

Dear Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2005.

Compared with 2004, our turnover grew by approximately 34.3% to approximately HK\$1,380.8 million in 2005. Our net profit attributable to equity holders of the Company grew by approximately 10.3% to approximately HK\$260.1 million in 2005.

We are very pleased with the results of the Group. We therefore intend to propose the payment of a final dividend of 5.0 HK cents per ordinary share of the Company (the "**Share**") at the forthcoming annual general meeting (the "**Annual General Meeting**") for your approval.

I set forth below an overview of the business of the Group during 2005 and key development highlights for the coming year.

### A YEAR OF ADVANCES FOR OUR PLANS

2005 was an important year to the Group.

On the corporate level, the Company had great success with its initial public offering on 24 January 2005, with our Shares winning the hearts of both institutional and retail investors in Hong Kong and other countries. The Company raised gross proceeds in aggregate of approximately HK\$835.9 million including the additional proceeds raised from the exercise of the over-allotment option. Trading of our Shares started on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 February 2005. Further information on the actual use of the net proceeds from the listing is set forth under the "Management Discussion and Analysis" in this report.

On the business front, we enjoyed impressive growth in 2005. Our turnover grew by approximately 34.3% to approximately HK\$1,380.8 million. This was primarily due to the substantial increase in sales of the Group's automobile glass products to overseas markets, such as North America, Australia and New Zealand. During the year, we also adjusted and strengthened our worldwide marketing strategy to focus on exploring and establishing long-term partnership with selected automobile manufacturers and wholesalers in different regions. We also strengthened new business relationships with certain famous international brands of automobile glass products, producing different kinds of products for them on both aftermarket and OEM bases.

During 2005, our construction glass business also experienced significant growth, with turnover increased by approximately 28.6% to approximately HK\$389.8 million. This was a result of our efforts to continue to strengthen our distribution network and improve product quality. Sales of segment also benefited from the market trend of using environmentally friendly and energy saving low emission coated glass as advocated in the "Eleventh Five Years Plan" of China. We believe that braced by this market trend and the continuously improving living standards of the China population, the growth of our construction glass business will accelerate.

## IMPLEMENTING FUTURE BUSINESS PLANS

The Group has been implementing the business plans outlined in the prospectus of the Company issued on 24 January 2005. We are confident that all of these business plans will be duly completed within this year or early next year. Our first 700 tonnes high quality float glass production line started trial run in the first quarter of 2006 and the second production line of 500 tonnes is expected to start trial run in the second quarter of 2006.

As China economy continues to boom, we are very optimistic about the prospects of the country's automobile glass market. To meet anticipated demand, we have expanded our automobile glass production capacity by building an additional a production plant in our newly established Dongguan production complex. On 23 July 2005, The Chinese Construction Glass and Industrial Glass Association ranked the Group as the largest automobile glass producer in terms of production capacity. We will continue to expand our overseas markets and also increase our market share in the aftermarket automobile glass to capture more lucrative business opportunities.

## OUR WORLDWIDE BUSINESS STRATEGIES DRIVE OUR FUTURE GROWTH

According to the "China Trade Information" report, a monthly research report issued by Goodwill China Business Information Ltd., we were the largest Chinese exporter of automobile glass products in 2005 in terms of export volume. The Group's strategy, however, is not only to focus on overseas markets, but also to develop the domestic market in China, so that its business can benefit from the anticipated growth in both markets. In China, for example, economic growth has been pushing up the demand for automobile, and accordingly that for automobile components; and at the same time, the country is also fast emerging as the major production base for automobile parts and components globally. Our export sales amounted to approximately HK\$844.1 million in 2005, representing a strong growth of approximately 49.3% as compared with that in 2004. Our domestic sales also grew to approximately HK\$536.7 million, representing an increase of approximately 15.9% as compared with that in 2004.

For the Group's export business, countries in North America continued to be our principal overseas market, and sales to these countries represented approximately 53.9% of our total export sales. Sales to Australia and New Zealand also grew significantly by approximately 72.7% to approximately HK\$97.2 million. Our strategy is to continue to expand in breadth and depth of our business relationships with customers producing leading international brands of automobile glass products.

Europe and Japan are major automobile and construction glass markets. During 2005, we established a subsidiary in Germany for sales expansion to European Union countries. We have also recently incorporated a subsidiary in Japan to help us to grow our business in the Japanese market. We expect these two subsidiaries to further strengthen our customer base overseas, to help us to capture emerging business opportunities and to increase our market share in the two markets.

As our Dongguan production complex and Wuhu production complex commenced commercial operation in 2005, we have been able to better coordinate our different production facilities and processes to achieve operational efficiency. Being supported by our headquarters in Shenzhen and the sales office in Hong Kong, our Dongguan production complex is principally for OEM and domestic aftermarket automobile glass markets, construction glass market and float glass market and our Wuhu production complex is principally for OEM automobile glass in northern and eastern PRC markets. This division of production scope and responsibility plus the plants being close to raw material sources allow specialization, low transaction cost and reaping of maximum returns from the plants and machineries, thus provides a cost-efficient platform for the Group's business development. With these arrangements in place, we are confident of capturing the domestic markets in different regions in China and also strengthening our presence in North America, Europe and Japan to support sales overseas.

### MAXIMIZING PRODUCTION EFFICIENCY AND STEPPING UP PRODUCT RESEARCH

Achievement of vertical integration of our production process is the key to increasing our production efficiency. The high quality float glass production lines on trial run and being built will give us direct control over the quality of our principal raw materials and associated production costs. Such control will help us directly to improve our production efficiency and profit margin.

We will continue to explore different alternatives and opportunities to further improve our production efficiency and product quality. We plan to establish a product research and development centre at our Dongguan production complex in the second quarter of 2006. We will staff the centre with experts of national standing to help us to maintain our competitive strengths in developing different kinds of glass product.

### STRONG INDUSTRY DEMAND FACILITATES OUR GROWTH

China is one of the largest economies and automobile markets in the world and the fourth largest automobile production country. Her demand for our products is thus very significant. With her "Eleventh Five Years Plan" which pushes continuous urbanization and economic development and the rising of the people's living standards, we anticipate fast growth in China's automobile industry and construction industry, which creates a strong demand for our automobile and construction glass products.

Moreover, the demand for automobile glass products from overseas markets is expected to continue to soar as more and more overseas manufacturers close down their production facilities in their countries and turn to outsourcing to improve their competitiveness. This trend results in China becoming a world production centre for industrial products. China has become one of the key production centers for automobile parts and components in recent years. All these factors together will see the industry grow and the Group advance from taking advantage of the growing industry.

### CONCLUSION

Taking into account the factors abovementioned, I am very optimistic about the Group's future development. We will continue to implement our proven business strategies and strive to maintain our leading position in the automobile glass industry. They will enable us to expand our share in our target markets.

I would like to take this opportunity to thank all fellow Board members for their continuous, strong support to the Group in 2005. I would also like to thank our senior management team, our staff, business partners and customers for their valuable contribution to our success during the year.

**LEE Yin Yee**

*Chairman*

3 April 2006