	111,131
Attributable to:			
Equity holders of the Company		112,410	110,149
Minority interest		1,495	982
		113,905	111,131
Interim dividends	9	46,285	1,197
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK Cents per share)			
- basic	10	7.5	10.0
- diluted	10	N/A	N/A

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Note	As at	
		30 June 2005 Unaudited HK\$000	31 December 2004 Restated HK\$000
ASSETS			
Non-current assets			
Property, plant and equipment	11	880,271	616,620
Leasehold land and land use rights	12	139,341	140,019
Deferred income tax assets		320	2,207
Available-for-sale financial assets	13	472	472
Deposits for fixed assets, construction in progress and land use rights		224,092	158,067
		<u>1,244,496</u>	<u>917,385</u>
Current assets			
Inventories		231,571	164,177
Trade and bills receivables	14	275,852	228,796
Due from customers on construction		10,528	1,837
Due from related companies		21	88
Prepayments, deposits and other receivables		81,525	47,368
Cash and cash equivalents			
- pledged		11,587	24,618
- unpledged		182,059	223,709
		<u>793,143</u>	<u>690,593</u>
Total assets		<u>2,037,639</u>	<u>1,607,978</u>

Condensed Consolidated Balance Sheet

As at 30 June 2005

	Note	As at	
		30 June 2005 Unaudited HK\$000	31 December 2004 Restated HK\$000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	824,622	30,010
Other reserves	16	64,723	64,723
Retained earnings		737,516	702,253
		<u>1,626,861</u>	<u>796,986</u>
Minority interest		3,478	2,132
		<u>1,630,339</u>	<u>799,118</u>
LIABILITIES			
Non-current liabilities			
Borrowings	17	92,000	160,303
Deferred income tax liabilities		110	461
		<u>92,110</u>	<u>160,764</u>
Current liabilities			
Trade and bills payables	18	160,013	113,392
Accruals and other payables		111,356	88,944
Current income tax liabilities		4,953	3,955
Borrowings	17	38,868	441,805
		<u>315,190</u>	<u>648,096</u>
Total liabilities		<u>407,300</u>	<u>808,860</u>
Total equity and liabilities		<u>2,037,639</u>	<u>1,607,978</u>
Net current assets		<u>477,953</u>	<u>42,497</u>
Total assets less current liabilities		<u>1,722,449</u>	<u>959,882</u>

Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2005

	Note	Unaudited Attributable to equity holders of the Company				Total HK\$000
		Share capital HK\$000	Other reserves HK\$000	Retained earnings HK\$000	Minority Interest HK\$000	
Balance at 1 January 2004, as previously reported as equity	15	10	31,430	545,121	—	576,561
Balance at 1 January 2004, as previously separately reported as minority interest		—	—	—	1,549	1,549
Balance at 1 January 2004, as restated		10	31,430	545,121	1,549	578,110
Currency translation differences		—	6,267	—	100	6,367
Profit for the period		—	—	110,149	982	111,131
		10	37,697	655,270	2,631	695,608
Dividend relating to 2003	9	—	—	(1,197)	(855)	(2,052)
Balance at 30 June 2004		<u>10</u>	<u>37,697</u>	<u>654,073</u>	<u>1,776</u>	<u>693,556</u>
Balance at 1 January 2005, as previously reported as equity		30,010	64,723	702,253	—	796,986
Balance at 1 January 2005, as previously separately reported as minority interest		—	—	—	2,132	2,132
Balance at 1 January 2005, as restated		30,010	64,723	702,253	2,132	799,118
Profit for the period		—	—	112,410	1,495	113,905
		30,010	64,723	814,663	3,627	913,023
Proceeds from shares issued	15	794,612	—	—	31	794,643
Dividend relating to 2004	9	—	—	(77,147)	(180)	(77,327)
		794,612	—	(77,147)	(149)	717,316
Balance at 30 June 2005		<u>824,622</u>	<u>64,723</u>	<u>737,516</u>	<u>3,478</u>	<u>1,630,339</u>

Condensed Consolidated Cash Flow Statement

For the Six Months Ended 30 June 2005

	Unaudited Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Operating activities		
Net cash inflow generated from operations	60,192	104,928
Taxation paid	(8,285)	(11,046)
Interest paid	(5,192)	(4,218)
Net cash inflow from operating activities	<u>46,715</u>	<u>89,664</u>
Investing activities		
Purchases of property, plant and equipment	(349,689)	(237,538)
Sale of property, plant and equipment	108	3,495
Interest received	2,109	226
Net cash used in investing activities	<u>(347,472)</u>	<u>(233,817)</u>
Financing activities		
Advance from shareholders	—	1,554
New short term bank borrowings	—	253,830
Repayment of short-term bank borrowings	(402,937)	(47,295)
Repayment of long-term bank borrowings	(68,303)	—
Contribution from minority shareholders	31	—
Decrease in pledged deposits	9,153	32,710
Dividends paid	(77,147)	(1,197)
Dividends paid to minority shareholders	(180)	(855)
Proceed from new Shares issued	794,612	—
Net cash used in financing activities	<u>255,229</u>	<u>238,747</u>
Net (decrease)/increase in cash and bank balances	(45,528)	94,594
Cash and bank balances at 1 January	227,587	155,905
Exchange gains/(losses) on cash and bank balances	—	3,368
Cash and bank balances at 30 June	<u>182,059</u>	<u>253,867</u>

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Company and its subsidiaries (the “Group”) have changed certain of their accounting policies following their adoption of new / revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS and interpretations issued and effective as at the time of preparing this information. The HKFRS and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

Effect of adopting new HKFRS

In 2005, the Group adopted the new / revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 17	Leases

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 32 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 32 and 33 had no material effect on the Group's policies.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for cost less accumulated depreciation and accumulated impairment.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Trade and other receivables are recognized at gross value less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognized in the income statement.

4. SEGMENT INFORMATION

PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS

The Group is principally engaged in the production and sale of float glass, automobile and construction glass products. The segment of the business recognized by the Group are as follow:

The segment results for the six months ended 30 June 2005 are as follows:

	Automobile (Unaudited) HK\$000	Construction (Unaudited) HK\$000	Float glass (Unaudited) HK\$000	Group (Unaudited) HK\$000
Sale	426,344	175,115	—	601,459
Segment result	101,944	18,214	(936)	119,222
Unallocated other revenues				8,683
Unallocated costs				(1,276)
				126,629
Finance costs				(1,905)
Profit before income tax				124,724
Income tax expense				(10,819)
Profit for the period				113,905

Notes to the Condensed Consolidated Financial Information

4. SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(Continued)*

The segment results for the six months ended 30 June 2004 are as follows:

	Automobile (Unaudited) HK\$000	Construction (Unaudited) HK\$000	Float glass (Unaudited) HK\$000	Group (Unaudited) HK\$000
Sales	341,679	126,089	—	467,768
Segment result	98,669	18,518	—	117,187
Unallocated other revenues				19,831
Unallocated costs				(17,482)
				119,536
Finance costs				(181)
Profit before income tax				119,355
Income tax expense				(8,224)
Profit for the period				111,131

Other segment terms included in the income statements are as follows:

	Six months ended 30 June 2005				Group
	Automobile HK\$000	Construction HK\$000	Float glass HK\$000	Unallocated HK\$000	HK\$000
Depreciation	14,833	4,561	133	83	19,610
Amortization	605	73	—	—	678

	Six months ended 30 June 2004				Group
	Automobile HK\$000	Construction HK\$000	Float glass HK\$000	Unallocated HK\$000	HK\$000
Depreciation	12,775	3,357	—	174	16,306
Amortization	1,304	73	—	—	1,377

4. SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(Continued)*

The segment assets and liabilities as at 30 June 2005 and capital expenditures for the six months then ended are as follows:

	Automobile HK\$000	Construction HK\$000	Float Glass HK\$000	Unallocated HK\$000	Group HK\$000
Assets	921,262	460,092	574,294	81,991	2,037,639
Liabilities	203,523	60,959	46,633	96,185	407,300
Capital expenditures	62,785	1,102	285,781	21	349,689

The segment assets and liabilities as at 31 December 2004 and capital expenditures for the six months ended 30 June 2004 are as follows:

	Automobile HK\$000	Construction HK\$000	Float glass HK\$000	Unallocated HK\$000	Group HK\$000
Assets	757,011	422,649	284,319	143,999	1,607,978
Liabilities	395,962	264,130	5,708	143,060	808,860
Capital expenditures	36,389	112,171	88,976	2	237,538

4. SEGMENT INFORMATION *(Continued)*

SECONDARY REPORTING FORMAT — GEOGRAPHICAL SEGMENTS

The Group's revenue is mainly derived from customers located in the Greater China and North America while the Group's business activities are conducted predominately in the Greater China. The following table provides an analysis of the Group's sales by geographical location of customers:

	For the six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Sales		
Greater China	239,845	197,035
North America	205,236	135,733
Australia and New Zealand	40,202	31,902
Middle East	32,361	19,499
Other countries	83,815	83,599
	<hr/>	<hr/>
	601,459	467,768
	<hr/>	<hr/>

Notes to the Condensed Consolidated Financial Information

4. SEGMENT INFORMATION *(Continued)*

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

(Continued)

The following is an analysis of the carrying amount of segment assets and capital expenditures analyzed by the geographical area in which the assets are located:

	As at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
Total assets		
Hong Kong	334,972	209,219
China	1,681,103	1,380,839
Canada	21,564	17,920
	<u>2,037,639</u>	<u>1,607,978</u>
	For the Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Capital expenditures		
Hong Kong	58,213	57
China	291,454	237,292
Canada	22	189
	<u>349,689</u>	<u>237,538</u>

Notes to the Condensed Consolidated Financial Information

5. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analyzed as follows:

	For the Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Depreciation and amortization expenses (<i>Notes 4, 11, 12</i>)	20,288	17,683
Employee benefit expense	47,519	31,839
Transportation	35,373	23,407
Advertising costs	1,284	291
Occupancy costs of retail outlets	1,531	910
	<hr/>	<hr/>

6. OTHER GAINS — NET

	For the Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Interest income	2,109	227
Government grants (<i>Note</i>)	4,233	16,569
Rental income	329	513
Royalty income	1,108	1,510
Sundry income	904	1,012
	<hr/>	<hr/>
	8,683	19,831
	<hr/>	<hr/>

Note:

These amounts represent government grants given to a subsidiary of the Group in form of "tax refund on reinvestment" in relation to the Group's re-investment of dividends declared and received by certain subsidiaries in China in one of these subsidiaries as additional capital contributions. Such grants were approved by the local tax bureau in accordance with relevant tax law of China. All of the approved grants were recognized in the period of receipt.

Notes to the Condensed Consolidated Financial Information

7. FINANCE COSTS

	For the Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Interest expense:		
— bank borrowings: bank loans	5,192	4,218
Less: interest expenses capitalized under Construction in progress	(3,287)	(4,037)
	<u>1,905</u>	<u>181</u>

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	For the Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Current income tax		
— Hong Kong Profits Tax	262	121
— Overseas taxation	9,023	6,881
Deferred income tax	1,534	1,222
	<u>10,819</u>	<u>8,224</u>

9. DIVIDENDS

	For the Six months ended 30 June	
	2005 HK\$000	2004 HK\$000
Interim dividends paid by subsidiaries to their then shareholders before the Reorganisation (<i>note (a)</i>)	—	1,197
Final dividends paid for 2004 of 5.0 HK cents per Share	77,147	—
Proposed interim dividends of 3.0 HK cents per Share (<i>note (b)</i>)	46,285	—
	<u>123,432</u>	<u>1,197</u>

Notes:

- (a) The dividend rates and the number of shares ranking for the dividend in respect of the dividend paid by the subsidiaries to their then shareholders before the Reorganisation (as defined below in Note 15) are not presented as such information is not considered meaningful for the purpose of these accounts.
- (b) At a meeting held on 13 September 2005, the Directors declared an interim dividend of 3.0 HK cents per ordinary share for the period ended 30 June 2005, which will be paid on 10 October 2005 and will be reflected as an appropriation of retained earnings for the year ended 31 December 2005.

Notes to the Condensed Consolidated Financial Information

10. EARNINGS PER SHARE

Basic earnings per Share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary Shares in issue during the period.

	For the Six months ended 30 June	
	2005	2004
	HK\$000	HK\$000
Profit attributable to equity holders of the Company	112,410	110,149
Weighted average number of ordinary Shares in issue (thousands)	1,503,472	1,102,500
Basic earnings per Share (HK cents per ordinary Share)	<u>7.5</u>	<u>10.0</u>

No diluted earning per Share for the period is presented as there were no dilutive potential ordinary shares outstanding during the period.

11. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Properties	Plant and machinery	Office equipment	Total
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Opening net book amount as at 1 January 2005	323,068	106,098	182,530	4,924	616,620
Additions	260,377	919	21,582	786	283,664
Transfers upon completion	(220,050)	—	219,821	229	—
Disposals	—	—	(403)	—	(403)
Depreciation	—	(2,529)	(16,355)	(726)	(19,610)
Closing net book amount as at 30 June 2005	<u>363,395</u>	<u>104,488</u>	<u>407,175</u>	<u>5,213</u>	<u>880,271</u>

Notes to the Condensed Consolidated Financial Information

12. LEASEHOLD LAND AND LAND USE RIGHT

	HK\$000
Opening net book amount as at 1 January 2005	140,019
Amortization	<u>(678)</u>
Closing net book amount as at 30 June 2005	<u>139,341</u>

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2005 HK\$000	As at 31 December 2004 HK\$000
Unlisted equity securities	<u>472</u>	<u>472</u>

There were no disposals or impairment provision on available for sale financial assets.

14. TRADE AND BILLS RECEIVABLES

	As at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
Trade receivables	277,529	227,759
Less: provision for impairment of receivables	(4,006)	(4,006)
	<hr/>	<hr/>
Trade receivables — net	273,523	223,753
Bills receivables	2,329	5,043
	<hr/>	<hr/>
	<u>275,852</u>	<u>228,796</u>

Majority of the Group's turnover is on open account terms and in accordance with terms specified in the contracts governing the relevant transactions.

Bills receivables have maturities ranging from 3 to 6 months.

The ageing analysis of trade receivables is as follows:—

	As at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
0 - 90 days	228,176	190,538
91-180 days	21,552	24,242
181-365 days	11,712	7,391
1-2 years	12,042	3,780
Over 2 years	4,047	1,808
	<hr/>	<hr/>
	<u>277,529</u>	<u>227,759</u>

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

15. SHARE CAPITAL

	Number of ordinary Shares (thousands)	Share capital HK\$000	Share premium HK\$000	Total HK\$000
At 30 June 2004	—	—	—	—
Proceeds from Shares issued	100	10	30,000	30,010
At 31 December 2004	100	10	30,000	30,010
Proceeds from Shares issued	1,542,844	154,284	640,328	794,612
At 30 June 2005	1,542,944	154,294	670,328	824,622

The Company was incorporated in the Cayman Islands on 25 June 2004 with authorized share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each. Upon incorporation, one subscriber's share was allotted and issued at par.

On 22 July 2004, a total number of 999 ordinary shares of HK\$0.1 each of the Company (the "Shares") were allotted and issued.

Under the reorganisation of the Company (the "Reorganisation") which took place on 30 December 2004 for the preparation for the listing of the Shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 97,000 Shares were allotted and issued in consideration of the acquisition by the Company of the entire issued share capital of Xinyi Automobile Glass (BVI) Company Limited ("Xinyi (BVI)") as fully paid to the then shareholders of Xinyi (BVI).

Pursuant to a resolution of the shareholders passed on 13 December 2004, the Company issued a convertible note to Kingsway SBF Investment Company Limited ("Kingsway SBF") for a consideration of HK\$30 million. The convertible note was non-interest bearing and due for repayment on 12 December 2006. On 31 December 2004, Kingsway SBF exercised its rights to convert the entire note into 2,000 ordinary shares of HK\$0.1 each and credited as fully paid. The HK\$30 million face value of convertible note net of HK\$200 par value of the converted shares was credited to share premium account of the Company.

15. SHARE CAPITAL *(Continued)*

Pursuant to a resolution of the shareholders of the Company passed on 18 January 2005, the authorized share capital of the Company was increased from HK\$380,000 to HK\$250,000,000 by the creation of additional 2,496,200,000 Shares.

Pursuant to the resolution, 1,124,900,000 Shares were allotted and issued, credited as fully paid at par value of HK\$0.1 each to the then shareholders of the Company in proportion to their respective shareholding by the capitalization of HK\$112,490,000 from the share premium account. Such allotment is conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Shares on the Stock Exchange.

On 3 February 2005, 375,000,000 Shares were issued to the public at a premium of HK\$1.9 per Share for cash totaling HK\$750,000,000.

On 25 February 2005, 42,944,000 Shares were issued to the public at a premium of HK\$1.9 per Share for cash totaling HK\$85,888,000 pursuant to the exercise of over-allotment option in connection with the listing of the Shares on the Stock Exchange.

The excess of the issued price over the par value of the shares, net of share issue expenses, was credited to the share premium account of the Company.

Notes to the Condensed Consolidated Financial Information

16. OTHER RESERVES

	Statutory reserve fund HK\$000	Enterprise expansion fund HK\$000	Capital reserve HK\$000	Translation HK\$000	Total HK\$000
Balance at 1 January 2004, as previously reported and restated	15,427	7,105	11,840	(2,942)	31,430
Currency translation differences:					
— Group	—	—	—	6,267	6,267
Balance at 30 June 2004	15,427	7,105	11,840	3,325	37,697
Appropriation for the year	18,337	9,169	—	—	27,506
Currency translation differences:					
— Group	—	—	—	(480)	(480)
Balance at 31 December 2004	33,764	16,274	11,840	2,845	64,723
Balance at 1 January 2005, as per above and as restated	33,764	16,274	11,840	2,845	64,723
Balance at 30 June 2005	33,764	16,274	11,840	2,845	64,723

Notes to the Condensed Consolidated Financial Information

17. BORROWINGS

	As at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
Non-current		
Bank borrowings	92,000	160,303
Current		
Bank borrowings	38,868	441,805
Total borrowings	130,868	602,108

Total borrowings include secured liabilities of \$130,868,000 (31 December 2004: \$207,676,000). Bank borrowings are secured by pledge deposits, guarantees provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

The maturity of borrowings is as follows:

	Bank borrowings as at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
Within 1 year	38,868	441,805
Between 1 and 2 years	92,000	160,303
	130,868	602,108

The effective interest rates at the balance sheet date were as follows:

	30 June 2005		31 December 2004		
	HK\$	RMB	HK\$	US\$	RMB
Bank borrowings	1.3%	5.0%	1.6%	3.0%	5.0%

18. TRADE AND BILLS PAYABLES

	As at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
Trade payables	63,893	63,298
Bills payables	96,120	50,094
	<u>160,013</u>	<u>113,392</u>

The ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	As at	
	30 June 2005 HK\$000	31 December 2004 HK\$000
0-90 days	63,127	56,906
91-180 days	93	6,236
181-365 days	613	96
1-2 years	60	60
	<u>63,893</u>	<u>63,298</u>

19. CAPITAL COMMITMENTS

Capital commitments at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2005 HK\$000	30 June 2004 HK\$000
Property, plant and equipment contracted but not provided for	<u>263,825</u>	<u>149,975</u>

20. EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed to elsewhere in this consolidated accounts, no other significant event has taken place subsequent 30 June 2005.

INTERIM DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Directors are pleased to declare an interim dividend of 3.0 HK cents per Share for the six months ended 30 June 2005, to be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 27 September 2005.

Our Company's register of members will be closed from 28 September 2005 to 30 September 2005 (both days inclusive), during such period no transfer of our Shares will be registered. In order to qualify for the interim dividend, all transfer of our Shares accompanied by the relevant Share certificates must be lodged with our Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens' Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 27 September 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company's listed shares during the six months ended 30 June 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE OF THE LISTING RULES

During the six months ended 30 June 2005, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices under Appendix 14 of the Listing Rules.

The Company has adopted codes of conduct regarding securities transactions by Directors and relevant employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers ("**the Model Code**") contained in Appendix 10 of the Listings Rules.

On specific enquiries made, all Directors have confirmed that, in respect of the financial period covered by the interim report, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors. The audit committee has reviewed our unaudited financial results for the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 9 May 2005. The committee, comprising three independent non-executive Directors and two executive Directors, was set up to review and approve the remuneration packages of our Directors and senior management. It has adopted the terms of reference which are in line with the code provisions set out in the Code on Corporate Governance Practices under Appendix 14 of the Listing Rules.

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

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 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 (Note a)	404,617,500	26.22%
Mr. TUNG Ching Bor	Interest of a controlled corporation (Note b)	148,837,500	9.65%
Mr. TUNG Ching Sai	Interest of a controlled corporation (Note c)	148,837,500	9.65%
Mr. LI Ching Wai	Interest of a controlled corporation (Note d)	66,150,000	4.29%
Mr. NG Ngan Ho	Interest of a controlled corporation (Note e)	44,100,000	2.86%
Mr. LI Man Yin	Interest of a controlled corporation (Note f)	44,100,000	2.86%
Mr. SZE Nang Sze	Interest of a controlled corporation (Note g)	60,637,500	3.93%
Mr. LI Ching Leung	Interest of a controlled corporation (Note h)	44,100,000	2.86%

Information Provided in Accordance with the Listing Rules

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.
- (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 (<i>Note i</i>)	Mr. LEE Yin Yee	2 ordinary shares	100%
High Park (<i>Note j</i>)	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copart (<i>Note k</i>)	Mr. TUNG Ching Sai	2 ordinary shares	100%
Telerich (<i>Note l</i>)	Mr. LEE Shing Din	2 ordinary shares	100%
Goldbo (<i>Note m</i>)	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall (<i>Note n</i>)	Mr. NG Ngan Ho	2 ordinary shares	100%
Perfect All (<i>Note o</i>)	Mr. LI Man Yin	2 ordinary shares	100%
Goldpine (<i>Note p</i>)	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart (<i>Note q</i>)	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 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.

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee (*Chairman*)^o
Mr. TUNG Ching Bor (*Vice Chairman*)
Mr. TUNG Ching Sai (*Chief Executive Officer*)^o
Mr. LEE Shing Put
Mr. LEE Yau Ching
Mr. LI Man Yin
Mr. NG Ngan Ho
Mr. LI Ching Leung

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu * #^o
Mr. WONG Kong Hon #^o
Mr. WONG Chat Chor Samuel #^o

- * Chairman of audit committee
- # Members of audit committee
- o Members of remuneration committee

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. LAU Sik Yuen, *HKICPA, AICPA*

REGISTERED OFFICE

P.O. Box 1350 GT, Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

95-99 Fuk Hi Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong

COMPLIANCE ADVISER

Kingsway Capital Limited
5th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Paul, Hastings, Janofsky & Walker LLP
21st Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong

AUDITORS

PricewaterhouseCoopers, Certified Public Accountants
22nd Floor, Prince's Building, Central, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Sumitomo Mitsui Banking Corporation
Bank of Communications, Shenzhen Branch
Industrial and Commercial Bank of China, Shenzhen Branch
Bank of Communications, Dongguan Branch
Bank of Communications, Wuhu Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Corporate Services (Cayman) Limited
P. O. Box 1350 GT, Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

WEBSITE

<http://www.xinyiglass.com>

SHARE INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 0868
Listing date: 3 February 2005
Board lot: 2,000 Shares
Financial year end: 31 December
Share price as at the date of this interim report: HK\$2.05
Market capitalisation as at the date of this interim report: Approximately HK\$3,163 million

KEY DATES

Closure of register of members: 28 September 2005 to 30 September 2005 (*both dates inclusive*)
Proposed date of payment of interim dividend: 10 October 2005