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信義玻璃控股有限公司
XINYI GLASS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00868)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Glass Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

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

		As at	
		30 June 2009	31 December 2008
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	358,473	362,800
Property, plant and equipment	6	4,344,778	3,972,031
Investment property		10,927	10,927
Deposits for property, plant and equipment and land use rights		230,825	280,871
Intangible assets		97,891	90,048
Available-for-sale financial assets		569	569
Interest in an associate		15,388	15,889
Deferred tax assets		5,218	—
		5,064,069	4,733,135
Current assets			
Inventories		603,643	612,134
Trade and other receivables	7	741,982	661,275
Amounts due from customers for contract work		43,257	48,828
Financial assets at fair value through profit or loss		3,827	—
Pledged bank deposits		6,831	6,854
Cash and cash equivalents		461,724	435,712
		1,861,264	1,764,803
Total assets		6,925,333	6,497,938

		As at	
		30 June	31 December
		2009	2008
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	177,305	168,808
Share premium		2,334,024	1,829,174
Other reserves	9	731,931	728,323
Retained earnings			
– Dividend		106,383	151,475
– Others		1,611,489	1,491,552
		<u>4,961,132</u>	<u>4,369,332</u>
Minority interests		19,293	20,204
		<u>4,980,425</u>	<u>4,389,536</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	11	306,783	484,079
Deferred income tax liabilities		1,744	1,044
		<u>308,527</u>	<u>485,123</u>
Current liabilities			
Trade payables, accruals and other payables	10	1,105,214	879,291
Amounts due to customers for contract work		71	71
Bank borrowings	11	502,291	722,391
Current income tax liabilities		28,805	21,526
		<u>1,636,381</u>	<u>1,623,279</u>
Total liabilities		<u>1,944,908</u>	<u>2,108,402</u>
Total equity and liabilities		<u>6,925,333</u>	<u>6,497,938</u>
Net current assets		<u>224,883</u>	<u>141,524</u>
Total assets less current liabilities		<u>5,288,952</u>	<u>4,874,659</u>

Condensed Consolidated Income Statement

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

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2009	2008
Revenue	4	1,628,249	1,883,530
Cost of sales	12	(1,165,743)	(1,232,355)
Gross profit		462,506	651,175
Other income	4	2,395	1,944
Other gains - net	4	102,648	29,360
Selling and marketing costs	12	(129,588)	(161,749)
Administrative expenses	12	(171,967)	(64,103)
Operating profit		265,994	456,627
Finance income	13	2,869	2,986
Finance costs	13	(10,207)	(25,771)
Share of profit of an associate		131	16
Profit before income tax		258,787	433,858
Income tax expense	14	(32,455)	(24,235)
Profit for the period		<u>226,332</u>	<u>409,623</u>
Attributable to:			
Equity holders of the Company		225,183	402,088
Minority interests		1,149	7,535
		<u>226,332</u>	<u>409,623</u>
Interim dividend	15	<u>106,383</u>	<u>185,539</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per share)			
– Basic	16	<u>13.3</u>	<u>23.8</u>
– Diluted	16	<u>13.3</u>	<u>23.7</u>

Condensed Consolidated Statement of Comprehensive Income

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

	Unaudited	
	Six months ended 30 June	
	2009	2008
Profit for the period	<u>226,332</u>	<u>409,623</u>
Other comprehensive income		
Currency translation differences	<u>(4,992)</u>	<u>242,659</u>
Other comprehensive income for the period	<u>(4,992)</u>	<u>242,659</u>
Total comprehensive income for the period	<u><u>221,340</u></u>	<u><u>652,282</u></u>
Total comprehensive income attributable to:		
Equity holders of the Company	220,203	644,747
Minority interests	<u>1,137</u>	<u>7,535</u>
	<u><u>221,340</u></u>	<u><u>652,282</u></u>

Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to equity holders of the Company					Total
		Share capital	Share premium	Other reserves	Retained earnings	Minority interests	
Balance at 31 December 2008 and 1 January 2009		168,808	1,829,174	728,323	1,643,027	20,204	4,389,536
Currency translation differences	9	—	—	(4,980)	—	(12)	(4,992)
Profit for the period		—	—	—	225,183	1,149	226,332
		—	—	(4,980)	225,183	1,137	221,340
Proceeds from share issued		9,000	513,000	—	—	—	522,000
Share issuance costs		—	(8,521)	—	—	—	(8,521)
Proceeds from issue of shares under the share option scheme	8	15	371	(57)	—	—	329
Share options expired for the period		—	—	—	1,137	—	1,137
Repurchase of the Company's shares – Nominal value of shares cancelled	8	(518)	—	518	—	—	—
Contribution from minority shareholders		—	—	—	—	19	19
Repurchase of share in a subsidiary		—	—	—	—	(2,067)	(2,067)
Share-based payment		—	—	8,127	—	—	8,127
Dividend relating to 2008	15	—	—	—	(151,475)	—	(151,475)
		8,497	504,850	8,588	(150,338)	(2,048)	369,549
Balance at 30 June 2009		177,305	2,334,024	731,931	1,717,872	19,293	4,980,425

Unaudited Attributable to equity holders of the Company						
<i>Note</i>	Share capital	Share premium	Other reserves	Retained earnings	Minority interests	Total
Balance at 31 December 2007 and 1 January 2008	172,344	2,073,287	454,085	1,345,363	443	4,045,522
Currency translation differences	—	—	242,659	—	—	242,659
Profit for the period	—	—	—	402,088	7,535	409,623
	—	—	242,659	402,088	7,535	652,282
Proceeds from issue of shares under the share option scheme	232	4,769	(1,836)	1,836	—	5,001
Repurchase of the Company's shares						
– Nominal value of shares repurchased and cancelled	(3,714)	—	3,714	(3,714)	—	(3,714)
– Premium paid on repurchase	—	(231,183)	—	—	—	(231,183)
Contribution from minority shareholders	—	—	—	—	102	102
Dividend paid to minority shareholders	—	—	—	—	(224)	(224)
Share-based payment	—	—	6,434	—	—	6,434
Dividend relating to 2007	15	—	—	(168,793)	—	(168,793)
	(3,482)	(226,414)	8,312	(170,671)	(122)	(392,377)
Balance at 30 June 2008	168,862	1,846,873	705,056	1,576,780	7,856	4,305,427

Condensed Consolidated Cash Flow Statement

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2009	2008
Cash flows from operating activities			
Cash generated from operations		535,719	623,720
Interest paid		(13,636)	(25,771)
Income tax paid		(29,694)	(7,546)
Net cash generated from operating activities		492,389	590,403
Cash flows from investing activities			
Payment for capital expenditure		(420,340)	(587,143)
Proceeds from disposals of property, plant and equipment		1,181	10,293
Purchase of financial assets at fair value through profit or loss		(16,155)	(18,615)
Disposal of financial assets at fair value through profit or loss		12,832	7,163
Capital contribution to an associate		—	(8,777)
Loans advances to an associate		(19,538)	(14,727)
Loans repayments from an associate		20,126	14,663
Interest received		2,869	2,571
Net cash used in investing activities		(419,025)	(594,572)
Cash flows from financing activities			
Net proceeds from new shares issued under a share option scheme	8	329	5,001
Net proceeds from new shares issued		513,479	—
Proceeds from bank borrowings		354,140	971,095
Repayments of bank borrowings		(751,494)	(474,603)
Contribution from minority shareholders		19	102
Decrease/(increase) in pledged bank deposits		23	(79,627)
Repurchase of shares		—	(234,897)
Dividends paid to shareholders of the Company	15	(151,475)	(168,793)
Dividends paid to minority shareholders		—	(224)
Repurchase of share in a subsidiary		(7,954)	—
Net cash (used in)/generated from financing activities		(42,933)	18,054
Net increase in cash and cash equivalents		30,431	13,885
Cash and cash equivalents at beginning of the period		435,712	309,506
Exchange difference on cash and cash equivalents		(4,419)	24,318
Cash and cash equivalents at 30 June		461,724	347,709

Notes to the condensed consolidated financial information

1 General information

Xinyi Glass Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) is principally engaged in the production and sales of automobile glass, construction glass, float glass and photovoltaic glass products through production complexes located in the People’s Republic of China (the “**PRC**”).

This unaudited condensed consolidated financial information is presented in Hong Kong dollars, which is the same as the functional currency of the Group.

The principal place of business of the Group in Hong Kong is situated at 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 Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Directors on 31 August 2009.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements (the income statement and the statement of comprehensive income). The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments', HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group has applied HKFRS 8 from 1 January 2009.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Directors that makes strategic decisions.

Goodwill is allocated by Directors to groups of cash-generating units on a segment level. Goodwill relating to the share repurchased from a subsidiary, Xinyi Glass (North America) Inc. in the period has been allocated to the automobile glass segment. The change in reportable segments has not resulted in any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. No comparatives for 2008 have been restated.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009 but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'.
- HKFRS 2 (amendment), 'Share-based payment'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK (IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 amendment, 'Financial instruments: Recognition and measurement'.

- HK (IFRIC) 13, ‘Customer loyalty programmes’.
- HK (IFRIC) 15, ‘Agreements for the construction of real estate’.
- HK(IFRIC) 16, ‘Hedges of a net investment in a foreign operation’.
- HKAS 39 (amendment), ‘Financial instruments: Recognition and measurement’.

4 Segment information

The Group is principally engaged in the production and sale of automobile glass, construction glass and float glass and photovoltaic glass products. Revenue recognised by the Group is as follows:

	For the six months ended 30 June	
	2009	2008
Revenue		
Sales of goods	1,624,303	1,865,363
Construction contract revenue	3,946	18,167
	<u>1,628,249</u>	<u>1,883,530</u>
Other income		
Rental income	<u>2,395</u>	<u>1,944</u>

Other gains

Other gains mainly represent refunds of the overpaid export VAT rebate to certain PRC subsidiaries of the Group in relation to a number of qualified export sales contracts. The related overpaid export VAT rebate was paid between July 2007 and December 2008. Such refunds were approved by the PRC national tax bureau in accordance with relevant tax law of PRC. All of the refunds were recognised in the period of receipt.

Primary reporting format – business segments

At 30 June 2009, the Group was organised into three main business segments:

- Automobile glass – Manufacturing and sales of automobile glass and related plastic and rubber components.
- Construction glass – Manufacturing, sales and installation of construction glass.
- Float glass – Manufacturing and sales of float glass and photovoltaic glass.

Revenue consists of external revenue from these three main business segments.

The segment results for the period ended 30 June 2009 are as follows:

	Automobile glass <i>(Unaudited)</i>	Construction glass <i>(Unaudited)</i>	Float glass <i>(Unaudited)</i>	Group <i>(Unaudited)</i>
Revenue				
Total gross segment revenue	870,206	264,450	733,790	1,868,446
Inter-segment revenue	—	—	(240,197)	(240,197)
	<hr/>	<hr/>	<hr/>	<hr/>
External revenue	870,206	264,450	493,593	1,628,249
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	231,061	48,575	16,206	295,842
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated other income				4,560
Unallocated costs				(34,408)
				<hr/>
Operating profit				265,994
Finance income (Note 13)				2,869
Finance costs (Note 13)				(10,207)
Share of profit of an associate	—	—	131	131
	<hr/>	<hr/>	<hr/>	<hr/>
Profit before income tax				258,787
Income tax expense (Note 14)				(32,455)
				<hr/>
Profit for the period				<u>226,332</u>

The segment results for the period ended 30 June 2008 are as follows:

	Automobile glass <i>(Unaudited)</i>	Construction glass <i>(Unaudited)</i>	Float glass <i>(Unaudited)</i>	Group <i>(Unaudited)</i>
Revenue				
Total gross segment revenue	987,356	319,262	863,140	2,169,758
Inter-segment sales	—	—	(286,228)	(286,228)
	<hr/>	<hr/>	<hr/>	<hr/>
External revenue	987,356	319,262	576,912	1,883,530
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	265,727	61,201	147,489	474,417
	<hr/>	<hr/>	<hr/>	<hr/>
Unallocated other income				7,937
Unallocated costs				(25,727)
				<hr/>
Operating profit				456,627
Finance income (Note 13)				2,986
Finance costs (Note 13)				(25,771)
Share of profit of an associate	—	—	16	16
	<hr/>	<hr/>	<hr/>	<hr/>
				433,858
				<hr/>
Profit before income tax				433,858
Income tax expense (Note 14)				(24,235)
				<hr/>
Profit for the period				409,623
				<hr/> <hr/>

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

	Six months ended 30 June 2009				Group
	Automobile glass	Construction glass	Float glass	Unallocated	
Depreciation (Note 6)	43,146	18,640	58,330	791	120,907
Amortisation					
– Land use rights	1,344	348	2,038	269	3,999
– Intangible assets	686	—	503	—	1,189

	Six months ended 30 June 2008				Group
	Automobile glass	Construction glass	Float glass	Unallocated	
Depreciation	44,584	12,849	55,459	1,010	113,902
Amortisation					
– Land use rights	923	218	589	131	1,861
– Intangible assets	703	—	—	—	703

The segment assets and liabilities at 30 June 2009 and capital expenditure for the period then ended are as follows:

	Automobile glass	Construction glass	Float glass	Unallocated	Group
Assets	2,118,228	1,132,957	3,514,560	144,200	6,909,945
Associate	—	—	15,388	—	15,388
Total assets	<u>2,118,228</u>	<u>1,132,957</u>	<u>3,529,948</u>	<u>144,200</u>	<u>6,925,333</u>
Liabilities	<u>549,704</u>	<u>159,613</u>	<u>467,270</u>	<u>768,321</u>	<u>1,944,908</u>
Capital expenditure	<u>30,367</u>	<u>6,738</u>	<u>421,349</u>	<u>140</u>	<u>458,594</u>

The segment assets and liabilities at 31 December 2008 and capital expenditure for the six month ended 30 June 2008 then ended are as follows:

	Automobile glass	Construction glass	Float glass	Unallocated	Group
Assets	2,109,146	1,147,658	3,031,319	193,926	6,482,049
Associate	—	—	15,889	—	15,889
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>2,109,146</u>	<u>1,147,658</u>	<u>3,047,208</u>	<u>193,926</u>	<u>6,497,938</u>
Liabilities	<u>480,389</u>	<u>217,391</u>	<u>435,603</u>	<u>975,019</u>	<u>2,108,402</u>
Capital expenditure	<u>113,090</u>	<u>140,513</u>	<u>295,355</u>	<u>10</u>	<u>548,968</u>

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

Segment liabilities consist primarily of trade payables, accruals and other payables and specific borrowings utilised in the identifiable segments but exclude general borrowings.

Capital expenditure comprises additions of property, plant, equipment, leasehold land and land use rights and intangible assets.

5 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 values are analysed as follows:

	As at	
	30 June 2009	31 December 2008
In Hong Kong, held on:		
Lease of between 10 to 50 years	2,838	2,876
Outside Hong Kong, held on:		
Land use rights of between 10 to 50 years	<u>355,635</u>	<u>359,924</u>
	<u>358,473</u>	<u>362,800</u>

	As at	
	30 June 2009	31 December 2008
Beginning balance	362,800	146,892
Exchange differences	(328)	9,954
Addition	—	212,627
Amortisation of prepaid operating lease payments	<u>(3,999)</u>	<u>(6,673)</u>
	<u>358,473</u>	<u>362,800</u>

6 Property, plant and equipment – Group

	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
Opening net book amount as at 1 January 2009	723,297	735,344	2,501,984	11,406	3,972,031
Exchange differences	(465)	(643)	(2,270)	(9)	(3,387)
Additions	494,085	3,308	10,323	924	508,640
Transfer upon completion	(283,164)	101,991	181,121	52	—
Disposals	—	(2,236)	(8,694)	(669)	(11,599)
Depreciation	—	(14,416)	(104,674)	(1,817)	(120,907)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing net book amount as at 30 June 2009	<u>933,753</u>	<u>823,348</u>	<u>2,577,790</u>	<u>9,887</u>	<u>4,344,778</u>

7 Trade and bills receivables – Group

	As at	
	30 June 2009	31 December 2008
Trade receivables (note (a))	546,542	511,581
Less: provision for impairment of receivables (note (b))	<u>(20,179)</u>	<u>(12,474)</u>
	526,363	499,107
Bills receivables (note (c))	<u>68,430</u>	<u>76,383</u>
Trade and bills receivables — net	594,793	575,490
Prepayments, deposits and other receivables	<u>147,189</u>	<u>85,785</u>
	<u>741,982</u>	<u>661,275</u>

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2009 and 31 December 2008, the ageing analysis of the Group's trade receivables were as follows:

	As at	
	30 June 2009	31 December 2008
0-90 days	432,297	458,850
91-180 days	62,999	23,139
181-365 days	35,451	14,274
1-2 years	10,643	10,049
Over 2 years	5,152	5,269
	<u>546,542</u>	<u>511,581</u>

- (b) The carrying amounts of trade and other receivables approximate at their fair values.
- (c) The maturities of bills receivables are ranging within six months.

8 Share capital

	<i>Note</i>	Number of Shares	Ordinary shares of HK\$0.1 each	Share premium	Total
Authorised:					
As at 30 June 2009 and 31 December 2008		2,500,000,000	250,000	—	250,000
Issued and fully paid:					
As at 1 January 2009		1,688,075,460	168,808	1,829,174	1,997,982
Issue of shares under the share option scheme	(a)	153,000	15	371	386
Cancelled of shares during the period	(b)	(5,178,000)	(518)	—	(518)
New issue of shares	(c)	90,000,000	9,000	504,479	513,479
		<u>1,773,050,460</u>	<u>177,305</u>	<u>2,334,024</u>	<u>2,511,329</u>

Notes:

- (a) During the period, the Company allotted and issued 153,000 shares of HK\$0.1 each at HK\$2.15 per share upon the exercise of certain share options under the Share Option Scheme adopted by the Company on 18 January 2005. The total proceeds from issue of these shares amounted to approximately HK\$329,000.
- (b) During the period, the repurchased shares by the Company on 31 December 2008 were cancelled. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premium paid on these shares upon repurchase was charged against the share premium account. An amount equivalent to the par value of the shares repurchased and cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK\$0.10 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$
December 2008	5,178,000	2.22	1.96	10,973,000

- (c) In June 2009, 90,000,000 shares of HK\$0.1 each were allotted and issued by the Company by way of placing at HK\$5.80 each, resulting in net cash proceeds of HK\$513,479,000 received by the Company. These shares rank *pari passu* in all respects with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.
- (d) Details of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	5.09	39,936	5.22	21,354
Granted	3.44	11,144	4.67	24,259
Exercised	2.15	(153)	2.15	(2,327)
Lapsed	5.46	(2,383)	5.21	(1,757)
Expired	2.15	(4,197)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June	<u>4.95</u>	<u>44,347</u>	<u>5.07</u>	<u>41,529</u>

As at 30 June 2009, no share options were exercisable (2008: 4,836,500).

Share options outstanding at the end of the period have the following expiry date and exercise price:

Expiry date	Exercise price in HK dollar per share	Options (thousands)
30 June 2011	6.98	11,274
31 Mar 2012	3.44	11,144
19 April 2013	4.67	21,929
		<u>44,347</u>

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited. The value of share options granted during the period was based on the following assumptions:

Date of grant	31 March 2009
Option valued	HK\$1.08
Share price at the date of grant	HK\$3.44
Exercisable price	HK\$3.44
Expected volatility	66.21%
Annual risk-free interest rate	0.97%
Life of option	3 years
Dividend yield	5.81%

9 Reserve – Group

	Statutory reserve fund	Enterprise expansion fund	Foreign currency translation reserve	Capital reserve	Share options reserve	Property revaluation reserve	Capital redemption reserve	Total
Balance at 1 January 2009	243,304	45,908	403,095	11,840	18,767	624	4,785	728,323
Currency translation differences	(221)	(42)	(4,717)	—	—	—	—	(4,980)
Proceeds from issue of shares under the share option scheme	—	—	—	—	(1,194)	—	—	(1,194)
Employees' share option scheme: – value of employee services	—	—	—	—	9,264	—	—	9,264
Share repurchase cancellation (Note 8)	—	—	—	—	—	—	518	518
Balance at 30 June 2009	<u>243,083</u>	<u>45,866</u>	<u>398,378</u>	<u>11,840</u>	<u>26,837</u>	<u>624</u>	<u>5,303</u>	<u>731,931</u>

10 Trade and other payables – Group

	As at	
	30 June 2009	31 December 2008
Trade payables (note (a))	255,437	192,116
Bills payables (note (b))	461,077	277,823
	<u>716,514</u>	<u>469,939</u>
Accruals and other payables	388,700	409,352
	<u>1,105,214</u>	<u>879,291</u>

Notes:

(a) At 30 June 2009 and 31 December 2008, the ageing analysis of the trade payables were as follows:

	As at	
	30 June 2009	31 December 2008
0-90 days	241,748	177,044
91-180 days	9,932	8,754
181-365 days	1,375	2,103
1-2 years	1,726	3,121
Over 2 years	656	1,094
	<u>255,437</u>	<u>192,116</u>

(b) The maturities of bills payables are within 6 months.

11 Bank borrowings – Group

	As at	
	30 June 2009	31 December 2008
Non-current		
Unsecured	609,673	734,079
Less: Current portion	<u>(302,890)</u>	<u>(250,000)</u>
Shown as non-current liabilities	306,783	484,079
Current		
Unsecured	199,401	472,391
Current portion of non-current borrowings	<u>302,890</u>	<u>250,000</u>
Shown as current liabilities	<u>502,291</u>	<u>722,391</u>
Total bank borrowings	<u>809,074</u>	<u>1,206,470</u>

The bank borrowings were covered by corporate guarantees provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

At 30 June 2009 and 31 December 2008, the Group's bank borrowing were repayable as follows:

	As at	
	30 June 2009	31 December 2008
Within 1 year	502,291	722,391
Between 1 and 2 years	168,281	291,717
Between 2 and 5 years	138,502	192,362
	<u>809,074</u>	<u>1,206,470</u>

At 30 June 2009 and 31 December 2008, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2009	31 December 2008
Hong Kong dollar	510,931	680,847
Renminbi	—	227,480
US dollar	298,143	298,143
	<u>809,074</u>	<u>1,206,470</u>

The carrying amounts of bank borrowings approximate at their fair values as at 30 June 2009 and 31 December 2008.

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

	30 June 2009		31 December 2008		
	HK\$	US\$	HK\$	US\$	RMB
Bank borrowings	1.6%	1.7%	1.7%	2.9%	5.5%

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	
	2009	2008
Depreciation and amortisation	127,101	116,466
Employee benefit expense	126,377	150,774
Cost of inventories	807,674	821,766
Other selling expenses (including transportation and advertising costs)	56,336	97,586
Operating lease charges in respect of land and buildings	2,168	1,966
Foreign exchange loss/(gain), net	5,825	(43,947)
Impairment/(reversal of impairment) of trade and other receivables, net	14,513	(157)
Other expenses, net	327,304	313,753
	<u>1,467,298</u>	<u>1,458,207</u>
Total of cost of sales, selling and marketing costs and administrative expenses	<u>1,467,298</u>	<u>1,458,207</u>

13 Finance income and finance costs

Finance income

	For the six months ended 30 June	
	2009	2008
Interest income on short-term bank deposits	2,119	2,571
Interest income on loan advanced to an associate	750	415
	<u>2,869</u>	<u>2,986</u>

Finance costs

	For the six months ended 30 June	
	2009	2008
Interest on bank borrowings	13,636	25,771
Less: interest expenses capitalised under construction in progress	(3,429)	—
	<u>10,207</u>	<u>25,771</u>

14 Income tax expense

	For the six months ended 30 June	
	2009	2008
Current income tax		
– Hong Kong profits tax	757	6,691
– PRC foreign enterprise income tax	30,595	9,019
– Overseas taxation	5,622	8,781
Deferred income tax	(4,519)	(256)
	<u>32,455</u>	<u>24,235</u>

15 Dividends

	For the six months ended 30 June	
	2009	2008
Final dividend paid for 2008 of 9.0 HK cents (2007: 10.0 HK cents) per share	151,475	168,793
Interim dividend of 6.0 HK cents (2008: 11.0 HK cents) per share	<u>106,383</u>	<u>185,539</u>
	<u>257,858</u>	<u>354,332</u>

Note: At a meeting of the Board held on 31 August 2009, the Directors declared an interim dividend of 6.0 HK cents per share for the six months ended 30 June 2009. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be reflected as an appropriation of the retained earnings of the Company for the year ending 31 December 2009.

16 Earnings per share

Basic

Basic earnings per share are 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	
	2009	2008
Profit attributable to equity holders of the Company (HK\$'000)	<u>225,183</u>	<u>402,088</u>
Weighted average number of shares in issue (thousands)	<u>1,696,202</u>	<u>1,690,332</u>
Basic earnings per share (HK cents per share)	<u>13.3</u>	<u>23.8</u>

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 the 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 price of the Company's shares) based on the monetary value of the subscription rights attached to the 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	
	2009	2008
Profit attributable to equity holders of the Company and use to determine diluted earnings per share (HK\$'000)	<u>225,183</u>	<u>402,088</u>
Weighted average number of shares in issue (thousands)	1,696,202	1,690,332
Adjustments for share options (thousands)	<u>764</u>	<u>8,746</u>
Weighted average number of shares for diluted earnings per shares (thousands)	<u>1,696,966</u>	<u>1,699,078</u>
Basic earnings per share (HK cents per share)	<u>13.3</u>	<u>23.7</u>

17 Commitments – Group

Capital commitments

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

	As at	
	30 June 2009	30 June 2008
Property, plant and equipment Contracted but not provided for	1,207,391	646,092
Authorised but not contracted for	318,562	—
	<hr/>	<hr/>
Authorised but not contracted for	1,525,953	646,092
	<hr/> <hr/>	<hr/> <hr/>

18 Business combinations

On 21 May 2009, Xinyi Glass (North America) Inc. a subsidiary of the Group had repurchased its shares from minority shareholders at a consideration of CAD1,274,000. As a result, the Group's interest in the subsidiary increased from 58.3% to 70.0%.

19 Events after the balance sheet date

Save as disclosed elsewhere in this consolidated accounts, no other significant event has taken place subsequent to 30 June 2009.

BUSINESS REVIEW

The Adverse Impact of the Financial Tsunami

During the six months ended 30 June 2009, all business segments of the Group reported weak performance. Overseas sales and sales in the PRC markets were under price pressure with significant decreases in the aggregate demand. Customers also wanted significant price reduction. The float and the ultra-clear photovoltaic glass businesses faced the worst economic environment ever. The aggregate demand for the aftermarket automobile glass in the overseas markets, however, remained stable during the period, even though there were adverse changes to the economic environment. Our float glass business is headquartered in Guangdong Province, China, which has the greatest demand for float glass in the PRC. All of these factors facilitated the Group achieving a reasonable turnover during the six months ended 30 June 2009.

During the six months ended 30 June 2009, the market was volatile and fiercely competitive due to the weakening global economy. The Group nevertheless managed to achieve a reasonable level of profitability by boosting its economies of scale, providing a wide range of glass products and adopting flexible management strategies that assisted the Group to take advantage of different supportive government policies in the PRC.

Volatile Export Market – Increased the sales in China

The overseas markets contracted in the fourth quarter of 2008 and first quarter of 2009 with customers preferring to utilise the accumulated inventories instead of ordering new glass products. With the governments in major countries implementing stimulating monetary policies to ease the credit crunch faced by businesses, the global economy has gradually stabilised since the second quarter of 2009. Overseas purchase orders received by the Group started to increase towards the end of the first quarter of 2009 and additional purchase orders were received in the second quarter of 2009 as customers started to re-stock the glass products.

To minimise the impact of the decrease in overseas sales, especially in North America, the Group actively explored other markets including the Middle East, Africa, Eastern Europe and China domestic market for different glass products. Compared with the same period in 2008, Greater China generated HK\$19.1 million of sales; its share of contribution to the Group's total turnover for the period increased by approximately 1.6 percentage points over last corresponding period to 50.3% of the Group's total turnover.

The Effect of the PRC Economy Stimulation Initiatives

In early 2009, the PRC government rolled out a series of economy stimulation initiatives including policies supporting a number of key industries. For the automobile industry, for example, the PRC government reduced the sales tax to five per cent. for new cars with cylinder of 1.6 liter or smaller. The small automobile and motor subsidy program for rural residents has a positive effect on the demand for automobile glass. These policies have accelerated the increase in the demand and alleviated the pressure on the automobile glass business from the economic downturn.

The stimulating monetary policy in the PRC has encouraged banks to extend credit to businesses with total lending reached more than RMB7 trillion in the first half of 2009. The strong liquidity has boosted the demand for real estate and building projects, and stimulated the consumption in the retail sector. In fact, purchase orders for construction glass are rebounded to the previous level from the historical low level in the first quarter of 2009. The demand for the aftermarket automobile glass in the PRC also improved substantially.

With the improved demand for the automobile and the construction glass products and the decrease in the float glass supply resulting from the reduced number of float glass manufacturers, the demand for float glass is also rebounded from the historical low level in the first quarter of 2009 to the current high level. On the other hand, in order to mitigate the possible risk of high oil price, the Group has implemented appropriate risk management measures to hedge against the increasing prices of heavy oil - which is one of the major production cost items.

As for the ultra-clear photovoltaic glass business, its performance was affected by the weak European market and the worst business environment ever. However, the Directors expect that the use of the solar energy is expected to be encouraged by the “Golden Sun” program under the renewable energy law of the PRC.

BUSINESS OUTLOOK

In the second half of 2009, we will continue to strengthen our operational management to meet the new challenges. Taking into consideration the overall stimulating economic policy of the PRC government, new energy saving standards in construction industry and the renewable energy law in the PRC, we plan to construct new production facilities in the Yangtze River Delta and Pearl River Delta regions. We will focus on the development of the upstream float glass operations and the environmentally friendly, energy efficient and solar-related technologies and glass products to meet the anticipated increasing demand for float glass, low-emission coating glass, double glazing insulated glass and solar related glass products.

The production lines for ultra-clear float glass, ultra-clear photovoltaic glass, Transparent Conductive Oxide (“TCO”) coating glass, and Low-E coating construction glass in phase I of our new Wuhu production complex in the Yangtze River Delta will commence commercial operation in the second half of 2009. These production lines will enhance the Group’s capability to expand market share in the Yangtze River Delta region.

The Group will use natural gas as fuel for the production of float glass and ultra-clear photovoltaic glass at our new production complex in Wuhu, Anhui Province, China. The cost of natural gas is lower and more stable than the cost of heavy oil. The Group targets to use more low-cost fuel and new source of materials with the aim of enhancing the profit margin. Also, the Group will continue to improve the production flow so as to enhance the productivity to offset the increasing production and energy costs.

The Group has proactively and aggressively tackled the recent challenges with success and seized all the opportunities arising from the market changes. Thus, the Directors are optimistic about the development of the Group’s business in the future and will adhere to the proven strategies in the future business development. The objective is to maintain growth and expand the presence in the global glass market.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

With the market reached the historical low in first half of 2009 because of the global financial tsunami, the Group recorded a decrease in business during the six months ended 30 June 2009. Its turnover and net profit were approximately HK\$1,628.2 million and HK\$225.2 million, respectively, representing a decrease by approximately 13.6% and 44.0%, as compared to HK\$1,883.5 million and HK\$402.1 million for the six months ended 30 June 2008.

Turnover

The decrease in turnover for the six months ended 30 June 2009 was mainly attributable to customers in the overseas automobile glass markets turning to using their inventories and the decreased demand in the construction glass and the float glass during the first quarter of 2009. The sales of the ultra-clear photovoltaic glass also decreased in the first half of 2009 because of the weak economic environment in the European countries.

As governments of major countries adopt the stimulating monetary policies to ease the credit crunch faced by businesses, the global economy has become less volatile in the second quarter of 2009. The overseas demand for the automobile glass of the Group has been improving since the end of the first quarter of 2009.

The PRC economic stimulation initiatives for the automobile industry launched in 2009 which improved the domestic demand for the automobile glass, the construction glass and the float glass since the end of the first quarter of 2009 and mitigated the adverse impact due to the significant decrease in demand in the first quarter of 2009.

Gross Profit

In the difficult market environment during the first half of 2009, the Group encountered significant pressure on price reduction, especially on the price of the float glass. However, with the low material costs, the market improvement in the second quarter and the increase in the export VAT rebate by two per cent. to 13% in June 2009, the gross margin of the Group decreased slightly by 6.2 per cent. to 28.4% for the six months ended 30 June 2009.

Other Gains

Other gains for the six months ended 30 June 2009 were approximately HK\$102.6 million, as compared with approximately HK\$29.4 million for the same period in 2008. They comprised of the refunds of the over-paid export VAT in the PRC for a number of qualified export sales contracts. The over-paid export VAT was paid between July 2007 and December 2008.

Administrative Expenses

Administrative expenses increased by approximately 168.3% to approximately HK\$172.0 million for the six months ended 30 June 2009, principally attributable to the foreign exchange loss of approximately HK\$5.8 million (2008: gain of HK\$43.9 million), net impairment of trade and other receivables of approximately HK\$14.5 million (2008: reversal of impairment of HK\$0.2 million), an impairment of fixed assets of approximately HK\$10.2 million (2008: nil) and an increase of R&D expenses of approximately HK\$10.7 million.

Finance Costs

Finance costs decreased by approximately 60.4% to approximately HK\$10.2 million for the six months ended 30 June 2009. The decrease was principally due to the reduced bank borrowings during the period. Some of the interest expenses were capitalised in relation to the acquisition of plant and machinery at our production complex in Wuhu, Anhui Province, China, but they were charged as expenses when the new production lines commenced during the period. Interest of HK\$3.4 million was capitalised under construction-in-progress for the six months ended 30 June 2009.

Earnings Before Interest and Taxes (“EBIT”) and Operating Profit

EBIT decreased by approximately 40.8% for the six months ended 30 June 2009 as compared with the same period in 2008. Such decrease was consistent with the decrease in turnover and the net profit of the Group during the six months ended 30 June 2009.

Taxation

Tax payment amounted to HK\$32.5 million for the six months ended 30 June 2009, with the effective tax rate increased significantly from 5.6% to approximately 12.5% mainly from profit tax charged to the refunds of over-paid export VAT tax.

Net Profit for the Period

Net profit for the six months ended 30 June 2009 was approximately HK\$225.2 million, representing a decrease of approximately 44.0% as compared with the same period in 2008. Net profit margin for the period decreased to approximately 13.8% from 21.4% in the same period in 2008, which was mainly the result of decrease in turnover and sales price in the difficult market environment.

Interim Dividends and Closure of Register of Members

With the Group achieving a reasonable level of profitability for the six months ended 30 June 2009, the Directors are pleased to recommend and declare an interim dividend of 6.0 HK cents per share for the six months ended 30 June 2009 (2008: 11.0 HK cents), to be paid to all shareholders of the Company with their names recorded on the register of members of the Company at the close of business on Thursday, 17 September 2009.

The Company's register of members will therefore be closed from Tuesday, 15 September 2009 to Thursday, 17 September 2009 (both days inclusive), and during such period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 14 September 2009.

Capital Expenditure

For the six months ended 30 June 2009, the Group incurred an aggregate amount of approximately HK\$458.6 million for purchase of plant and machinery, land use rights, construction of factory premises and the float glass production lines at the Group's production complexes in China.

Net Current Assets

As at 30 June 2009, the Group had net current assets of approximately HK\$224.9 million.

Financial Resources and Liquidity

In 2009, the Group's primary source of funding included cash generated from operating activities and credit facilities provided by principal banks in Hong Kong and China and issuance of new shares with gross proceeds amounting in aggregate to approximately HK\$552.0 million in June 2009. As at 30 June 2009, net cash inflow from operating activities amounted to approximately HK\$492.4 million (2008: HK\$590.4 million). As at 30 June 2009, the Group had balances of cash and cash equivalents of approximately HK\$468.6 million (2008: approximately HK\$434.0 million).

Total bank borrowings as at 30 June 2009 were approximately HK\$809.1 million. Net debt gearing ratio, as calculated by dividing net total bank borrowings by total shareholders' equity, decreased to approximately 6.8%, as compared to approximately 17.8% at the year end of 2008, principally due to partial repayment of bank borrowings by the proceeds of the placement of new shares by the Company in June 2009.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group's transactions are mainly denominated in Renminbi, United States dollars, Euro, Australian dollars and Hong Kong dollars with operations mainly in China. As at 30 June 2009, the Group's bank borrowings were denominated in Renminbi and Hong Kong dollars bearing interest rates ranging from 1.6% to 1.7% per annum. Hence, the Group's exposure to foreign exchange fluctuations was therefore minimal and did not experience any material difficulties and liquidity problems resulting from currency exchange fluctuation. The Group may use financial instruments for hedging purpose as and when required.

Employees and Remuneration Policy

As at 30 June 2009, the Group had 8,311 full-time employees of whom 8,268 were based in Hong Kong and China and 43 were based in other countries. The Group strives to maintain good relationship with its employees by providing them with sufficient training on latest business knowledge including applications of the Group's products and skills on maintaining long-term customer relations. Remuneration packages offered to employees are competitive and consistent with industry practice. Discretionary bonuses may be awarded to employees with outstanding performance after taking into consideration the performance of the Group.

The Group's subsidiaries in China participate in required contribution retirement schemes administered by relevant government authorities in China. The Group's employees in Hong Kong are all covered by retirement schemes adopted in accordance with the mandatory provident fund requirements under the applicable laws and regulations.

The Company also adopted a share option scheme on 18 January 2005 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees and other selected participants as set out in the scheme, to accept options to be granted by the Group for subscription for the shares. For the period up to the date of this announcement, 8,520,000 share options, 13,552,000 share options, 24,258,600 share options and 11,144,000 share options were granted under the share option scheme on 26 January 2006, 1 July 2007, 18 April 2008 and 1 April 2009, respectively, and approximately 44,347,000 share options were outstanding as at 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company allotted and issued 90,000,000 shares in June 2009 by way of placement, and raised net proceeds of approximately HK\$513,479,000 to provide the Group with additional funds for its business expansion and general working capital purposes.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2009, the Company complied with the applicable code provisions set out in the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code throughout the six-month period ended 30 June 2009.

REVIEW OF THE INTERIM RESULTS

The Company's interim results for the six months ended 30 June 2009 have not been audited but have been reviewed by the Company's audit committee, comprising the three independent non-executive Directors.

PUBLICATION OF INTERIM REPORT

The interim report of the Group containing all the relevant information required by the Listing Rules will be dispatched to all shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
XINYI GLASS HOLDINGS LIMITED
LEE Yin Yee, M.H.
Chairman

Hong Kong, 31 August 2009

As at the date of this announcement, the Board comprises 13 Directors, of whom Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Kan, Mr. LEE Yau Ching, Mr. LI Man Yin are executive Directors, Mr. LI Ching Leung, Mr. LI Ching Wai, Mr. SZE Nang Sze and Mr. NG Ngan Ho are non-executive Directors, and Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. are independent non-executive Directors.