



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)

2006 Interim Report (

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Financial Highlights

	Six months ended 30 June 2006	2005	Year ended 31 December 2005
(in HK\$000)			
Turnover	701,579	601,459	1,380,777
Profit before taxation	145,344	124,724	279,880
Profit attributable to Company's shareholders	140,030	112,410	260,114
Dividends	64,186	46,285	123,435
Equity attributable to Company's shareholders	<u>1,995,111</u>	<u>1,626,861</u>	<u>1,747,562</u>
(number of ordinary shares ("Share") in '000)			
Weighted average number of Shares in issue	<u>1,551,469</u>	<u>1,503,472</u>	<u>1,503,008</u>
(in HK Cents)			
Earnings per Share attributable to Company's shareholders	9.00	7.50	17.30
Dividends per Share	4.00	3.00	5.00
Equity attributable to Company's shareholders per Share	<u>128.59</u>	<u>108.21</u>	<u>116.27</u>



Chairman's Statement

BUSINESS REVIEW

Continuing the impressive performance in previous years, Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") recorded a remarkable business growth for the period ended 30 June 2006. Turnover and net profit reached HK\$701.6 million and HK\$140.0 million, respectively, representing a year-on-year increase of 16.6% and 24.6% as compared to HK\$601.5 million and HK\$112.4 million in the six months ended 30 June 2005.

BUSINESS OUTLOOK

2006 is another milestone year for the Group. In addition to achieving significant turnover growth in the first half of the year, we continue to be the largest automobile glass and windshield exporter in PRC, a position we have been maintaining since 2004.

We achieved impressive growth in the first half of 2006. Our turnover grew by approximately 16.6% to approximately HK\$701.6 million. This was primarily due to the substantial increase of sales of the Group's automobile glass products to overseas markets, such as North America, Europe, Australia and New Zealand. Our worldwide marketing strategy has successfully strengthened our long-term partnership with selected automobile manufacturers and wholesalers in different regions that contributed to the significant growth during the period.

Our construction glass business also experienced healthy improvement with operating result increased by 65.4% to approximately HK\$30.1 million. This was a result of our continued efforts to strengthen our distribution network, improve our product quality and production efficiency. The market trend of using environmental friendly and energy saving low emission coated glass, as advocated in the "Eleventh Five Years Plan" of PRC, also contributed to the positive segmental result.

The 700 tonnes high quality float glass line started its commercial production in June 2006 while the 500 tonnes automobile glass grade float glass line will start its commercial production in third quarter of the year. Running a vertical integrated of float glass production, the Group has better control on cost and logistics on its quality float glass supply and is able to widen its product mix.

With oil price standing persistently high, people are looking for more economical and environmental energy resources and solar energy appears to be the most abundant and clean. We believe the new investment in ultra-clear photovoltaic glass production which supplies transparent glass cover on the solar panels in solar energy systems would generate promising return in coming years. The project cost is estimated to be approximately HK\$450.0 million and is expected to commence production in the fourth quarter of 2007.

To safeguard our leadership in the global glass market, we have set up a new Research and Development Centre to enhance our product quality and product mix, and to explore new product trends. The centre is headed by Mr. J. J. YANG who is one of the leading national experts in the glass industry. Solar X, the latest self developed automobile glass, will set a new benchmark for the industry.

Looking ahead, the Group foresees a healthy growth for both aftermarket automobile glass and construction glass in PRC and overseas. In particular, our Directors believe that the overseas automobile glass market will continue to grow as more major international glass manufacturers keep outsourcing their production to manufacturers in the PRC. We have established closed partnerships with our major overseas customers in order to implement our worldwide market strategy. We will also focus on exploring new overseas customers in Europe, Middle East, Japan and Asia where we have lot of room to expand.

At the same time, we are positive about our business prospects in PRC. New OEM customers in automobile and bus windshield sector will be the major contributors to the healthy growth in the PRC. They will continue to be our revenue drivers in the future. We also expect the sales of low-emission glass, our prime construction glass product, to increase as it continues to gain popularity.

LEE Yin Yee

Chairman

Hong Kong, 31 August 2006

OPERATIONAL REVIEW

TURNOVER

The turnover growth was mainly attributable to the significant surge in automobile glass sales to North America at a considerable increase in orders from several major customers in the automobile glass aftermarket in the region. Our sales to North America increased by approximately HK\$80.9 million, or 39.4% in compare with the six months ended 30 June 2005. The North America continued to be our largest overseas market.

In addition, the approximately HK\$22.8 million increase in domestic sales in Mainland China (the “PRC”) also contributed significantly to our overall turnover growth. The growth in PRC was mainly attributable to the growth of our automobile glass business, thanks in particular to orders from our major OEM customers.

GROSS PROFIT

Our cost of sales for the six months ended 30 June 2006 increased by approximately 13.2%, alongside the increase in turnover. Our gross profit was approximately HK\$254.7 million for the period ended 30 June 2006, representing an increase of approximately 23.3% compared with the same period in 2005. Our overall gross profit margin increased slightly from approximately 34.3% in 2005 to approximately 36.3% in 2006. The increase in overall gross margin was mainly due to our better cost control, improving production efficiency and better product mix (i.e. more profitable low-emission construction glass sold) in the first half of the year.

OTHER GAIN

Our other gain was approximately HK\$19.0 million for the six months ended 30 June 2006, compared to approximately HK\$8.7 million in the same period in 2005. The increase was mainly attributable to the increase in government grants received in PRC under the “tax refund on reinvestment” scheme. For the six months ended 30 June 2006, we received approximately HK\$7.2 million government grants, representing an increase of approximately HK\$3.0 million over the amount for the six months ended 30 June 2005. We expect more government grants to be approved and received in second half of the year.

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

Our EBIT increased by approximately 15.7% for the six months ended 30 June 2006 as compared to the same period in 2005, which was in line with our increase in turnover and operating profit.

TAXATION

Our taxation was HK\$7.2 million for the six months ended 30 June 2006. Our effective tax rate decreased significantly by approximately 33.9% to approximately 4.9% as more of our new subsidiaries in PRC are eligible for the tax exemption scheme this year.

NET PROFIT FOR THE PERIOD

Our net profit for the six months ended 30 June 2006 was approximately HK\$140.0 million, representing an increase of approximately 24.6%, compared with the same period in 2005. Our net profit margin for the period increased from approximately 18.7% from 2005 to approximately 20.0%. The improvement was the result of our better cost control and improving production efficiency.

THE PLACING

We raised a net proceed of approximately HK\$186.3 million through the issue and allotment of 61,718,000 new Shares, representing approximately 4.0% and 3.8% of our issued share capital immediately before and after the placing and subscription, in June 2006. Such net proceeds would be used to provide part of the funding for the investment in the production facilities of Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited. Such placing broadened the Group's shareholder base and capital base, and increased the liquidity of our Shares.

CAPITAL EXPENDITURE

For the six months ended 30 June 2006, a total of HK\$214.5 million had been used to purchase machinery and equipment, construct factories and establish float glass production lines in our Dongguan production complex, and also to renovate in our Shenzhen production complex.

FINANCIAL RESOURCES AND LIQUIDITY

In 2006, our primary source of funding included cash generated from operating activities, share placement and credit facilities provided by our principal banks in Hong Kong and PRC. As at 30 June 2006, our net cash inflow from operating activities amounted to approximately HK\$128.1 million (2005: HK\$46.7 million). During the same period, we had balances of cash and bank overdrafts of approximately HK\$131.5 million (2005: approximately HK\$182.1 million).



Condensed Consolidated Balance Sheet

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		As at	
	Note	30 June 2006 (Unaudited)	31 December 2005 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	119,458	120,785
Property, plant and equipment	6	1,629,264	1,263,353
Available-for-sale financial assets		481	481
Interest in an associate		11,535	11,911
Deferred income tax assets		716	852
Deposits for property, plant and equipment		55,113	232,385
		<u>1,816,567</u>	<u>1,629,767</u>
Current assets			
Inventories		334,375	235,215
Trade and other receivables	7	471,824	375,955
Amounts due from customers for contract work		28,586	19,211
Financial assets at fair value through			



Condensed Consolidated Balance Sheet

Condensed Consolidated Income Statement

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	2006	2005
Sales	4	701,579	601,459
Cost of sales	12	(446,868)	(394,896)
Gross profit		254,711	206,563
Other gain	4	19,046	8,683
Selling and marketing costs	12	(76,030)	(59,038)
Administrative expenses	12	(51,053)	(29,579)
Operating profit		146,674	126,629
Finance costs	13	(1,217)	(1,905)
Share of associate's results		(113)	—
Profit before income tax		145,344	124,724
Income tax expense	14	(7,151)	(10,819)
Profit for the period		138,193	113,905
Attributable to:			
Equity holders of the Company		140,030	112,410
Minority interest		(1,837)	1,495
		138,193	113,905
Interim dividend		64,186	46,288
Earnings per Share for profit			
attributable to the equity holders of the Company during the period (expressed in HK Cents per share)		HK Cents per Share	HK Cents per Share
– basic	16	9.0	7.5
– diluted	16	9.0	N/A

The notes on pages 14 to 36 are an integral part of these condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Unaudited Attributable to equity holders of the Company				Total
		Share capital	Other reserves	Retained earnings	Minority interest	
Balance at 1 January 2005		30,010	64,723	702,253	2,132	799,118
Profit for the period		—	—	112,410	1,495	113,905
		<u>30,010</u>	<u>64,723</u>	<u>814,663</u>	<u>3,627</u>	<u>913,023</u>
Proceeds from Shares issued		794,612	—	—	31	794,643
Dividends paid to minority shareholders		—	—	—	(180)	(180)
Dividends relating to 2004	15	—	—	(77,147)	—	(77,147)
		<u>794,612</u>	<u>—</u>	<u>(77,147)</u>	<u>(149)</u>	<u>717,516</u>
Balance at 30 June 2005		<u>824,622</u>	<u>64,723</u>	<u>737,516</u>	<u>3,478</u>	<u>1,630,339</u>
Balance at 1 January 2006		824,975	122,493	800,094	2,517	1,750,079
Currency translation differences		—	(2,228)	—	—	(2,228)
Profit for the period		—	—	140,030	(1,837)	138,193
		<u>824,975</u>	<u>120,265</u>	<u>940,124</u>	<u>680</u>	<u>1,886,044</u>
Proceeds from Shares issued	8	191,326	—	—	—	191,326
Share issuance costs		(4,977)	—	—	—	(4,977)
Contribution from minority shareholders		—	—	—	610	610
Dividends paid to minority shareholders		—	—	—	(2,412)	(2,412)
Share-base payment		—	545	—	—	545
Dividends relating to 2005	15	—	—	(77,147)	—	(77,147)
		<u>186,349</u>	<u>545</u>	<u>(77,147)</u>	<u>(1,802)</u>	<u>107,945</u>
Balance at 30 June 2006		<u>1,011,324</u>	<u>120,810</u>	<u>862,977</u>	<u>(1,122)</u>	<u>1,993,989</u>

The notes on pages 14 to 36 are an integral part of these consolidated financial information.

Condensed Consolidated Cash Flow Statement

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
Note	2006	2005
Cash flows from operating activities		
Cash generated from operations	150,720	60,192
Interest paid	(9,453)	(5,192)
Income tax paid	(13,172)	(8,285)
Net cash generated from operating activities	128,095	

Condensed Consolidated Cash Flow Statement

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Unaudited Six months ended 30 June	
Note	2006	2005
Net increase/(decrease) in cash and cash equivalents	3,989	(45,528)
Cash and cash equivalents at beginning of the year	129,779	227,587
Exchange difference on cash and cash equivalents	(2,228)	—
Cash and cash equivalents at 30 June	<u>131,540</u>	<u>182,059</u>

The notes on pages 14 to 36 are an integral part of these condensed consolidated financial informations.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

1 GENERAL INFORMATION

The Company and the Group is principally engaged in the production and sales of automobile, construction and float glass products, which are carried out internationally, through production complexes located in 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 ordinary 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 unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 is presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The address of the principal place of business in Hong Kong is 95-99 Fuk Hi Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated and has been approved for publication by the Board of Directors on 31 August 2006.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’ and should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 39, Amendment to “The fair value option”, effective for annual periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group’s financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss;
- Amendment to HKAS 21, Amendment “Net investment in a foreign operation”, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Amendment to HKAS 39 and Hong Kong Financial Reporting Standards (“HKFRS”) 4, Amendment “Financial guarantee contracts”, effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;
- Hong Kong (International Financial Reporting Interpretations Committee)-Interpretations (“HK(IFRIC)-Int”) 4, “Determining whether an arrangement contains a lease”, effective for annual periods beginning on or after 1 January 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17, “Leases”. However, these leases are operating leases, and their reclassification has had no impact on the expense recognised in respect of them;

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

3 ACCOUNTING POLICIES *(Continued)*

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK (IFRIC)-Int 7, “Applying the Restatement Approach under HKFRS 29”, effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group;
- HK (IFRIC)-Int 8, “Scope of HKFRS 2”, effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of HK (IFRIC)-Int 8 on the Group’s operations;
- HK (IFRIC)-Int 9, “Reassessment of Embedded Derivatives”, effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assess if embedded derivative should be separated using principles consistent with HK (IFRIC)-Int 9; and
- HKFRS 7, “Financial instruments: Disclosures”, effective for annual periods beginning on or after 1 January 2007. HKAS 1, “Amendments to capital disclosures”, effective for annual periods beginning on or after 1 January 2007. 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 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.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION

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

	For the six months ended 30 June	
	2006	2005
Turnover		
Sales of goods	674,267	562,471
Construction contract revenue	27,312	38,988
	<u>701,579</u>	<u>601,459</u>
Other gain		
Interest income	1,533	2,109
Government grants (<i>Note</i>)	7,192	4,233
Rental income	821	329
Royalty income	1,130	1,108
Net gain on disposal of available-for-sale securities	7,832	—
Sundry income	538	904
	<u>19,046</u>	<u>8,683</u>

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 by a subsidiary in PRC and received by certain subsidiaries in PRC as additional capital contributions. Such grants were approved by the local tax bureau in accordance with relevant tax law of PRC. All of the approved grants were recognized in the period of receipt.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

At 30 June 2006, the Group was organized into three main business segments:

- Automobile glass – Manufacturing and sales of automobile glass
- Construction glass – Manufacturing, sales and installation of construction glass
- Float glass – Manufacturing and sales of float glass

The segment results for the period ended 30 June 2006 are as follows:

	Automobile glass (Unaudited)	Construction glass (Unaudited)	Float glass (Unaudited)	Group (Unaudited)
Sale				
Total gross segment sales	518,289	178,223	14,530	711,042
Inter-segment sales	—	—	(9,463)	(9,463)
External sales	518,289	178,223	5,067	701,579

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(Continued)*

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

	Automobile glass (Unaudited)	Construction glass (Unaudited)	Float glass (Unaudited)	Group (Unaudited)
Total gross segment and external sales	426,344	175,115	—	601,459
Segment results	101,944	18,214	(936)	119,222
Unallocated other gain				8,683
Unallocated costs				(1,276)
Operating profit				126,629
Finance costs <i>(Note 13)</i>				(1,905)
Profit before income tax				124,724
Income tax expense <i>(Note 14)</i>				(10,819)
Profit for the period				113,905

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(Continued)*

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

	Six months ended 30 June 2006				
	Automobile		Construction		
	glass	glass	Float glass	Unallocated	Group
Depreciation <i>(Note 6)</i>	21,859	9,129	4,714	24	35,726
Amortization <i>(Note 5)</i>	521	74	732	—	1,327

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

The segment assets and liabilities at 30 June 2006 and capital expenditure for the six months ended 30 June 2006 then ended are as follows:

	Automobile		Construction		
	glass	glass	Float glass	Unallocated	Group
Assets	1,144,392	450,237	1,141,396	63,065	2,799,090
Associate	—	—	11,535	—	11,535
Total assets	<u>1,144,392</u>	<u>450,237</u>	<u>1,152,931</u>	<u>63,065</u>	<u>2,810,625</u>
Total current liabilities	<u>372,723</u>	<u>76,323</u>	<u>257,274</u>	<u>110,316</u>	<u>816,636</u>
Capital expenditure	<u>42,751</u>	<u>3,353</u>	<u>168,370</u>	<u>74</u>	<u>214,548</u>

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION *(Continued)*

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS *(Continued)*

The segment assets and liabilities at 31 December 2005 and capital expenditure for the six months ended 30 June 2005 are as follows:

	Automobile Construction				
	glass	glass	Float glass	Unallocated	Group
Assets	1,047,305	515,886	799,487	26,446	2,389,124
Associate	—	—	11,911	—	11,911
	<u>1,047,305</u>	<u>515,886</u>	<u>811,398</u>	<u>26,446</u>	<u>2,401,035</u>
Total assets	<u>1,047,305</u>	<u>515,886</u>	<u>811,398</u>	<u>26,446</u>	<u>2,401,035</u>
Total current liabilities	<u>273,086</u>	<u>41,033</u>	<u>216,454</u>	<u>120,383</u>	<u>650,956</u>
Capital expenditure	<u>62,785</u>	<u>1,102</u>	<u>285,781</u>	<u>21</u>	<u>349,689</u>

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

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

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The Group's revenue is mainly derived from customers located in the Greater China (including Hong Kong and PRC) 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.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION *(Continued)*

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS *(Continued)*

Sales

	For the six months ended 30 June	
	2006	2005
North America	286,157	205,236
Greater China <i>(Note (a))</i>	262,676	239,845
Australia and New Zealand	45,058	40,202
Europe	33,111	28,118
Other countries <i>(Note (b))</i>	74,577	88,058
	<u>701,579</u>	<u>601,459</u>

Notes:

- (a) Greater China includes the PRC and Hong Kong.
- (b) Other countries included countries in Africa, South America, Asia (other than Greater China and Hong Kong) and Middle East.

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

Total assets

	As at	
	30 June 2006	31 December 2005
Hong Kong	315,467	334,972
PRC	2,485,105	1,681,103
Canada	8,542	21,564
Japan	877	—
	<u>2,809,991</u>	<u>2,037,639</u>

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4 SEGMENT INFORMATION *(Continued)*

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS *(Continued)*

Capital expenditures

	For the six months ended 30 June	
	2006	2005
Hong Kong	155	58,213
PRC	214,200	291,454
Canada	148	22
Japan	45	—
	214,548	349,689

5 LEASEHOLD LAND AND LAND USE RIGHTS

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:

	As at	
	30 June 2006	31 December 2005
In Hong Kong, held on:		
Leases of between 10 to 50 years	4,026	4,074
Outside Hong Kong, held on:		
Land use rights of between 10 to 50 years	115,432	116,711
	119,458	120,785



Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8 SHARE CAPITAL

	Note	Number of Shares	Ordinary shares of HK\$0.1 each HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorized:					
At 30 June 2006 and 31 December 2005		2,500,000,000	250,000	—	250,000
Issued and fully paid:					
As at 1 January 2006		1,542,944,000	154,294	670,681	824,975
New issue of Shares	(a)	61,718,000	6,172	185,154	191,326
Share issuance costs		—	—	(4,977)	(4,977)
		61,718,000	6,172	180,177	186,349
As at 30 June 2006		1,604,662,000	160,466	850,858	1,011,324

Notes:

- (a) On 25 May 2006, the Company entered into a placing agreement pursuant to which on 6 June 2006, 61,718,000 new Shares were allotted and issued by the Company at a placing price of HK\$3.1 per Share for cash totalling HK\$191,326,000. These Shares rank pari passu in all respects with the then existing Shares in issued.

Details of share options granted by the Company pursuant to the share option schemes adopted by the Company and the share options outstanding at 30 June 2006 are as follows:

Grant date	Exercise price HK\$	Exercisable period	Granted	Lapsed	As at 30/06/2006
27/01/2006	2.15	28/01/2008- 26/01/2009	8,520,000	(570,000)	7,950,000

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9 RESERVE

	Statutory reserve fund	Enterprise expansion fund	Translation	Capital reserve	Employee Share-base payment reserve	Total
Balance at 1 January 2006	60,037	29,695	20,921	11,840	—	122,493
Currency translation differences	—	—	(2,228)	—	—	(2,228)
Share-base payment	—	—	—	—	545	545
	—	—	(2,228)	—	545	(1,683)
Balance at 30 June 2006	60,037	29,695	18,693	11,840	545	120,810

10 TRADE AND OTHER PAYABLES

	As at	
	30 June 2006	31 December 2005
Trade payables (Note (a))	88,692	71,378
Bills payables (Note (b))	155,614	84,673
	244,306	156,051
Accruals and other payables	235,216	150,865
	479,522	306,916

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

10 TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	As At	
	30 June 2006	31 December 2005
0 – 90 days	86,311	68,408
91 – 180 days	1,668	2,898
181 – 365 days	631	15
1 – 2 years	25	—
Over 2 years	57	57
	<u>88,692</u>	<u>71,378</u>

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

11 BANK BORROWINGS

	As at	
	30 June 2006	31 December 2005
Non-current		
Secured	137,000	137,000
Less: Current portion	(34,250)	(11,417)
Shown as non-current liabilities	<u>102,750</u>	<u>125,583</u>
Current		
Secured	100,000	120,000
Unsecured	96,154	76,923
	<u>196,154</u>	<u>196,923</u>
Current portion of non-current borrowings	34,250	11,417
Shown as current liabilities	<u>230,404</u>	<u>208,340</u>
Total bank borrowings	<u><u>333,154</u></u>	<u><u>333,923</u></u>

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

11 BANK BORROWINGS (Continued)

The maturity of bank borrowings is as follows:

	As at	
	30 June 2006	31 December 2005
Within 1 year	230,404	208,340
Between 1 and 2 years	102,750	125,583
	<u>333,154</u>	<u>333,923</u>

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

	As at	
	30 June 2006	31 December 2005
Hong Kong dollar	237,000	257,000
Renminbi	96,154	76,923
	<u>333,154</u>	<u>333,923</u>

The carrying amounts of bank borrowings approximate their fair values.

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

	30 June 2006		31 December 2005	
	RMB	HK\$	RMB	HK\$
Bank borrowings	<u>4.7%</u>	<u>5.4%</u>	<u>4.7%</u>	<u>4.9%</u>

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

12 EXPENSES BY NATURE

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

	For the six months ended 30 June	
	2006	2005
Cost of inventories	426,554	368,982
Depreciation and amortization	37,054	20,288
Employee benefit expense	30,345	20,558
Exchange losses, net	800	996
Goodwill	255	—
Impairment of trade and other receivables, net	54	185
Impairment reversal of inventory, net	—	(2,217)
Operating lease charges in respect of land and buildings	1,867	1,531
Other selling expenses (including transportation and advertising costs)	46,677	36,657
Others	30,345	36,533
Total of cost of sales, selling and marketing costs and administrative expenses	573,951	483,513

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

13 FINANCE COSTS

	For the six months ended 30 June	
	2006	2005
Interest on bank borrowings	9,453	5,192
Less: interest expenses capitalized under construction in progress	(8,236)	(3,287)
	<u>1,217</u>	<u>1,905</u>

14 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2006	2005
Current income tax		
– Hong Kong Profits Tax	234	262
– PRC foreign enterprise income tax	6,055	7,979
– Overseas taxation	459	1,044
Deferred income tax	403	1,534
	<u>7,151</u>	<u>10,819</u>

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15 DIVIDENDS

	For the six months ended	
	30 June 2006	30 June 2005
Final dividends paid for 2005 of 5.0 HK Cents (2004: 5.0 HK Cents) per Share	77,147	77,147
Interim dividend of 4.0 HK Cents (2005: 3.0 HK Cents) per ordinary Share	64,186	46,288
	<u>141,333</u>	<u>123,435</u>

Note: At a Board of Directors' meeting held on 31 August 2006 the Directors declared an interim dividend of 4.0 HK Cents per Share for the period ending 30 June 2006. This interim dividend is not reflected as a dividends payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of retained earning for the year ending 31 December 2006.

16 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 Shares in issue during the period.

	For the six months ended	
	30 June 2006	30 June 2005
Profit attributable to equity holders of the Company	140,030	112,410
Weighted average number of Shares in issue (thousands)	<u>1,551,469</u>	<u>1,503,472</u>
Basic earnings per Share (HK Cents per Share)	<u>9.0</u>	<u>7.5</u>

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

16 EARNINGS PER SHARE *(Continued)*

Diluted

Diluted earnings per Share is calculated adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential Shares. The diluted potential Share of the Company is share options. The adjustment for share options is determined by the number of Shares that could have been acquired at fair value (determined as the average annual market share price of the Shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of Shares calculated as above is compared with the number of Shares that would have been issued assuming the exercise of the share options.

	For the six months ended 30 June 2006
Profit attributable to equity holders of the Company and use to determine diluted earnings per Share	140,030
Weighted average number of Shares in issue (thousands)	1,551,469
Adjustments for share options (thousands)	1,298
Weighted average number of ordinary shares for diluted earnings per Shares (thousands)	1,552,767
Basic earnings per share (HK Cents per Share)	9.0

No diluted earnings per Share have been presented for the period ended 30 June 2005 as there were no dilutive potential ordinary Share for the period.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17 BUSINESS COMBINATIONS

On 9 June 2006, the Group acquired 100% of the share capital of Conson Investment Limited, a BVI investment holding company which hold 100% interest in 康臣塑膠製品(深圳)有限公司 (“Kangchen Plastic (Shenzhen) Company Limited”) a rubber and plastic product manufacturing company in PRC.

Details of net assets acquired and goodwill are as follows.

	For the six months ended 30 June 2006
Purchase consideration.	
– Cash paid	5,000
Fair value of net acquired – shown as below	(4,745)
Goodwill	255

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of Conson Investment Limited.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17 BUSINESS COMBINATIONS *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	For the six months ended 30 June 2006
Cash and cash equivalents	2,174
Property, plant and equipment (Note 6)	3,294
Inventories	1,354
Receivables	1,237
Payables	(3,314)
Net assets acquired	4,745
Purchase consideration settled in cash	5,000
Cash and cash equivalents in subsidiary acquired	(2,174)
Cash outflow on acquisition	2,826

There were no acquisitions in the period ended 30 June 2005.

Notes to the Condensed Consolidated Financial Information

(All amounts in Hong Kong dollar thousands unless otherwise stated)

18 COMMITMENTS

Capital commitments

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

	As at	
	30 June 2005	30 June 2004
Property, plant and equipment		
Contracted but not provided for	44,227	263,825
	<u>44,227</u>	<u>263,825</u>

19 EVENTS AFTER THE BALANCE SHEET DATE

Save as disclosed to elsewhere in this consolidated accounts, no other significant event has taken place subsequent 30 June 2006.

INTERIM DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Directors are pleased to declare an interim dividend of 4.0 HK cents per Share for the six months ended 30 June 2006, to be paid to shareholders whose names appear on the Register of Members of the Company at the close of business on 20 September 2006.

Our Company's register of members will be closed from Monday, 18 September 2006 to Wednesday, 20 September 2006 (both days inclusive), during such period no transfer of our Shares will be registered. In order to qualify for the interim dividend, all transfer of our Shares accompanied by the relevant Share certificates must be lodged with our Company's

AUDIT COMMITTEE

The Company's audit committee, comprising three independent non-executive Directors, has reviewed our unaudited consolidated interim results for the six months ended 30 June 2006.

REMUNERATION COMMITTEE

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

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

As at 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares 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 executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

Information Provided in Accordance with the Listing Rules

THE COMPANY

Long position in the Shares

Name of Director	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	25.21%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. TUNG Ching Bor	Interest of a controlled corporation (Note b)	148,837,500	9.27%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. TUNG Ching Sai	Interest of a controlled corporation (Note c)	148,837,500	9.27%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. LI Ching Wai	Interest of a controlled corporation (Note d)	66,150,000	4.12%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. NG Ngan Ho	Interest of a controlled corporation (Note e)	44,100,000	2.74%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. LI Man Yin	Interest of a controlled corporation (Note f)	44,100,000	2.74%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. SZE Nang Sze	Interest of a controlled corporation (Note g)	60,637,500	3.77%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%
Mr. LI Ching Leung	Interest of a controlled corporation (Note h)	44,100,000	2.74%
	Interest of a controlled corporation (Note i)	2,804,000	0.17%

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.

Information Provided in Accordance with the Listing Rules

- (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.
- (i) The interests in the Shares of Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LI Ching Wai, Mr. NG Ngan Ho, Mr. LI Man Yin, Mr. SZE Nang Sze and Mr. LI Ching Leung are held through Fu Guang Limited ("Fu Guang"), a company incorporated in the BVI with limited liability on 19 December 2005. Fu Guang is owned by Mr. LEE Yin Yee as to 36.7%, Mr. TUNG Ching Bor as to 13.5%, Mr. TUNG Ching Sai as to 13.5%, Mr. LI Ching Wai as to 6.0%, Mr. NG Ngan Ho as to 4.0%, Mr. LI Man Yin as to 4.0%, Mr. SZE Nang Sze as to 5.5% and Mr. LI Ching Leung as to 4.0%.

Information Provided in Accordance with the Listing Rules

ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate shareholding percentage
Realbest			

Information Provided in Accordance with the Listing Rules

- (p) Perfect All is wholly-owned by Mr. LI Man Yin.
- (q) Goldpine is wholly-owned by Mr. SZE Nang Sze.
- (r) Herosmart is wholly-owned by Mr. LI Ching Leung.
- (s) Fu Guang is owned by Mr. LEE Yin Yee as to 36.7%, Mr. TUNG Ching Bor as to 13.5%, Mr. TUNG Ching Sai as to 13.5%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 12.8%, Mr. LI Ching Wai as to 6.0%, Mr. NG Ngan Ho as to 4.0%, Mr. LI Man Yin as to 4.0%, Mr. SZE Nang Sze as to 5.5% and Mr. LI Ching Leung as to 4.0%.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2006, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying share 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 Shareholders	Number of Shares held	Capacity	Percentage of the Company's issued share capital
Realbest	404,617,500	Beneficial owner	25.21%
High Park	148,837,500	Beneficial owner	9.27%
Copark	148,837,500	Beneficial owner	9.27%
Telerich Investment Limited (<i>Note</i>)	141,120,000	Beneficial owner	8.79%

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

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee (*Chairman*) ^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

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COMPLIANCE ADVISER

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

LEGAL ADVISERS AS TO HONG KONG LAW

Squire, Sanders & Dempsey
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
Bank of China, 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

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P. O. Box 1350 GT, Clifton House, 75 Fort
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<http://www.xinyiglass.com>

SHARE INFORMATION

Place of listing: The Stock Exchange of
Hong Kong Limited
Stock code: 0868
Listing date: 3 February 2005
Board lot: 2,000 Shares
Financial year end: 31 December
Share price as at the date of this interim
report: HK\$2.49
Market capitalisation as at the date of this
interim report: Approximately HK\$3,996
million

KEY DATES

Closure of register of members:
18 September 2006 to 20 September 2006
(both days inclusive)
Date of payment of interim dividend:
28 September 2006