信義玻璃控股有限公司

XINYI GLASS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0868)

2005 Annual Report

Contents

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu # * ø +
Mr. WONG Kong Hon # ø
Mr. WONG Chat Chor Samuel # ø

* Chairman of audit committee
\# Members of audit committee
\+ Chairman of remuneration committee
ø 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

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Room 4008 Gloucester Tower
The Landmark
11 Pedder Street
Central,
Hong Kong

AUDITORS

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
KBC Bank N.V. Hong Kong Branch
Sumitomo Mitsui Banking Corporation Hong Kong Branch
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 annual report: HK$2.575
Market capitalisation as at the date of this annual report: Approximately HK$3,973 million

KEY DATES

Closure of register of members: 9 May 2005 to 12 May 2005 *(both days inclusive)*
Date of Annual General Meeting: 12 May 2005
Proposed date of payment of final dividend: 22 May 2005

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 to 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

INTRODUCTION

The Group is principally engaged in the production and sales of a variety of glass products, ranging from automobile glass products, construction and other glass products for decorative and commercial applications. The Group has established production facilities in Sheznhen, Dongguan and Wuhu, China. 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. In addition to glass products, we also produce automobile rubber and plastic components that are sold together with our automobile glass products. We also undertake construction projects that principally involve installation of glass curtain wallsin China.

Founded in Hong Kong in 1989, our automobile glass products are sold to customers in approximately 80 countries and territories, including China, Hong Kong, the United States, Canada, Australia, New Zealand, countries in the Middle East, Europe, Africa and Central and South America. Our customers include companies engaged in different businesses, including automobile glass distributors and manufacturers, wholesalers, automobile repair service providers, motor vehicle manufacturers, construction companies and furniture and household appliances manufacturers.

BUSINESS REVIEW

Following the impressive performance during the year 2004, the Group continued a remarkable business growth during the financial year ended 31 December 2005. Our turnover and net profit attributable to equity holders of the Company reached approximately HK$1,380.8 million and approximately HK$260.1 million, respectively, representing a year-on-year increase of approximately 34.3%. and approximately 10.3%., as compared with approximately HK$1,028.3 million and approximately HK$235.8 million, respectively, for the financial year ended 31 December 2004. The compound annual growth rate of the Group's turnover and net profit is approximately 31.2%. and 21.0%., respectively, for the five consecutive years ended 31 December 2005.

Our new construction glass product "low-emission coated glass" has become one of our most popular products in 2005. Its environmentally friendly and energy saving features should capture the emerging demand as a result of the "Eleventh Five Years Plan" of China.

During the year, we established a subsidiary in Germany for sales expansion to countries in Europe as a part of our worldwide marketing strategy.

Our new automobile glass and construction glass plants at our Dongguan production complex and our automobile glass plant at our Wuhu production complex have commenced productions in the first quarter of 2005. The first 700 tonnes high quality float glass production line has started its trial run in the first quarter of 2006 and the second one of 500 tonnes is expected to start trial run in the second quarter of 2006.

OPERATIONAL REVIEW

TURNOVER

Our turnover increased by approximately 34.3%. for the financial year ended 31 December 2005, as compared with the financial year ended 31 December 2004. The increase was principally due to the substantial growth of our automobile glass export sales to Australia, New Zealand, countries in North America and the Middle East. The increase was principally due to our additional efforts on business development which brought us with new customers and new purchase orders.

The tables below set forth an analysis of our turnover by products and by geographical regions:–

	2005		2004	
	HK$'000	%	*HK$'000*	%
Turnover				
Automobile glass products *(Note 1)*	**990,933**	**71.8**	725,288	70.5
Construction glass products *(Note 2)*	**318,229**	**23.0**	252,860	24.6
Construction contract revenue *(Note 3)*	**71,615**	**5.2**	50,186	4.9
	1,380,777	**100.0**	1,028,334	100.0

Notes:

(1) Includes turnover derived from the sales of automobile glass and complementary automobile rubber and plastic components on original equipment manufacturing ("**OEM**") and aftermarket basis.

(2) Includes turnover derived from the sales of architectural glass products and furniture glass products.

(3) Includes construction fee income received from curtain wall construction projects.

	2005		2004	
	HK$'000	%	*HK$'000*	%
TURNOVER				
Greater China *(Note (a))*	**536,685**	**38.9**	463,145	45.0
North America	**455,327**	**33.0**	278,247	27.1
Middle East	**81,456**	**5.9**	61,092	5.9
Australia and New Zealand	**97,236**	**7.0**	56,319	5.5
Europe	**84,197**	**6.1**	57,224	5.6
Others *(Note (b))*	**125,876**	**9.1**	112,307	10.9
	1,380,777	**100.0**	1,028,334	100.0

Notes:

(a) Greater China included China, Hong Kong and Taiwan.

(b) Other countries included countries in Africa and South America.

COST OF SALES

Our cost of sales for the financial year ended 31 December 2005 increased by approximately 37.7%. to approximately HK$901.7 million, as compared with the financial year ended 31 December 2004. Such increase was mainly due to our growth in sales.

GROSS PROFIT

Our gross profit for the financial year ended 31 December 2005 was approximately HK$479.0 million, representing an increase of approximately 28.2%., as compared with the financial year ended 31 Decemeber 2004. The overall gross profit margin slightly reduced from approximately 36.3%. to approximately 34.7%., which was mainly due to the unexpected time required for the installation and testing of our new constuction glass production lines at our Dongguan production complex. The longer time required resulted in slight delay in the timetable for the commencement of the operation of the production facilities and incurred certain wastage of materials and production time. Nonetheless, the Directors consider that the overall installation and trial operation process was smoothly implemented with no material difficulty. The aggregate depreciation charge attributed to the new equipment and buildings at our Dongguan and Wuhu production complexes slightly increased, as part of our direct production costs which affected our overall gross profit margin.

Compared to the financial year ended 31 December 2004, gross profit margin of sale of our automobile glass products for the financial year ended 31 December 2005 slightly increased from approximately 39.5%. to approximately 40.2% which was principally due to the improvement of production efficiency at our Shenzhen, Dongguan and Wuhu production complexes. During the financial year ended 31 December 2005, our gross profit margin of sales of our construction glass products decreased from approximately 28.9%. to 21.2% which was principally due to the increase in the depreciation charge and the additional costs incurred on installation and trial operations of the newly installed plan and equipment for the production of our new product, "low-emission coated" glass, at our Dongguan production complex.

OTHER REVENUES

Our other revenues were approximately HK$22.9 million for the financial year ended 31 December 2005, as compared to approximately HK$26.8 million in the financial year ended 31 December 2004. Such decrease was principally due to a deferred receipt of the government grant in China under the "tax refund on reinvestment" scheme amounted to approximately HK$3.6 million until the commencement of commercial operation of our float glass production lines. The government grant received for the financial year ended 31 Decemeber 2005 was only approximately HK$13.0 million due to lesser reinvestment amount for the financial year ended 31 Decemeber 2004, whereas we received approximately HK$20.4 million government grant in the financial year ended 31 December 2004. In addition, interest income soared by approximately HK$2.7 million due to the deposit of the listing proceeds derived from our initial public offering in February 2005.

SELLING AND MARKETING COSTS

Our selling and marketing costs increased by approximately 62.6%. to approximately HK$147.5 million for the financial year ended 31 December 2005. Such increase was principally due to the increase in our other selling expenses from approximately HK$45.2 million to approximately HK$88.4 million, as some of our new customers required us to bear the transportation costs and the increase in international sea freight rates. Advertising costs also increased for the principal purpose of exploring new market and promoting new products, such as our low-emission coated glass products, in the Greater China and other countries and territories.

ADMINISTRATIVE AND GENERAL EXPENSES

Our administrative and general expenses increased by approximately 27.2%. to approximately HK$71.9 million for the financial year ended 31 December 2005 which was principally due to an increase in donations of approximately HK$5.0 million, increase in the bad debt provision of approximately HK$2.5 million and increase in administrative staff costs by our production complexes in Dongguan and Wuhu of HK$6.0 million incurred for the financial year ended 31 December 2005.

FINANCE COSTS

Our finance costs increased by approximately 79.5%. to approximately HK$2.6 million in the financial year ended 31 December 2005. The increase was principally due to the increase in short-term loans for our working capital before the initial public offering in February 2005. Interests costs incurred for the acquisition of plant and machinery at our production complexes in Dongguan and Wuhu have been capitalized as part of our capital expenditure of the Group.

TAXATION

Our taxation was approximately HK$19.5 million in the financial year ended 31 December 2005. Our effective tax rate slightly increased from approximately 5.8%. to approximately 7.0%. for the financial year ended 31 December 2005 was principally due to the change in the tax exemption status of one our major operating subsidiaries in China from 100%. to 50%.

EBITDA AND NET PROFIT FOR THE YEAR

During the financial year ended 31 December 2005, the Company's EBITDA (i.e. earnings before interest, taxation, depreciation and amortization) reached approximately HK$337.9 million, representing an increase of approximately 17.2%., as compared with approximately HK$288.4 million for the financial year ended 31 December 2004. The Company's EBITDA margin, calculated based on turnover, for the financial year was approximately 24.5%., as compared to approximately 28.1%. for the financial year ended 31 December 2004.

The net profit attributable to equity holders of the Company for the financial year ended 31 December 2005 was approximately HK$260.1 million, representing an increase of approximately 10.3%., as compared to the net profit attributable to equity holders of the Company of approximately HK$235.8 million for the financial year ended 31 December 2004. The net profit margin decreased from approximately 22.9%. for the financial year ended 31 December 2004 to approximately 18.8%. for the financial year ended 31 December 2005, principally due to the start up costs and depreciation charges attributed to the new equipment and buildings in our Dongguan and Wuhu production complexes, and the increase of overseas transportation costs.

DIVIDENDS

We declared interim dividends of HK$46.3 million in 2005 and propose to declare a final dividend of 5.0 HK cent per Share for the financial year ended 31 December 2005, representing a dividend-pay out ratio of approximately 47.5%. The Directors believe that this dividend level is appropriate as the overall performance of the Group improved substantially as compared with the financial year ended 31 December 2004.

NON-CURRENT ASSETS

Our non-current assets increased by approximately 77.7%. to approximately HK$1,629.8 million. Such increase was mainly due to the acquisition of additional plant and equipment and the down-payments made for the acquisition of plant and equipment at the production facilities in Dongguan and Wuhu.

TRADE AND OTHER PAYABLES

Our trade and other payables increased from approximately HK$202.3 million as at 31 December 2004 to approximately HK$306.9 million as at 31 December 2005. It was principally due to the increase in capital expenditure payable, representing the amounts payable to construction contractors and suppliers of equipment for construction and building of float glass production lines.

CAPITAL COMMITMENT

As at 31 December 2005, the Group had capital commitments of approximately HK$161.7 million, which was approximately HK$11.8 million higher than that as at 31 December 2004. The balance mainly represented the purchases of plant and equipment for the float glass lines in our Dongguan production complex.

OPERATING LEASES COMMITMENT

As at 31 December 2005, our operating leases commitment was approximately HK$9.6 million, which was approximately HK$3.5 million higher than that as at 31 December 2004. Such increase was due to the new tenancy agreements made in China and Canada by the Group, of which the unutilised tenancy value amounted to approximately HK$3.8 million and approximately HK$2.7 million, respectively.

CONTINGENT LIABILITIES

As at 31 December 2005, the Group had no significant contingent liabilities.

CURRENT RATIO

Our current ratio for the financial year ended 31 December 2005 was approximately 1.47, as compared to that of approximately 1.07 in the year 2004. Our current ratio increased because of the increase in trade and bills receivables and inventories which were consistent with increment in the sales volume during the financial year.

TRADE AND BILLS RECEIVABLES TURNOVER DAYS

Our trade and bills receivables turnover days for the financial year was approximately 74.5 days, which slightly increased from approximately 67.4 days in the financial year 2004 since we offered longer credit terms to some of our selected customers.

INVENTRORY TURNOVER DAYS

Our inventory turnover days for the financial year slightly decreased from approximately 84.8 days to approximately 80.8 days in the financial year 2005 as a result of better control on inventory level to improve cash flow.

NET CURRENT ASSETS

As at 31 December 2005, we had net current assets of approximately HK$246.0 million, as compared with approximately HK$42.5 million as at 31 December 2004. The increase was principally due to repayment of short term bank borrowings as the Group had a better financial position for the financial year ended 31 December 2005.

FINANCIAL RESOURCES AND LIQUITY

During the financial year ended 31 December 2005, our primary source of funding included cash generated from operating activities and credit facilities provided by our principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to approximately HK$227.7 million (2004: HK$206.8 million) as a result of our working capital management which generated a net cash surplus from operations. As at 31 December 2005, we had a bank balances and cash of HK$140.9 million (2004: HK$248.3 million).

As at 31 December 2005, we had a total bank loan of approximately HK$333.9 million, representing a decrease of approximately 44.5 per cent. as compared with the same as at 31 December 2004. Such decrease was principally due to our successful initial public offering completed in February 2005 which provided us additional funding to mitigate our needs to arrange for short-term loans with banks.

Our gearing ratio as at 31 December 2005, calculated by dividing the total liabilities by the total assets of our Group as at 31 December 2005, was approximately 27.1%. which reduced from approximately 50.3%. as at 31 December 2004.

PLEDGE OF ASSETS

As at 31 December 2005, bank balance of approximately HK$11.1 million were pledged as collateral for banking facilities of the Group.

USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING

As at the date of this report, a total of approximately HK$700.1 million has been used for the purchase of machinery and equipment, factory construction and building renovation in our Dongguan production complex and our Shenzhen production complex. The proposed usage is consistent with the disclosure in the Company's prospectus dated 24 January 2005.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Our business transactions are mainly denominated in Renminbi, U.S. dollar and Hong Kong dollar with operations mainly in China. As at 31 December 2005, our bank borrowings were denominated in Renminbi and Hong Kong dollar with interest bearing at rates ranging from 4.7 per cent. to 4.9 per cent. per annum. Our exposure to the foreign exchange fluctuations was minimal and we have not experienced any material difficulties which affect our operations or liquidity as a result of fluctuations in currency exchange risk. We may use financial instrument for hedging purpose when considered appropriate.

EMPLOYEES AND RENUMERATION POLICY

As at 31 December 2005, we had 4,660 full-time employees of which 4,556 were based in China, 72 in Hong Kong and 30 in Canada and 2 were based in Germany. We maintain a good relationship with our employees. We provide staff training on business knowledge including information on the application of our products and to maintain client's relationship. Remuneration packages offered to our staff are in line with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of our performance and performance of individual employee.

Pursuant to the applicable laws and regulations, we participated in the relevant defined contribution retirement schemes which are administrated by the relevant government authorities in China for our staff employed in China. In Hong Kong, we have made all the required arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for all our employees in Hong Kong.

We have 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 our operations. The Directors may at their discretion, invite any employees or Directors and other selected participants as set out in the scheme, to participate in the scheme.

As at the date hereof, an aggregate of 8,520,000 options have been granted to employees of the Group of which 600,000 options have been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$2.15 and the option holders may exercise the options during the period between 27 January 2008 and 26 January 2009, provided that the holders are employee of subsidiary of the Company during the exercising period. If any of the option proposed to be granted hereby shall not have been exercised by the holders before 26 January 2009, the un-exercised option shall lapse, and the holders shall not be entitled to exercise the outstanding Option to subscribe for any Shares.

BUSINESS OUTLOOK

We enter into a new era following the successful initial public offering completed in February 2005. The initial public offering has strengthened our shareholders base, enhanced our corporate governance system and increased the financial resources available for our future business development. We raised from the initial public offering gross proceeds of an aggregate of approximately HK$835.9 million, following the exercise of the over-allotment option as part of the offering.

Looking ahead, we will leverage our strengths to capture new business opportunities, develop new products and improve the efficiency of our production activities. We are confident that we will be able to capitalise the surging market demand for both aftermarket automobile glass and construction glass in China and overseas. In particular, we believe that China automobile glass market will continue to grow because of the continuous economic development and the increasing number of international automobile manufacturers establishing their production facilities in China. In order to capture this market trend, we will establish a business presence in Japan to strengthen our customer base there and build an aftermarket automobile glass plant in Tianjin to service the northern China market. Upstream vertical integration by way of installing float glass production lines, OEM of automobile glass and business diversification will continue to be our overall directions in business development.

Amidst the backdrop of the promising market, we will continue to seek for appropriate opportunities to acquire companies in similar business for our business expansion, vertical or horizontal integration, or achieving synergy effects. From time to time, we approach potential companies, or are approached by potential companies, for the purpose of forming strategic collaboration.

DIRECTORS

EXECUTIVE DIRECTORS

LEE Yin Yee (李賢義), aged 53, is our Chairman and founder. Mr. LEE Yin Yee has 16 years' experience in the automobile glass industry. Prior to establishing our Group, Mr. LEE Yin Yee was involved in the trading of automobile parts. Mr. LEE Yin Yee is a committee member of The Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Mr. LEE Yin Yee was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Mr. LEE Yin Yee is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Mr. LEE Yin Yee is the father of Mr. LEE Shing Put, our executive Director. Mr. LEE Yin Yee is also the brother-in-law of Mr. TUNG Ching Bor, our vice-chairman and executive Director, and brother-in-law of Mr. TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. LEE Yau Ching, our executive Director. Mr. LEE Yin Yee was appointed as our executive Director on 25 June 2004.

TUNG Ching Bor (董清波), aged 43, is our vice-chairman and chief purchasing officer, responsible for managing our daily operations and overseeing our purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 11 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Chinese People's Political Consultative Conference Nanping Committee of Fujian Province. Mr. TUNG Ching Bor is the brother-in-law of Mr. LEE Yin Yee, brother of Mr. TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. Lee Shing Put, our executive director. Mr. TUNG Ching Bor was appointed as our executive Director on 25 June 2004.

TUNG Ching Sai (董清世), aged 40, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for 16 years since our inception in November 1988 and is responsible for overseeing our daily operations. Mr. TUNG Ching Sai is also a committee member of The Chinese People's Political Consultative Conference of Fujian Province, a committee member of The Chinese People's Political Consultative Conference Nanping Committee of Fujian Province, the Chairman of the Shenzhen Federation of Young Entrepreneurs, vice president of The Automobile Association of Shenzhen and the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur. Mr. TUNG Ching Sai is the brother-in-law of Mr. LEE Yin Yee, brother of Mr. TUNG Ching Bor, and uncle of Mr. Lee Shing Put, our executive director. Mr. TUNG Ching Sai was appointed as our executive Director on 25 June 2004.

LEE Shing Put (李聖潑), aged 29, is our executive Director. Mr. LEE Shing Put is the general manager of Xinyi Plastics Products (Shenzhen) Development Co., Ltd.. Prior to joining us in June 2004, Mr. LEE Shing Put had been engaged in information technology and investment businesses in Hong Kong and the PRC since 1999. Mr. LEE Shing Put graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, cousin of Mr. LEE Yau Ching, and nephew of Mr. TUNG Ching Sai and Mr. TUNG Ching Bor. Mr. LEE Shing Put was appointed as our executive Director on 25 June 2004.

LEE Yau Ching (李友情), aged 30, is our executive Director and chief operations officer. Mr. LEE Yau Ching is responsible for planning our overall operations strategy and overseeing Group's operations in China. Mr. LEE Yau Ching is also the general manager of both YiDe Glass (Shenzhen) Co., Ltd. and Xinyi Glass Technology (Shenzhen) Co., Ltd. Mr. LEE Yau Ching joined us in June 1999. Mr. LEE Yau Ching graduated from the Hong Kong University of Science and Technology in 1999 with a bachelor degree in business administration majoring in finance. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling Shareholders (as such term is defined under the Listing Rules) and a nephew of Mr. LEE Yin Yee and a cousin of Mr. LEE Shing Put. Mr. LEE Yau Ching was appointed as our executive Director on 25 June 2004.

LI Man Yin (李文演), aged 51, is our executive Director and has joined us since July 1999. Mr. LI Man Yin is the assistant general manager of Xinyi Automobile Glass (Shenzhen) Co., Ltd. Prior to joining us, Mr. LI Man Yin has worked at a local transportation service company in the PRC handling retail sales, and also in the trading of automobile parts industry. Mr. LI Man Yin was appointed as our executive Director on 25 June 2004.

NG Ngan Ho (吳銀河), aged 41, is our executive Director and has joined us since August 2003. Mr. NG Ngan Ho is responsible for overseeing the financial and purchasing matters in relation to the construction of our Dongguan Production Complex. Mr. NG Ngan Ho was appointed as our executive Director on 25 June 2004.

NON-EXECUTIVE DIRECTORS

LI Ching Wai (李清懷), aged 48, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as our non-executive Director on 25 June 2004.

SZE Nang Sze (施能獅), aged 48, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004.

LI Ching Leung (李清涼), aged 50, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu Production Complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Kwong Siu (林廣兆), aged 72, is the vice chairman of BOC International Holdings Limited, the Delegate of the National People's Congress, the chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the treasurer of the Chinese General Chamber of Commerce and the Hong Kong Chinese Enterprises Association and thus has the appropriate professional expertise required under Rule 3.10(2) of the Listing Rules. Mr. LAM Kwong Siu has also been the non-executive director of CITIC International Financial Holdings Limited since November 1996, BOC International Holdings Limited since October 2001, CITIC Ka Wah Bank Limited since January 2002, BOCI Capital Limited since July 2002, China Overseas Land & Investment Limited since September 2003 and Fujian Holdings Limited since December 2003. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was the non-executive director of Amanda Wing On Travel Holdings Limited (now known as Wing On Travel (Holdings) Limited), Henderson China Holdings Limited and Lai Fung Holdings Limited. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004.

WONG Kong Hon (黃光漢), aged 63, is a justice of peace in Hong Kong, recipient of Silver Bauhinia Star in year 2002 and an honorary citizen of Xiamen in the PRC. Mr. WONG Kong Hon is currently a director of a number of companies listed on the Main Board including Titan Holdings Limited, U-RIGHT International Holdings Ltd. and Tongda Group Holdings Limited. Mr. WONG Kong Hon is a member of Standing Committee of the 10th Chinese People's Political Consultative Conference and vice chairman of the Chinese General Chamber of Commerce. Mr. WONG Kong Hon was appointed as our independent non-executive Director on 30 August 2004.

WONG Chat Chor Samuel (王則左), aged 56, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, a member of the Consultative Committee of the Hong Kong International Arbitration Center and has been the president of the Hong Kong Institute of Arbitrators since 2002. Mr. WONG Chat Chor Samuel is also on the panels of the Arbitration Commissions of Guangzhou, Suzhou and Huizhou of the PRC. In addition, Mr. WONG Chat Chor Samuel is also a director of Nan Fung (Singapore) Pte Limited and the chairman of the BPC Group of Companies, Malaysia and Bei Hai LC Technology Limited. Mr. WONG Chat Chor Samuel is also a member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, PRC. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004.

SENIOR MANAGEMENT

Antonio P.K. TAM (譚炳均), aged 54, is our head of international business development, president and a director of Xinyi Glass (North America) Inc. and a director of Xinyi Glass (America) Development Inc.. Mr. Antonio P.K. TAM is responsible for planning our development strategy and overseeing our operation in North America. Prior to joining us in January 1997, Mr. Antonio P.K. TAM had more than 13 years' experience in the trading of glass manufacturing machinery. Mr. Antonio P.K. TAM obtained a bachelor degree in science from The Chinese University of Hong Kong in 1974 and a master degree in science from the University of Rochester, U.S. in 1976.

William CHEN (陳未遠), aged 75, is our senior float glass technology consultant and has joined our Group since March 2003. Prior to joining our Group, Mr. William CHEN had worked in the glass technology industry for over 35 years. Mr. William CHEN was granted a special subsidy by the State Council in 1991 for his contribution to glass engineering technology.

CHEN Shao Yi (陳紹義), aged 49, is our vice president and has joined our Group since April 2001. Prior to joining our Group, Mr. CHEN Shao Yi worked at an automobile rubber and plastic components manufacturing company in the PRC. Mr. CHEN Shao Yi graduated from Qingdao Institute of Chemical Technology in 1987 with a bachelor degree in rubber and plastic engineering, and is also qualified as a senior engineer.

LAU Sik Yuen (劉錫源), aged 39, is our company secretary, chief financial officer and qualified accountant. Prior to joining our Group in April 2003, Mr. LAU Sik Yuen had fourteen years' experience in auditing and financial accounting. Mr. LAU Sik Yuen is responsible for the Group's financial and treasury strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for five years, and had been the financial controller of a subsidiary of a company listed on the Main Board, for over three years. Mr. LAU Sik Yuen is a member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a certified public accountant in the state of Illinois, U.S.

CHEN Xi (陳曦), aged 48, is the general manager of Xinyi Glass Engineering (Dongguan) Co., Ltd., and joined our Group in March 2003 . Mr. CHEN Xi is responsible for the production and administrative activities of Xinyi Glass Engineering (Dongguan) Co., Ltd. Mr. CHEN Xi graduated from Sichuan Industrial Institute in 1983 and is qualified as a senior mechanical engineer.

ZHANG Ming (張明), aged 45, is the general manager of Xinyi Ultra-thin Glass (Dongguan) Co., Ltd. and is responsible for overseeing and implementing float glass technology and has obtained qualification as a senior engineer. Prior to joining our Group in February 1998, Mr. ZHANG Ming worked at a float glass plant. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics.

ZHA Xuesong (查雪松), aged 34, is the assistant general manager of Xinyi Automobile Glass (Shenzhen) Co., Ltd., overseeing our automobile glass overseas markets and patterned glass domestic and overseas market. Prior to joining our Group in March 1996, Mr. ZHA Xuesong taught at the Hubei Chinese Medical School for two years, after graduation from Hubei University in 1994 with a bachelor degree in arts. Mr. ZHA Xuesong has also completed the course of Postgraduate Certificate in International Laws at Shenzhen University in 2002.

The Company always recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures, to ensure all business activities and decision-making can be properly regulated. During the financial year ended 31 December 2005, the Company complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") save that the number of meetings of the board of Directors held during the financial year ended 31 December 2005 was less than the required under the Code as the Directors consider that three Board meetings held in the financial year effectively dealt with all major matters of the Group during the same period.

BOARD OF DIRECTORS

The board of Directors of the Company (the "**Board**") is responsible for preventing the frauds and irregularities, for safeguarding the assets of the Group and for formulating of business strategies for the Group's development. The Board currently comprises seven executive Directors, three non-executive Directors and three independent non-executive Directors. Details of the Directors are given on pages 15 to 17 of this report.

Seven executive Directors comprise Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Put, Mr. LEE Yau Ching, Mr. LI Man Yin and Mr. NG Ngan Ho. Mr. LEE Yin Yee is the father of Mr. LEE Shing Put, and also the brother-in-law of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai, and the uncle of Mr. LEE Yau Ching. Mr. TUNG Ching Bor is the brother of Mr. TUNG Ching Sai. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, cousin of Mr. LEE Yau Ching and nephew of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai. Mr. LEE Yau Ching is the nephew of Mr. LEE Yin Yee and cousin of Mr. LEE Shing Put. Three non-executive Directors comprise Mr. LI Ching Wai, Mr. SZE Nang Sze and Mr. LI Ching Leung. Three independent non-executive Directors comprise Mr. LAM Kwong Siu, Mr. WONG Kong Hon and Mr. WONG Chat Chor Samuel. Where vacancies exist at the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with appropriate capabilities at that time.

Mr. LEE Yin Yee is the Chairman of the Group, and Mr. TUNG Ching Sai is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of the Board and other senior management, he closely monitors the operating and financial results of the Group, identifies the weakness of the operation and takes appropriate steps to remedy, and outlines the future business plans and strategies of the Group for the Board's approval.

All three non-executive Directors were appointed for a term of three years, commenced on 1 January 2005. All three independent non-executive Directors were appointed for a term of three years, commenced on 3 February 2005. All of them meet the independence criteria and have made annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

During the financial year 2005, the Board held three board meetings on 18 January 2005, 22 April 2005 and 13 September 2005, respectively, and all Directors had attended the three meetings except Mr. WONG Kong Hon was absent on 22 April 2005. At least four Board meetings are scheduled for the financial year 2006.

The Board, led by the Chairman, is responsible for the formulation of the overall strategies and objectives, the monitoring and evaluation of the operating and financial performance, the review of the corporate governance standard, and the supervision of the management of the Group. The management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to information on the Group. Senior management of the Group also provides the Directors from time to time with information on businesses of the Group.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company have made specific enquires with the Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 December 2005.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company has five members comprising Mr. LAM Kwong Siu, Mr. WONG Kong Hon, Mr. WONG Chat Chor Samuel, Mr. LEE Yin Yee and Mr. TUNG Ching Sai. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages and determining the award of bonuses. Its terms of reference are available on request. During the year, a meeting of the Remuneration Committee was held on 13 September 2005 and all the committee members had attended the meeting.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, Mr. LAM Kwong Siu, Mr. WONG Kong Hon and Mr. WONG Chat Chor Samuel. Mr. LAM Kwong Siu is the chairman of the Audit Committee. The Audit Committee assists the Board to review the financial reporting process, to evaluate the effectiveness of internal control systems, and to oversee the auditing processes. Its terms of reference are available on request. An audit committee meeting was held on 22 April 2005 throughout the financial year 2005.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges that it is their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 34.

AUDITORS' REMUNERATION

The professional fee charged by the Group's auditors in respect of the auditing services is disclosed in the notes to the financial statements. The remuneration paid to the auditors of the Group is solely for auditing services rendered during the year and amounts to approximately HK$2.0 million.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the audit committee, it reviews the effectiveness of the system.

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2005.

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 China. Particulars of the subsidiaries of the Company are shown in note 8 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 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2005 are set out in the consolidated income statement on page 38. During the financial year, an interim dividend of 3.0 HK cents per share, amounting to a total of about HK$46 million, was paid to Shareholders on 10 October 2005.

The Directors propose the payment of a final dividend of 5.0 HK cents per Share to shareholders whose names appear on the register of members of the Company on 12 May 2006. Subject to approval of the Directors' recommendation by Shareholders at the Annual General Meeting, the final dividend will be paid on 22 May 2006.

The register of members will be closed from Tuesday, 9 May 2006 to Friday, 12 May 2006, both days 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 Monday, 8 May 2006.

RESERVES

Movements in the reserves of the Group and the Company during the financial year are set out in note 17 to the financial statements.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the financial statements.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK$5,306,972 (2004: HK$283,000).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 16 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium amounting to approximately HK$670.7 million 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 full due in the ordinary course of business.

As at 31 December 2005, the Company had retained earnings available for distribution to Shareholders amounting to approximately HK$77.4 million.

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 *(Chairman)*
Mr. TUNG Ching Bor *(Vice chairman)*
Mr. TUNG Ching Sai *(Chief executive officer)*
Mr. LEE Shing Put
Mr. LEE Yau Ching
Mr. LI Man Yin
Mr. NG Ngan Ho

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung (re-designated as non-executive Director on 14 September 2005)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu
Mr. WONG Kong Hon
Mr. WONG Chat Chor Samuel

In accordance with article 108 of the Company's articles of association, Mr. NG Ngan Ho, Mr. LI Ching Leung, Mr. LI Ching Wai and Mr. SZE Nang Sze will retire by notation and, being 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.

The Company received the independent non-executive Directors' confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not 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

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 commerce 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 broad 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 hereof, an aggregate of 8,520,000 options have been granted to employees of the Group, of which 600,000 options have been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$2.15 and the option holders may exercise the options during the period between 27 January 2008 and 26 January 2009, provided that the holders are employee of the Group of during the exercising period. If any of the options proposed to be granted hereby shall not have been exercised by the holders before 26 January 2009, the un-exercised Option shall lapse, and the holders shall not be entitled to exercise the outstanding Option to subscribe for any Shares.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 15 to 18 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

As at 31 December 2005, the interests and short positions of the Directors and chief executive of the Company 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, 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%
	Personal interest	3,060,000	0.20%
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%

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 *(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 31 December 2005, 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

As at 31 December 2005, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares 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, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL OF SUBSIDIARIES OF THE COMPANY

As at 31 December 2005, 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%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT	2,000 common shares	20%
	Mr. Friedel Wilhelm Alfred Ernst Rudi BEYE	1,000 common shares	10%
	Polaron International Inc.	1,000 common shares	10%

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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2005, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete wit the business of the Group.

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	9.5%
- the largest five customers combined	21.7%
Purchases	
- the largest supplier	14.4%
- the largest five suppliers combined	44.6%

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 2005 amounted to approximately HK$333.9 million (2004: HK$602.1 million). Particulars of the borrowings are set out in note 19 to the financial statements of the Group.

REWARD FOR EMPLOYEES

As at 31 December 2005, we employed over 4,660 employees in China, Hong Kong, Canada and Germany. 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

No significant related party transactions entered into between the Company or its associates and the Group constituted connected transactions for the financial year ended 31 December 2005.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable Code Provisons in the Code of Corporate Governance Practices ('the Code") as set out in the Appendix 14 to the Listing Rules during the financial year ended 31 December 2005 except the number of meetings of the board of Directors held during the financial year ended 31 December 2005 was less than the required under the Code as the Directors consider that three Board meetings held in the financial year effectively dealt with all major matters of the Group during the same period.

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 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 financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2005.

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 financial year ended 31 December 2005.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float or more than 25% of the Shares was held by the public as required under the Listing Rules.

SUBSEQUENT EVENTS

No significant event has taken place subsequent to 31 December 2005.

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 Friday, 12 May 2006, 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, 3 April 2006

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF XINYI GLASS HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the accounts on pages 35 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the company are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2005 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirement of Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 3 April 2006

Consolidated balance sheet

As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	120,785	120,616
Property, plant and equipment	7	1,263,353	636,023
Deposits for property, plant and equipment		232,385	158,067
Available-for-sale financial assets	9	481	—
Investment securities	10	—	472
Interest in an associate	11	11,911	—
Deferred income tax assets	20	852	2,207
		1,629,767	917,385
Current assets			
Inventories	12	235,215	164,177
Trade and other receivables	13	375,955	276,252
Amounts due from customers for contract work	14	19,211	1,837
Cash and cash equivalents			
Pledged	15	11,108	24,618
Unpledged	15	129,779	223,709
		771,268	690,593
Total assets		2,401,035	1,607,978
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	824,975	30,010
Other reserves	17	122,493	64,723
Retained earnings			
- Proposed final dividend	27	77,147	77,147
- Others		722,947	625,106
		1,747,562	796,986
Minority interest		2,517	2,132
Total equity		1,750,079	799,118

The notes on pages 41 to 89 are an integral part of these consolidated financial statements.

As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	125,583	160,303
Deferred income tax liabilities	20	110	461
		125,693	160,764
Current liabilities			
Trade and other payables	18	306,916	202,336
Bank borrowings	19	208,340	441,805
Current income tax liabilities		10,007	3,955
		525,263	648,096
Total liabilities		650,956	808,860
Total equity and liabilities		2,401,035	1,607,978
Net current assets		246,005	42,497
Total assets less current liabilities		1,875,772	959,882

The notes on pages 41 to 89 are an integral part of these consolidated financial statements.

Balance sheet

As at 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
ASSETS			
Non-current assets			
Interest in subsidiaries	8	820,010	29,995
Deferred income tax asset	20	127	—
		820,137	29,995
Current assets			
Due from subsidiaries	8	82,335	—
Prepayments		—	5
Cash and cash equivalents	15	11	10
		82,346	15
Total assets		902,483	30,010
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	824,975	30,010
Retained earnings			
- Proposed final dividend	27	77,147	—
- Others		298	—
Total equity		902,420	30,010
LIABILITIES			
Non-current liabilities			
Accruals and other payables		63	—
Total liabilities		63	30,010
Total equity and liabilities		902,483	30,010

The notes on pages 41 to 89 are an integral part of these consolidated financial statements.

Consolidated income statement

Year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Sales	5	1,380,777	1,028,334
Cost of sales	21	(901,749)	(654,781)
Gross profit		479,028	373,553
Other revenue	5	22,921	26,827
Selling and marketing costs	21	(147,530)	(90,751)
Administrative expenses	21	(71,923)	(56,532)
Operating profit		282,496	253,097
Finance costs	23	(2,614)	(1,456)
Share of associate's result	11	(2)	—
Profit before income tax		279,880	251,641
Income tax	24	(19,486)	(14,677)
Net profit for the year		260,394	236,964
Attributable to:			
Equity holders of the Company	25	260,114	235,835
Minority interests		280	1,129
		260,394	236,964
Earnings per Share for profit attributable to the equity holders of the Company during the year (expressed in Cents per share)			
- basic	26	17.3	21.4
- diluted	26	N/A	N/A
Dividends	27	123,435	128,344

The notes on pages 41 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2005

	Note	Attributable to equity holders of the Company				
		Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
Balance at 1 January 2004, as previously reported as equity		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
Income recognized directly in equity - Currency translation differences		—	5,787	—	309	6,096
Net profit for the year		—	—	235,835	1,129	236,964
Total recognized income for 2004		—	5,787	235,835	1,438	243,060
Transfer to reserve		—	27,506	(27,506)	—	—
Proceeds from shares issued	16	30,000	—	—	—	30,000
Dividend paid to minority shareholders		—	—	—	(855)	(855)
Dividend relating to 2004	27	—	—	(51,197)	—	(51,197)
		30,000	27,506	(78,703)	(855)	(22,052)
Balance at 31 December 2004 and 1 January 2005 as restated		30,010	64,723	702,253	2,132	799,118
Currency translation differences		—	19,255	—	277	19,532
Reserve utilized	17	—	(323)	—	—	(323)
Net income recognized directly in equity		—	18,932	—	277	19,209
Net profit for the year		—	—	260,114	280	260,394
Total recognized income for 2005		—	18,932	260,114	557	279,603
Transfer to reserve		—	38,838	(38,838)	—	—
Proceeds from shares issued	16	835,888	—	—	—	835,888
Share issuance costs	16	(40,923)	—	—	—	(40,923)
Contribution from minority shareholders		—	—	—	31	31
Dividend paid to minority shareholders		—	—	—	(203)	(203)
Dividend relating to 2004	27	—	—	(77,147)	—	(77,147)
Dividend relating to 2005	27	—	—	(46,288)	—	(46,288)
		794,965	38,838	(162,273)	(172)	671,358
Balance at 31 December 2005		824,975	122,493	800,094	2,517	1,750,079

The notes on pages 41 to 89 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

Year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**251,648**	237,571
Interest paid		**(11,480)**	(9,718)
Income tax paid		**(12,430)**	(21,085)
Net cash generated from operating activities		**227,738**	206,768
Cash flows from investing activities			
Payments for capital expenditure		**(735,760)**	(529,348)
Proceeds from disposal of property, plant and equipment and land use rights	28	**369**	3,513
Purchase of investment securities		**—**	(472)
Capital contribution to an associate	11	**(5,769)**	—
Loans advanced to an associate	11	**(6,144)**	—
Interest received		**3,206**	543
Net cash used in investing activities		**(744,098)**	(525,764)
Cash flows from financing activities			
Net proceeds from new shares issued	16	**794,965**	30,000
Proceeds from bank borrowings		**286,153**	914,998
Repayments of bank borrowings		**(554,338)**	(413,768)
Repayments of amounts due to shareholders		**—**	(147,281)
Decrease in pledged bank deposits		**13,510**	52,883
Contribution from minority shareholders		**31**	—
Dividends paid to shareholders of the Company	27	**(123,435)**	(51,197)
Dividends paid to minority shareholders		**(203)**	(855)
Net cash generated from financing activities		**416,683**	384,780
Net (decrease)/increase in cash and cash equivalents		**(99,677)**	65,784
Cash and cash equivalents at beginning of the year		**223,709**	154,828
Exchange difference on cash and cash equivalents		**5,747**	3,097
Cash and cash equivalents at end of the year	15	**129,779**	223,709

The notes on pages 41 to 89 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited ("the Company") and its subsidiaries (collectively the "Group") is principally engaged in the production and sale of automobile and construction glass products, which are carried out internationally, through production complexes located in the Mainland China (the "PRC").

The Company was incorporated in the Cayman Islands on 25 June 2004 as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island (the "Cayman Companies Law"). The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 3 February 2005.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 3 April 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

The adoption of new / revised HKFRS

In 2005, the Group adopted the new / revised standards and interpretations 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 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 12 Amendment	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS Int 15	Operating Leases – Incentives
HKFRS 3	Business Combinations

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and HKAS-Ints 12 and 15 and HKFRS 3 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 associate and other disclosures.

— HKASs 2, 7, 8, 10, 16, 23, 24, 27, 28, 33, 36 and HKAS-Ints 12 and 15 and HKFRS 3 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the group entities have the same functional currency as the presentation currency for respective entity financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

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 when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets.

All changes in the accounting policies have bee made in accordance with the transition provision in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

— HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1 January 2005;

— HKAS-Int 15 – does not required the recognition of incentive for leases beginning before 1 January 2005; and

— HKFRS 3 – prospectively after 1 January 2005

The adoption of HKAS 17 resulted in:

	2005	2004
	HK$'000	HK$'000
Decrease in property, plant and equipment	**(120,785)**	(120,616)
Increase in leasehold land and land use rights	**120,785**	120,616

The adoption of HKAS 39 resulted in:

	2005	2004
	HK$'000	HK$'000
Increase in available-for-sale financial assets	**481**	—
Decrease in investment securities	**(472)**	—

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted, as follows:

- **HKAS 19 (Amendment), Employee Benefits (effective from 1 January 2006).** This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. This amendment is not relevant to the Group's operations as the Group does not operate any defined benefit plans.

- **HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006).** The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31 December 2005 and 2004.

- **HKAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006).** This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments. The Group will apply this amendment from annual periods beginning 1 January 2006.

- **HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).** This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. The Group will apply HKFRS 4 and amendment to HKAS 39 from annual periods beginning 1 January 2006.

- **HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).** These amendments are not relevant to the Group's operations, as the Group is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.

- **HKFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).** IFRS 6 is not relevant to the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Standards, interpretations and amendments to published standards that are not yet effective *(Continued)*

- **HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).** HKFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

- **HKFRS-Int 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006).** HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of HKFRS-Int 4 on the Group's operations.

- **HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).** HKFRS-Int 5 is not relevant to the Group's operations.

- **HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005).** HK(IFRIC)-Int 6 is not relevant to the Group's operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION *(Continued)*

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 FOREIGN CURRENCY TRANSLATION

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are, included in the fair value reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and borrowings are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

– Buildings	20 – 30 years
– Plant and machinery	5 – 15 years
– Office equipment	3 – 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at costs which include development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, constructions in progress are transferred to other property, plant and equipment at cost less accumulated impairment losses.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 FINANCIAL ASSETS

From 1 January 2004 to 31 December 2004:

The Group classified investment held on a continuing basis with an identified long term purpose as investment securities, which are stated at cost less any provision for impairment losses.

The carrying amounts of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated income statement. This impairment loss is written back to the consolidated income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

From 1 January 2005 onwards:

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet (Note 2.9).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 FINANCIAL ASSETS *(Continued)*

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences are recognized in the consolidated income statement, and other changes in carrying amount are recognized in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little s possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated income statement – is removed from equity and recognized in the consolidated income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.9.

2.8 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within 'administrative expenses'.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks, less pledged bank deposits.

2.11 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

The contributions are recognized as employee benefit expenses when they are due and are not reduced by contributions forfeited by those employees leave the schemes prior to vesting fully in the contributions.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.16 GOVERNMENT GRANT

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are net off to cost of acquisition and are recognized in the income statement on a straight line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) Sales of goods

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

(c) Royalty income

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

(d) Rental income

Rental income is recognized on a straight-line basis over the lease periods.

Accounting policy for recognition of construction contract revenue is set out in note 2.18.

Accounting policy for recognition of government grants is set out in note 2.16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 CONSTRUCTION CONTRACTS

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized when incurred.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceeds progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

2.19 OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated income statement on a straight-line basis over the period of the lease.

2.20 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's major financial instruments include trade and bills receivables, other receivables, trade and bills payables, other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Foreign exchange risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(b) Credit risk

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

In order to minimize the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts for this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 FAIR VALUE ESTIMATION

The fair value of available-for-sale financial assets is based on the Directors' estimated discounted future cash-flow contributed by the financial assets.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES

Estimates 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation and amortization

The Group's net book value of property, plant and equipment as at 31 December 2005 was HK$1,263 million. The Group depreciates the property, plant and equipment on a straight line basis over the estimated useful lives of three to thirty years, commencing from the date the asset is available for intended use. Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount in accordance with accounting policy stated in Note 2.6. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the asset or cash-generating unit and a suitable discount rate in order to calculate the present value, which has been prepared on the basis of management's assumptions and estimates.

(c) Revenue recognition

The Group recognises revenue of glass installation contracts that were in progress at year end amounting to HK$45,040,000, based on the percentage of completion of each contract.

The Group's management estimates the percentage of completion of glass installation works if the value of works has not been certified by the customers at the balance sheet date. These estimates are based on proportion of the value of work previously certified for that related works in progress or based on documents prepared by the quantity surveyors which have been submitted to the customers before the balance sheet date for certification of the value of work done. Corresponding costs of the contract revenue are also estimated by the management. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses. For costs attributable to work done that have not been billed to the Group but the corresponding revenue for the work done has been recognised, management estimates these costs by reference to the budget and the actual billings subsequently received.

Management regularly reviews the progress of the contracts and its assumptions regarding anticipated margins on the contract revenue.

5 SEGMENT INFORMATION

The Group is principally engaged in the production and sale of automobile and construction glass products. Revenues recognized by the Group are as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Sales of goods	**1,309,162**	978,148
Construction contract revenue	**71,615**	50,186
	1,380,777	1,028,334
Other revenue		
Interest income	**3,206**	543
Government grants *(note)*	**13,032**	20,421
Rental income	**984**	1,107
Royalty income	**2,238**	3,019
Sundry income	**3,461**	1,737
	22,921	26,827
Total revenue	**1,403,698**	1,055,161

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 the PRC 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 the PRC. All of the approved grants were recognized in the year of receipt.

5 SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments

The segment results for the year ended 31 December 2005 are as follows:

	Automobile glass HK$'000	Construction glass HK$'000	Float glass HK$'000	Group HK$'000
Sales	990,933	389,844	—	1,380,777
Segment results	246,785	41,463	(2,528)	285,720
Unallocated other revenue				22,546
Unallocated costs				(25,770)
Operating profits				282,496
Finance costs *(Note 23)*				(2,614)
Share of associate's result	—	—	(2)	(2)
Profit before income tax				279,880
Income tax *(Note 24)*				(19,486)
Net profit for the year				260,394

The segment results for the year ended 31 December 2004 are as follows:

	Automobile glass HK$'000	Construction glass HK$'000	Float glass HK$'000	Group HK$'000
Total gross segment sales	725,288	303,046	—	1,028,334
Segment results	195,444	55,602	(1,355)	249,691
Unallocated other revenues				26,827
Unallocated costs				(23,421)
Operating profit				253,097
Finance costs *(Note 23)*				(1,456)
Profit before income tax				251,641
Income tax *(Note 24)*				(14,677)
Net profit for the year				236,964

5 SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December 2005				
	Automobile glass HK$'000	Construction glass HK$'000	Float glass HK$'000	Unallocated HK$'000	Group HK$'000
Depreciation *(Note 7)*	36,644	15,335	392	836	53,207
Amortisation *(Note 6)*	704	149	—	1,373	2,226
Impairment of trade and other receivables	3,690	1,113	—	—	4,803
Reversal of trade and other receivables impairment	1,850	—	—	—	1,850
Reversal of inventory impairment	2,217	—	—	—	2,217

	Year ended 31 December 2004				
	Automobile Glass HK$'000	Construction glass HK$'000	Float glass HK$'000	Unallocated HK$'000	Group HK$'000
Depreciation *(Note 7)*	25,880	7,357	212	212	33,661
Amortisation *(Note 6)*	1,544	146	—	—	1,690
Impairment of trade and other receivables	408	62	—	—	470
Impairment of inventory	1,573	—	—	—	1,573
Reversal of inventory impairment	—	1,242	—	—	1,242

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Automobile glass HK$'000	Construction glass HK$'000	Float glass HK$'000	Unallocated HK$'000	Group HK$'000
Assets	1,047,305	515,886	799,487	26,446	2,389,124
Associate	—	—	11,911	—	11,911
Total assets	1,047,305	515,886	811,398	26,446	2,401,035
Liabilities	273,086	41,033	216,454	120,383	650,956
Capital expenditure	169,470	43,901	522,341	48	735,760

5 SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Automobile glass HK$'000	Construction glass HK$'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 expenditure	122,147	182,055	225,101	45	529,348

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, inventories, receivables and operating cash.

Capital expenditure comprises additions to and deposits for property, plant and equipment and leasehold land and land use rights.

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 its customers.

Sales

	2005 HK$'000	2004 HK$'000
Greater China *(note (a))*	**536,685**	463,145
North America	**455,327**	278,247
Middle East	**81,456**	61,092
Australia and New Zealand	**97,236**	56,319
Europe	**84,197**	57,224
Other countries *(note (b))*	**125,876**	112,307
	1,380,777	1,028,334

Notes:

(a) Greater China includes the PRC, Hong Kong and Taiwan.

(b) Other countries included countries in Africa and South America.

5 SEGMENT INFORMATION *(Continued)*

The following is an analysis of the carrying amounts of segment assets and capital expenditure by the geographical area in which the assets are located.

Total assets

	2005	2004
	HK$'000	HK$'000
Hong Kong	284,513	209,219
the PRC	2,102,103	1,380,839
Canada	14,419	17,920
	2,401,035	1,607,978

Capital expenditure

	2005	2004
	HK$'000	HK$'000
Hong Kong	970	255
the PRC	734,392	528,903
Canada	398	190
	735,760	529,348

6 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	2005 HK$'000	2004 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	4,074	4,172
Outside Hong Kong, held on:		
Land use rights of between 10 to 50 years	116,711	116,444
	120,785	120,616

	2005 HK$'000	2004 HK$'000
Opening	120,616	46,309
Exchange difference	2,239	365
Additions	156	79,064
Amortisation	(2,226)	(1,690)
Disposal	—	(3,432)
	120,785	120,616

7 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Construction in progress HK$'000	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2004					
Cost	2,546	141,080	265,072	4,889	413,587
Accumulated depreciation	—	(14,647)	(70,820)	(1,325)	(86,792)
Net book amount	2,546	126,433	194,252	3,564	326,795
Year ended 31 December 2004					
Opening net book amount	2,546	126,433	194,252	3,564	326,795
Exchange differences	24	858	1,710	42	2,634
Additions	322,988	2,965	13,533	2,361	341,847
Transfer upon completion	(2,490)	—	2,420	70	—
Disposals	—	—	(1,458)	(134)	(1,592)
Depreciation	—	(4,755)	(27,927)	(979)	(33,661)
Closing net book amount	323,068	125,501	182,530	4,924	636,023
At 31 December 2004					
Cost	323,068	145,027	281,320	7,220	756,635
Accumulated depreciation	—	(19,526)	(98,790)	(2,296)	(120,612)
Net book amount	323,068	125,501	182,530	4,924	636,023
Year ended 31 December 2005					
Opening net book amount	323,068	125,501	182,530	4,924	636,023
Exchange differences	6,338	1,749	3,339	111	11,537
Additions	611,674	1,910	53,590	2,655	669,829
Transfer upon completion	(433,495)	125,420	306,545	1,530	—
Disposals	—	—	(823)	(6)	(829)
Depreciation	—	(8,972)	(42,218)	(2,017)	(53,207)
Closing net book amount	507,585	245,608	502,963	7,197	1,263,353
At 31 December 2005					
Cost	507,585	274,435	645,202	11,544	1,438,766
Accumulated depreciation	—	(28,827)	(142,239)	(4,347)	(175,413)
Net book amount	507,585	245,608	502,963	7,197	1,263,353

8 INTEREST IN SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Investments, at cost:	10	10
Amounts due from subsidiaries *(note (a))*	820,000	29,985
	820,010	29,995
Amounts due from subsidiaries *(note (b))*	82,335	—

Notes:

(a) The amounts due are unsecured and interest free. The directors of the Company resolved not to request repayment for the next twelve months from the balance sheet date and considered them as quasi-equity contributions.

(b) The amounts due are unsecured, interest free and repayable on demand.

(c) The following is a list of the principal subsidiaries at 31 December 2005:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Xinyi Automobile Glass Company	Hong Kong, limited liability company	Trading in Hong Kong	100,000 Ordinary shares of HK$1 each	100%
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 Ordinary shares of HK$1 each	100%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 Ordinary shares of HK$1,000 each	100%
XYG (HK) Limited	Hong Kong, limited liability company	Trading in Hong Kong	10,000 Ordinary shares of HK$1,000 each	100%
Shenzhen Yuan Sheng Long Trading Co., Limited	the PRC, limited liability company	Trading of float glass in the PRC	Register capital of RMB1,800,000	100%

8 INTEREST IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Xinyi Automobile Glass (Dongguan) Co., Limited	the PRC, limited liability company	Manufacturing of automobile glass in the PRC	Register capital of US$12,000,000 with total paid-in capital US$10,000,000	100%
Xinyi Automobile Glass (Shenzhen) Co., Limited	the PRC, limited liability company	Manufacturing of automobile glass in the PRC	Register capital of RMB300,000,000	100%
Xinyi Automobile Parts (Dongguan) Co., Limited	the PRC, limited liability company	Manufacturing of automobile glass in the PRC	Register capital of US$3,980,000 with total paid-in capital of US$600,000	100%
Xinyi Automobile Parts (Wuhu) Co., Limited	the PRC, limited liability company	Manufacturing of automobile glass in the PRC	Register capital of US$7,000,000	100%
Xinyi Curtain Wall Decorative Engineering (Shenzhen) Co., Limited	the PRC, limited liability company	Installation of construction glass in the PRC	Register capital of RMB60,000,000	100%
Xinyi Glass Engineering (Dongguan) Co., Limited	the PRC, limited liability company	Manufacturing of construction glass in the PRC	Register capital of US$22,800,000	100%
Xinyi Glass Technology (Shenzhen) Co., Limited	the PRC, limited liability company	Manufacturing of construction glass in the PRC	Register capital of HK$20,000,000	100%
Xinyi Glass (Tianjin) Co., Limited	the PRC, limited liability company	Manufacturing of automobile glass in the PRC	Register capital of US$3,000,000 with total paid-in capital US$450,000	100%

8 INTEREST IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Xinyi Plastic Products (Shenzhen) Development Co., Limited	the PRC, limited liability company	Manufacturing of rubber trim for automobile glass in the PRC	Register capital of HK$11,000,000	100%
Xinyi Ultra-thin Glass (Dongguan) Co., Limited	the PRC, limited liability company	Manufacturing of float glass in the PRC	Register capital of US$29,800,000 with total paid-in capital US$20,981,800	100%
YiDe Glass (Shenzhen) Development Co., Limited	the PRC, limited liability company	Manufacturing of construction glass in the PRC	Register capital of HK$30,000,000	100%
Xinyi Glass (America) Development Inc.	Canada, limited liability company	Sale agent in Canada	120,000 common shares of CAD1 each	58.3%
Xinyi Glass (North America) Inc.	Canada, limited liability company	Sale agent in Canada	120,000 common shares of CAD1 each	58.3%
Xinyi Automobile Glass (BVI) Company Limited *	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorized 100,000 ordinary shares of US$1 each. 55,000 ordinary shares of US$1 each were issued.	100%
Xinyi Glass (Germany) Limited	The British Virgin Islands, limited liability company	Sale agent in Europe	10,000 common shares of US$1 each	60%

* Shares held directly by the Company.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2005 HK$'000
Beginning of the year	472
Exchange differences	9
End of the year	481

As at 31 December 2005, the carrying amount for available-for-sale financial assets was approximate to its fair value, accordingly, there was no change in fair value recorded in equity. All available-for-sale financial assets are unlisted equity securities. There were no disposals or impairment provisions on available-for-sale financial assets in 2005.

10 INVESTMENT SECURITIES – GROUP

All investment securities as at 31 December 2004 were unlisted equity securities carried at cost. The investment securities were subsequently accounted for as available-for-sale financial assets (see note 9) in year ended 31 December 2005.

11 INTEREST IN AN ASSOCIATE – GROUP

	2005 HK$'000
Beginning of year	—
Capital contribution	5,769
Loan advanced to associate	6,144
	11,913
Share of associate's results	
- loss before taxation	(2)
- taxation	—
	(2)
End of the year	11,911

Details of the Group's interest in the associate are as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenues	Profit/(loss)	% Interest held
			HK$'000	HK$'000	HK$'000	HK$'000	
Beihai Yiyang Mineral Co., Ltd	Register capital of RMB20,000,000	the PRC	25,375	6,144	Nil	(9)	30%

12 INVENTORIES – GROUP

	2005 HK$'000	2004 HK$'000
Raw materials	134,487	84,798
Work in progress	11,901	9,499
Finished goods	89,275	72,545
Less: provision for impairment of obsolete inventories	(448)	(2,665)
	235,215	164,177

The Group reversed HK$ 2,217,000 (2004: provision of impairment of HK$331,000) of a previous inventory write down, such reversal has been included in administrative expense in the income statement.

As at 31 December 2005, the carrying amounts of inventories that were carried at net realizable value amounted to nil (2004: HK$1,166,000).

13 TRADE AND OTHER RECEIVABLES – GROUP

	2005 HK$'000	2004 HK$'000
Trade receivables *(note (a))*	303,009	227,759
Bills receivables *(note (b))*	32,010	5,043
	335,019	232,802
Less: provision for impairment of receivables *(note (c))*	(407)	(4,006)
Trade and bills receivables – net	334,612	228,796
Prepayment, deposits and other receivables	41,343	47,368
Due from related companies	—	88
	375,955	276,252

13 TRADE AND OTHER RECEIVABLES – GROUP *(Continued)*

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

The ageing analysis of the Group's trade receivable is as follow:

	2005 HK$'000	2004 HK$'000
0 – 90 days	**252,738**	190,538
91 – 180 days	**32,091**	24,242
181 – 365 days	**13,103**	7,391
1 – 2 years	**4,498**	3,780
Over 2 years	**579**	1,808
	303,009	227,759

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

The Group recorded impairment of trade receivable of HK$2,953,000 by directly wrote off the receivable balances (2004: provision of HK$470,000) and wrote off provision of HK$3,599,000 (2004: HK$341,000). Such impairment has been included in administrative expenses in the income statement.

(b) Bills receivables have maturities ranging from 3 to 6 months.

(c) The carrying amounts of trade and other receivables approximate their fair values.

14 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2005 HK$'000	2004 HK$'000
Contract cost incurred plus attributable profits less foreseeable losses to date	**45,040**	54,033
Less: Progress billings to date	**(25,829)**	(52,196)
Amounts due from customers for contract work	**19,211**	1,837

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**92,364**	223,113	**11**	10
Short-term bank deposits	**48,523**	25,214	**—**	—
	140,887	248,327	**11**	10

The effective interest rate on short-term bank deposits was 2.5% (2004: 0.7%); these short-term bank deposits have an average maturity of 7 days.

Cash and cash equivalents included in the cash flow statement represent:

	Group	
	2005	2004
	HK$'000	HK$'000
Total bank balances and cash *(note (a))*	**140,887**	248,327
Less: Pledged bank deposits *(note (b))*	**(11,108)**	(24,618)
	129,779	223,709

Notes:

(a) As at 31 December 2005, bank balances and cash of approximately RMB56,018,000 (equivalent to HK$53,863,000) (2004: RMB148,154,000 (equivalent to HK$139,767,925)) was denominated in Renminbi and kept in the PRC. The remittance of these funds out the PRC is subject to the foreign exchange control restriction imposed by the government of the PRC.

(b) The pledged bank deposits represent deposits pledged to banks for securing banking facilities granted to the Group's subsidiaries. (Note 30)

16 SHARE CAPITAL

	Note	Number of shares	Ordinary shares of HK$0.1 each HK$'000	Share premium HK$'000	Total HK$'000
Authorised:					
Upon incorporation on 25 June 2004 and as at 31 December 2004	(a)	3,800,000	380	—	380
Increase in authorized share capital	(e)	2,496,200,000	249,620	—	249,620
At 31 December 2005		2,500,000,000	250,000	—	250,000
Issued and fully paid:					
Allotted and issued, nil paid					
- on 25 June 2004	(a)	1	—	—	—
- on 22 July 2004	(b)	999	—	—	—
On acquisition of Xinyi Automobile Glass (BVI) Co., Ltd. ("Xinyi BVI")					
- consideration shares issued	(c)	97,000	10	—	10
New issue of shares converted for convertible note	(d)	2,000	—	30,000	30,000
At 31 December 2004		100,000	10	30,000	30,010
Allotted and issued, nil paid					
- on 18 January 2005	(e)	1,124,900,000	—	—	—
New issue of shares	(f)	417,944,000	41,794	794,094	835,888
Share issuance costs	(f)	—	—	(40,923)	(40,923)
Capitalisation of share premium account	(e)	—	112,490	(112,490)	—
At 31 December 2005		1,542,944,000	154,294	670,681	824,975

16 SHARE CAPITAL *(Continued)*

Notes:

(a) The Company was incorporated in the Cayman Islands on 25 June 2004 with authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each. Upon incorporation, one subscriber share was issued at par.

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

(c) Under a reorganisation which took place on 30 December 2004 for the preparation for the listing of the Company's shares on the Stock Exchange, 97,000 ordinary shares of HK$0.1 each were allotted and issued in consideration of the acquisition by the Company of the entire issued share capital of Xinyi (BVI) as fully paid to the then shareholders of Xinyi (BVI).

(d) 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 were credited to share premium account of the Company.

(e) Pursuant to a resolution of the shareholders passed on 18 January 2005, the authorised 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 of HK$0.1 each. Pursuant to the resolution, 1,124,900,000 shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.1 each to the then existing shareholders of the Company in proportion to their respective shareholding by the capitalisation of HK$112,490,000 from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Company's shares on the Stock Exchange.

(f) On the Listing Date, 375,000,000 shares were issued to the public at a premium of HK$1.9 for cash totalling HK$750,000,000.

On 3 March 2005, 42,944,000 shares were issued to the public at a premium of HK$1.9 for cash totalling HK$85,888,000 pursuant to the exercise of over-allotment option under the listing of the Company's share 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.

17 OTHER RESERVES – GROUP

	Statutory reserve fund *(note a)* HK$'000	Enterprise expansion fund *(note a)* HK$'000	Translation HK$'000	Capital reserve *(note b)* HK$'000	Total HK$'000
Balance at 1 January 2004	15,427	7,105	(2,942)	11,840	31,430
Transfer from retained earnings	18,337	9,169	—	—	27,506
Currency translation differences	—	—	5,787	—	5,787
Balance at 31 December 2004	33,764	16,274	2,845	11,840	64,723
Balance at 1 January 2005, as per above	33,764	16,274	2,845	11,840	64,723
Reserve utilized	—	(323)	—	—	(323)
Transfer from retained earnings	25,892	12,946	—	—	38,838
Currency translation differences	381	798	18,076	—	19,255
Balance at 31 December 2005	60,037	29,695	20,921	11,840	122,493

Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in China and regulations by certain subsidiaries which are the wholly owned foreign enterprises incorporated in China. These funds are appropriated from net profit as recorded in China statutory accounts of the respective group companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

Prior to 2003, the boards of directors of the respective group companies did not resolve to appropriate any of the companies' profit to the statutory reserve fund and enterprise expansion fund as there was a re-investment of dividends declared by the respective subsidiaries in China as additional capital contributions in one of these subsidiaries. During the year ended 31 December 2005, the boards of directors of the group companies resolved to appropriate approximately HK$25,892,000 (2004: HK$18,337,000) and HK$12,946,000 (2004: HK$9,169,000) from retained earnings to the statutory reserve fund and enterprise expansion fund respectively. Approximately HK$323,000 (2004: Nil) enterprise expansion fund was utilised for building of staff facilities during the year ended 31 December 2005.

(b) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the a group reorganisation in 2004.

18 TRADE AND OTHER PAYABLES – GROUP

	2005 HK$'000	2004 HK$'000
Trade payables *(note (a))*	71,378	63,298
Bills payables *(note (b))*	84,673	50,094
	156,051	113,392
Accruals and other payable	150,865	88,944
	306,916	202,336

Notes:

(a) The ageing analysis of the trade payables were as follows:

	2005 HK$'000	2004 HK$'000
0 – 90 days	68,408	56,906
91 – 180 days	2,898	6,236
181 – 365 days	15	96
1 – 2 years	—	60
Over 2 years	57	—
	71,378	63,298

(b) Bills payables have maturities ranging from 3 to 6 months.

19 BANK BORROWINGS

	Group	
	2005	2004
	HK$'000	HK$'000
Non-current		
Secured	**137,000**	92,000
Unsecured	**—**	68,303
	137,000	160,303
Less: Current portion	**(11,417)**	—
Shown as non-current liabilities	**125,583**	160,303
Current		
Secured	**120,000**	115,676
Unsecured	**76,923**	326,129
	196,923	441,805
Current portion of non-current borrowings	**11,417**	—
Shown as current liabilities	**208,340**	441,805
Total bank borrowings	**333,923**	602,108

Details off the Group's banking facilities are set out in note 30.

The maturity of bank borrowings is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within 1 year	**208,340**	441,805
Between 1 and 2 years	**45,668**	75,970
Between 2 and 5 years	**79,915**	84,333
	333,923	602,108

19 BANK BORROWINGS *(Continued)*

The carrying amounts of the bank borrowings are denominated in the following currencies:

	Group	
	2005	2004
	HK$'000	HK$'000
Hong Kong dollar	**257,000**	204,771
Renminbi	**76,923**	342,737
US dollar	**—**	54,600
	333,923	602,108

The carrying amounts of bank borrowings approximate their fair values.

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

	2005			2004		
	HK$	**RMB**	**USD**	HK$	RMB	USD
Bank borrowings	**4.9%**	**4.7%**	**—**	1.8%	5.0%	2.7%

20 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets:				
- Deferred tax asset to be recovered after more than 12 months	**(852)**	(2,207)	**(127)**	—
- Deferred tax asset to be recovered within 12 months	**—**	—	**—**	—
	(852)	(2,207)	**(127)**	—
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	**—**	—	**—**	—
- Deferred tax liabilities to be settled within 12 months	**110**	461	**—**	—
	110	461	**—**	—
	(742)	(1,746)	**(127)**	—

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(1,746)**	(2,402)	**—**	—
Recognized in the income statement *(note 24)*	**1,004**	656	**(127)**	—
End of the year	**(742)**	(1,746)	**(127)**	—

20 DEFERRED INCOME TAX *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Accelerated tax depreciation Group HK$'000	Accelerated tax depreciation Company HK$'000
At 1 January 2004	2,424	—
Recognized in the income statement	(1,551)	—
At 31 December 2004	873	—
Recognized in the income statement	273	—
At 31 December 2005	1,146	—

Deferred tax assets:

	Tax losses Group HK$'000	Tax losses Company HK$'000
At 1 January 2004	(4,826)	—
Recognized in the income statement	2,207	—
At 31 December 2004	(2,619)	—
Recognized in the income statement	731	(127)
At 31 December 2005	(1,888)	(127)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

21 EXPENSES BY NATURE

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

	2005 HK$'000	2004 HK$'000
Depreciation and amortisation	**55,433**	35,351
Employee benefit expense *(Note 22)*	**101,473**	78,542
Cost of inventories	**841,678**	619,671
Other selling expenses (including transportation and advertising)	**88,399**	45,196
Operating lease charges in respect of land and buildings	**2,454**	1,691
Exchange (gain)/losses, net	**(2,239)**	1,171
Impairment of trade and other receivables, net	**2,953**	470
(Impairment reversal)/impairment of inventory, net	**(2,217)**	331
Auditors' remuneration	**2,044**	1,134
Others	**31,224**	18,507
Total of cost of sales, selling and marketing costs and administrative expenses	**1,121,202**	802,064

22 EMPLOYEE BENEFIT EXPENSE

	2005 HK$'000	2004 HK$'000
Wages and salaries	**97,797**	77,800
Pension costs – defined contribution plans *(note (a))*	**3,676**	742
	101,473	78,542

Notes:

(a) Pension costs

The Group operates a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinace of Hong Kong (the "MPF Ordinace"). Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

22 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' and senior management's emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company by the Group are as follows:

The remuneration of every director for the year ended 31 December 2005 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
LEE Yin Yee	—	49	—	—	—	—	49
TUNG Ching Bor	—	441	—	—	12	—	453
TUNG Ching Sai	—	1,337	—	—	12	—	1,349
LEE Shing Put	—	165	—	—	6	—	171
LEE Yau Ching	—	499	—	—	12	—	511
LI Man Yin	—	305	—	—	12	—	317
NG Ngan Ho	—	259	—	—	12	—	271
LI Ching Wai	—	—	—	—	—	—	—
SZE Nang Sze	—	—	—	—	—	—	—
LI Ching Leung	—	213	—	—	9	—	222
LAM Kwong Siu	183	—	—	—	—	—	183
WONG Kong Hon	183	—	—	—	—	—	183
WONG Chat Chor Samuel	183	—	—	—	—	—	183

The remuneration of every director for the year ended 31 December 2004 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
LEE Yin Yee	—	23	—	—	—	—	23
TUNG Ching Bor	—	333	—	—	12	—	345
TUNG Ching Sai	—	925	—	—	12	—	937
LEE Shing Put	—	86	—	—	4	—	90
LEE Yau Ching	—	338	—	—	11	—	349
LI Man Yin	—	252	—	—	11	—	263
NG Ngan Ho	—	215	—	—	11	—	226
LI Ching Wai	—	—	—	—	—	—	—
SZE Nang Sze	—	—	—	—	—	—	—
LI Ching Leung	—	87	—	—	4	—	91
LAM Kwong Siu	—	—	—	—	—	—	—
WONG Kong Hon	—	—	—	—	—	—	—
WONG Chat Chor Samuel	—	—	—	—	—	—	—

None of the directors of the Company waived any emoluments during the year (2004: Nil).

22 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2004: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: four) individuals during the year are as follows:

	2005 HK$'000	2004 HK$'000
- basic salaries and allowances	4,124	9,078
- discretionary and performance bonus	659	—
- contributions to retirement benefit schemes	53	42
	4,836	9,120

The emoluments fell within the following bands:

	Number of individuals	
	2005	2004
Emolument bands		
Nil – HK$1,000,000	1	1
HK$1,000,001 – HK$1,500,000	2	1
HK$1,000,001 – HK$1,500,000	1	—
HK$3,000,000 – HK$3,500,000	—	2
	4	4

23 FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on bank borrowings	11,480	9,718
Less: interest expenses capitalized under construction in progress	(8,866)	(8,262)
	2,614	1,456

24 INCOME TAX EXPENSE

	2005	2004
	HK$'000	HK$'000
Current income tax		
- Hong Kong Profits Tax *(note (a))*	**219**	362
- PRC foreign enterprise income tax *(note (b))*	**18,369**	12,878
- Overseas taxation (refund)/paid *(note (c))*	**(106)**	1,049
- Over provision in prior year	**—**	(268)
Deferred income tax *(note 20)*	**1,004**	656
	19,486	14,677

Notes:

(a) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

(b) PRC foreign enterprise income tax

PRC foreign enterprise income tax ("FEIT") is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. During the year ended 31 December 2003, the Group increased its capital contribution in Xinyi Automobile Glass (Shenzhen) Co., Ltd. ("Xinyi Automobile Shenzhen") by way of reinvestment of dividends declared by certain subsidiaries in the PRC into Xinyi Automobile Shenzhen. As a result, certain portion of the taxable profits of Xinyi Automobile Shenzhen (calculated based on the ratio of additional capital contribution to the total registered capital after the additional capital contribution) is entitled to two years exemption from FEIT starting from the year ended 31 December 2003, to be followed by a 50% reduction of the FEIT rate for the following three consecutive years. The balance of the taxable profits is subject to FEIT at a rate of 15% and is calculated based on the ratio of the paid-up capital before additional capital contributions to the enlarged paid-up capital. Other subsidiaries established in the PRC which had taxable profits for the years ended 31 December 2005 and 2004 were entitled to tax holiday/concession whereby the taxable profits for the years ended 31 December 2005 and 2004 of the relevant subsidiaries were either exempt from FEIT or subject to a reduced FEIT rate of 7.5%.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 31 December 2005 and 2004 at the rates of taxation prevailing in the countries in which the Group operates.

24 INCOME TAX EXPENSE *(Continued)*

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005 HK$'000	2004 HK$'000
Profit before tax	**279,880**	251,641
Calculated at a taxation rate of 15%	**41,982**	37,746
Effect of different taxation rates in other countries	**6,996**	1,462
Preferential tax rates on the income of PRC subsidiaries	**(26,808)**	(20,276)
Income not subject to taxation	**(3,263)**	(4,772)
Expenses not deductible for taxation purposes	**579**	785
Over provision in prior years	**—**	(268)
Tax expense	**19,486**	14,677

The weighted average applicable tax rate was 7.0 % (2004: 5.8%). The increase is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

25 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the separate financial statements of the Company to the extent of HK$200,880,000 (2004: Nil).

26 EARNINGS PER SHARE

BASIC

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2005 HK$'000	2004 HK$'000
Profit attributable to equity holders of the Company	**260,114**	235,835
Weighted average number of ordinary shares in issue (thousands)	**1,503,008**	1,102,562
Basic earnings per share (HK$ per share)	**0.173**	0.214

DILUTED

No diluted earnings per share for the year ended 31 December 2005 is presented as there were no dilutive potential ordinary shares outstanding during the year (2004: Nil).

27 DIVIDENDS

The dividends paid during the year ended 2005 and 2004 were HK$123,435,000 (HK$0.08 per share) and HK$51,197,000 (note (a)) respectively. A dividend in respect of 2005 of HK$0.05 per share, amounting to a total dividend of HK$77,147,000 is to be proposed at the Annual General Meeting on 12 May 2006. These financial statements do not reflect this dividend payable.

	2005 HK$'000	2004 HK$'000
Interim dividend paid of HK$0.03 (2004: N/A *(note a)*) per ordinary share	**46,288**	51,197
Proposed final dividend of HK$0.05 (2004: HK$0.05) per ordinary share	**77,147**	77,147
	123,435	128,344

Note:

(a) The dividend rates and the number of shares ranking for the dividend in respect of the dividend paid by the subsidiaries to its then shareholders before the reorganisation are not presented as such information is not considered meaningful for the purpose of these accounts.

28 CASH GENERATED FROM OPERATIONS

	2005 HK$'000	2004 HK$'000
Profit for the year	**260,394**	236,964
Adjustments for:		
- Income tax expense *(Note 24)*	**19,486**	14,677
- Depreciation and amortisation	**55,433**	35,351
- Loss on disposal of property, plant and equipment and land use rights	**460**	1,511
- Interest income *(Note 5)*	**(3,206)**	(543)
- Interest expense *(Note 23)*	**2,614**	1,456
- Share of associate's result *(Note 11)*	**2**	—
Changes in working capital:		
- Inventories	**(71,038)**	(24,149)
- Amounts due from customers for contract work	**(17,374)**	16,227
- Trade and other receivables	**(99,703)**	(55,626)
- Trade and other payables	**104,580**	17,428
- Amounts due to customers for contract work	**—**	(1,052)
- Due to a related party	**—**	(4,673)
Cash generated from operations	**251,648**	237,571

In the cash flow statement, proceeds from disposal of property, plant and equipment and land use rights comprise:

	2005 HK$'000	2004 HK$'000
Net book amount of land use rights *(Note 6)*	**—**	3,432
Net book amount of property, plant and equipment *(Note 7)*	**829**	1,592
Loss on disposal of property, plant and equipment and land use rights	**(460)**	(1,511)
Proceeds from disposal of property, plant and equipment and land use rights	**369**	3,513

29 CONTINGENCIES

As at 31 December 2005, the Group had no significant contingent liabilities.

The Company has executed guarantees amounting to approximately HK$670 million (2004: Nil) with respect to banking facilities made available to its subsidiaries. As at 31 December 2005, the borrowings outstanding against the facilities amounted to HK$257 million (2004: Nil).

30 BANKING FACILITIES

As at 31 December 2005, the Group's banking facilites totaling approximately HK$959 million were secured by the following:

(a) pledged bank deposits of the Group amounted to approximately HK$11,108,000 (2004: HK$24,618,000) (Note 15);

(b) corporate guarantees provided by the Company;

(c) cross guarantees provided by certain subsidiaries of the Group.

31 COMMITMENTS – GROUP

CAPITAL COMMITMENTS

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

	2005	2004
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**161,746**	149,975

OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2005	2004
	HK$'000	HK$'000
Not later than 1 year	**2,466**	1,729
Later than 1 year and not later than 5 years	**5,922**	3,199
Later than 5 years	**1,240**	1,221
	9,628	6,149

32 RELATED-PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related companies which were carried out in the normal course of the Group's business:

		2005 HK$'000	2004 HK$'000
i)	Sale to		
	- Shenzhen Xinyi Real Estate Developing Co., Ltd	—	1,738
	- Shenzhen Yuan Sheng Long Glass Limited ("YSL Glass")	—	23,628
	- Shenzhen Zhan Bao Development Industrial Co., Ltd	—	106
ii)	Sale to of a property to a related party	—	3,434
iii)	Purchases from YSL Glass	—	1,145
iv)	Services fee paid to		
	- Hui Ke System (Shenzhen) Limited	—	378

Selective financial summary, including selective income statement data and balance sheet data from the results for relevant years presented below were prepared in accordance with HK GAAP.

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,380,777**	1,028,334	800,835	596,558	466,718
Cost of sales	**(901,749)**	(654,781)	(528,951)	(341,581)	(283,925)
Gross Profit	**479,028**	373,553	271,884	254,977	182,793
Other revenue	**22,921**	26,827	10,239	7,464	4,747
Selling and marketing costs	**(147,530)**	(90,751)	(41,861)	(35,749)	(20,426)
Administrative expenses	**(71,923)**	(56,532)	(44,613)	(53,100)	(31,647)
Operating income	**282,496**	253,097	195,649	173,592	135,467
Finance costs	**(2,614)**	(1,456)	(979)	(1,163)	(3,122)
Share of associates result	**(2)**	—	—	—	—
Profit before income taxation	**279,880**	251,641	194,670	172,429	132,345
Income tax	**(19,486)**	(14,677)	(8,856)	(20,345)	(9,860)
Profit after taxation	**260,394**	236,964	185,814	152,084	122,485
Minority interests	**(280)**	(1,129)	(393)	66	(1,123)
Net profit for the year	**260,114**	235,835	185,421	152,150	121,362
Dividends	**123,435**	(128,344)	(12,000)	—	(1,750)

	2005 HK$'000	2004 HK$'000 (Restated)	2003 HK$'000 (Restated)	2002 HK$'000 (Restated)	2001 HK$'000 (Restated)
ASSETS					
Non-current assets					
Leasehold land and land use rights	**120,785**	120,616	46,309	47,214	43,657
Property, plant and equipment	**1,263,353**	636,023	326,795	277,447	129,991
Deposits for property, plant and equipment	**232,385**	158,067	41,368	53,316	27,386
Available-for-sale financial assets	**481**	—	—	—	—
Investment securities	**—**	472	—	—	—
Interest in an associate	**11,911**	—	—	—	—
Deferred income tax assets	**852**	2,207	2,863	—	—
	1,629,767	917,385	417,335	377,977	201,034
Current assets					
Inventories	**235,215**	164,177	140,028	120,624	70,140
Trade and other receivables	**375,955**	276,252	220,626	119,209	78,782
Amounts due from customers for contract work	**19,211**	1,837	18,064	3,687	1,404
Cash and cash equivalents					
Pledged	**11,108**	24,618	77,501	22,971	2,851
Unpledged	**129,779**	223,709	155,905	48,497	68,244
	771,268	690,593	612,124	314,988	221,421
Total assets	**2,401,035**	1,607,978	1,029,459	692,965	422,455
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	**824,975**	30,010	10	10	10
Other reserves	**122,493**	64,723	31,430	11,863	1,887
Retained earnings					
- Proposed final dividend	**77,147**	77,147	—	—	—
- Others	**722,947**	625,106	545,121	394,232	242,082
	1,747,562	796,986	576,561	406,105	243,979
Minority interest	**2,517**	2,132	1,549	2,024	2,090
Total equity	**1,750,079**	799,118	578,110	408,129	246,069

	2005 HK$'000	2004 HK$'000 (Restated)	2003 HK$'000 (Restated)	2002 HK$'000 (Restated)	2001 HK$'000 (Restated)
LIABILITIES					
Non-current liabilities					
Bank borrowings	**125,583**	160,303	—	—	—
Deferred income tax liabilities	**110**	461	461	—	—
	125,693	160,764	461	—	—
Current liabilities					
Trade and other payables	**306,916**	202,336	336,862	265,186	139,580
Due to customers on construction contracts	**—**	—	1,052	469	—
Bank borrowings	**208,340**	441,805	101,955	473	28,547
Current income tax liabilities	**10,007**	3,955	11,019	18,708	8,259
	525,263	648,096	450,888	284,836	176,386
Total liabilities	**650,956**	808,860	451,349	284,836	176,386
Total equity and liabilities	**2,401,035**	1,607,978	1,029,459	692,965	422,455
Net current assets	**246,005**	42,497	161,236	30,152	45,035
Total assets less current liabilities	**1,875,772**	959,882	578,571	408,129	246,069