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## **XINYI GLASS HOLDINGS LIMITED**

**信義玻璃控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00868)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

#### **HIGHLIGHTS**

- Revenue for the six months ended 30 June 2011 reached approximately HK\$3,881.0 million, representing an increase of 46.5% as compared with that for the six months ended 30 June 2010.
- Net profit attributable to the equity holders of the Company for the six months ended 30 June 2011 reached HK\$842.0 million, representing an increase of 31.2% as compared with that for the six months ended 30 June 2010.
- Basic earnings per Share for the six months ended 30 June 2011 was 23.8 HK cents.
- The Directors declare an interim dividend of 11.0 HK cents per Share for the six months ended 30 June 2011. Shareholders may elect to receive cash or shares as further described in a circular to be despatched by the Company.

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 2011 as follows:

## CONDENSED CONSOLIDATED BALANCE SHEET

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

		As at	
		30 June 2011	31 December 2010
	Note	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	5	1,051,112	894,157
Property, plant and equipment	6	8,388,214	6,485,962
Investment property		32,086	32,086
Deposits for property, plant and equipment and land use rights		696,258	449,227
Intangible assets		97,941	98,796
Available-for-sale financial assets		602	588
Interests in associates		15,628	16,212
Loan to an associate		34,819	36,353
Deferred income tax assets		<u>4,936</u>	<u>3,819</u>
		<u>10,321,596</u>	<u>8,017,200</u>
<b>Current assets</b>			
Inventories		976,673	820,345
Loans to associates		3,307	3,129
Trade and other receivables	7	2,206,582	1,533,840
Pledged bank deposits	8	1,096	1,725
Cash and bank balances	8	<u>865,425</u>	<u>640,259</u>
		<u>4,053,083</u>	<u>2,999,298</u>
<b>Total assets</b>		<u>14,374,679</u>	<u>11,016,498</u>

		As at	
		30 June 2011	31 December 2010
	Note	(Unaudited)	(Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	9	363,480	351,709
Share premium	9	2,875,861	2,016,842
Other reserves	10	1,415,202	1,198,142
Retained earnings			
— Dividend		399,828	457,222
— Others		<u>2,954,253</u>	<u>2,512,352</u>
		8,008,624	6,536,267
<b>Non-controlling interests</b>		<u>19,590</u>	<u>19,627</u>
<b>Total equity</b>		<u>8,028,214</u>	<u>6,555,894</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	12	2,870,218	2,253,975
Deferred income tax liabilities		<u>91,632</u>	<u>78,637</u>
		<u>2,961,850</u>	<u>2,332,612</u>
<b>Current liabilities</b>			
Amounts due to associates		3,687	2,910
Trade payables, accruals and other payables	11	2,240,273	1,507,658
Current income tax liabilities		121,264	146,901
Bank borrowings	12	<u>1,019,391</u>	<u>470,523</u>
		<u>3,384,615</u>	<u>2,127,992</u>
<b>Total liabilities</b>		<u>6,346,465</u>	<u>4,460,604</u>
<b>Total equity and liabilities</b>		<u>14,374,679</u>	<u>11,016,498</u>
<b>Net current assets</b>		<u>668,468</u>	<u>871,306</u>
<b>Total assets less current liabilities</b>		<u>10,990,064</u>	<u>8,888,506</u>

## Condensed Consolidated Income Statement

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

		Unaudited	
		Six months ended 30 June	
	Note	2011	2010
<b>Revenue</b>	4	3,880,986	2,648,674
Cost of sales	13	<u>(2,510,821)</u>	<u>(1,616,907)</u>
<b>Gross profit</b>		1,370,165	1,031,767
Other income	4	3,451	2,463
Other gains - net	4	53,666	35,515
Selling and marketing costs	13	(202,627)	(163,207)
Administrative expenses	13	<u>(239,999)</u>	<u>(177,052)</u>
<b>Operating profit</b>		984,656	729,486
Finance income	14	1,447	888
Finance costs	14	(5,304)	(4,229)
Share of profits of associates		<u>1,595</u>	<u>604</u>
<b>Profit before income tax</b>		982,394	726,749
Income tax expense	15	<u>(140,050)</u>	<u>(84,004)</u>
<b>Profit for the period</b>		<u>842,344</u>	<u>642,745</u>
Attributable to:			
— Equity holders of the Company		842,039	641,840
— Non-controlling interests		<u>305</u>	<u>905</u>
		<u>842,344</u>	<u>642,745</u>
Interim dividend	16	<u>399,828</u>	<u>283,338</u>
<b>Earnings per Share for profit attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per Share)</b>			
— Basic	17	<u>23.8</u>	<u>18.1</u>
— Diluted	17	<u>23.4</u>	<u>18.0</u>

**Condensed Consolidated Statement of Comprehensive Income**  
*(All amount in Hong Kong dollar thousands unless otherwise stated)*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
<b>Profit for the period</b>	<u>842,344</u>	<u>642,745</u>
<b>Other comprehensive income</b>		
Currency translation differences	215,209	66,496
Cash flow hedge, net of tax		
— Effective portion of changes in fair value of hedging instruments recognised during the period	<u>—</u>	<u>(19,450)</u>
Other comprehensive income for the period	<u>215,209</u>	<u>47,046</u>
<b>Total comprehensive income for the period</b>	<u><u>1,057,553</u></u>	<u><u>689,791</u></u>
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	1,056,998	688,685
— Non-controlling interests	<u>555</u>	<u>1,106</u>
	<u><u>1,057,553</u></u>	<u><u>689,791</u></u>

**Condensed Consolidated Statement of Changes in Equity**  
*(All amount in Hong Kong dollar thousands unless otherwise stated)*

		Unaudited						
		Attributable to equity holders of the Company						
Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity	
<b>Balance at 31 December 2010 and 1 January 2011</b>	<u>351,709</u>	<u>2,016,842</u>	<u>1,198,142</u>	<u>2,969,574</u>	<u>6,536,267</u>	<u>19,627</u>	<u>6,555,894</u>	
Total Comprehensive income for the period ended 30 June 2011	<u>—</u>	<u>—</u>	<u>214,959</u>	<u>842,039</u>	<u>1,056,998</u>	<u>555</u>	<u>1,057,553</u>	
Employees share option scheme:								
— Proceeds from shares issued	1,771	48,252	(12,096)	—	37,927	—	37,927	
— Value of employee services	—	—	15,311	—	15,311	—	15,311	
— Release on forfeiture of share options	—	—	(1,114)	1,114	—	—	—	
Issuance of new shares	9(b) 10,000	810,767	—	—	820,767	—	820,767	
Dividends paid to minority shareholders	—	—	—	—	—	(592)	(592)	
Dividends relating to 2010 paid in June 2011	16 —	—	—	(458,646)	(458,646)	—	(458,646)	
	<u>11,771</u>	<u>859,019</u>	<u>2,101</u>	<u>(457,532)</u>	<u>415,359</u>	<u>(592)</u>	<u>414,767</u>	
<b>Balance at 30 June 2011</b>	<u>363,480</u>	<u>2,875,861</u>	<u>1,415,202</u>	<u>3,354,081</u>	<u>8,008,624</u>	<u>19,590</u>	<u>8,028,214</u>	

<b>Unaudited</b>							
<b>Attributable to equity holders of the Company</b>							
<i>Note</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non- controlling interests</b>	<b>Total equity</b>
<b>Balance at 31 December 2009 and 1 January 2010</b>	<u>177,305</u>	<u>2,334,321</u>	<u>810,561</u>	<u>2,088,327</u>	<u>5,410,514</u>	<u>20,072</u>	<u>5,430,586</u>
Total Comprehensive income for the period ended 30 June 2010	<u>—</u>	<u>—</u>	<u>46,845</u>	<u>641,840</u>	<u>688,685</u>	<u>1,106</u>	<u>689,791</u>
Employees share option scheme:							
— Value of employee services	—	—	8,784	—	8,784	—	8,784
Repurchase and cancellation of the Company's Shares:							
— Nominal value of shares	(219)	—	219	(219)	(219)	—	(219)
— Premium paid	—	(14,266)	—	—	(14,266)	—	(14,266)
Disposal of a subsidiary with loss of control	—	—	(3,274)	3,274	—	—	—
Bonus issue	177,086	(177,086)	—	—	—	—	—
Dividends paid to minority shareholders	—	—	—	—	—	(2,442)	(2,442)
Dividends relating to 2009 paid in May 2010	16	—	—	(265,629)	(265,629)	—	(265,629)
		<u>176,867</u>	<u>(191,352)</u>	<u>5,729</u>	<u>(262,574)</u>	<u>(271,330)</u>	<u>(2,442)</u>
		<u>354,172</u>	<u>2,142,969</u>	<u>863,135</u>	<u>2,467,593</u>	<u>5,827,869</u>	<u>18,736</u>
<b>Balance at 30 June 2010</b>		<u>354,172</u>	<u>2,142,969</u>	<u>863,135</u>	<u>2,467,593</u>	<u>5,827,869</u>	<u>18,736</u>
		<u>5,846,605</u>					<u>5,846,605</u>

## Condensed Consolidated Cash Flow Statement

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

		Unaudited Six months ended 30 June	
	<i>Note</i>	2011	2010
Cash flows from operating activities — net		802,291	262,007
Cash flows from investing activities — net		(2,238,282)	(944,926)
Cash flows from financing activities — net		<u>1,564,567</u>	<u>534,112</u>
Net increase/(decrease) in cash and cash equivalents		128,576	(148,807)
Cash and cash equivalents at beginning of the period		564,620	531,895
Effect of foreign exchange rate changes		<u>10,365</u>	<u>3,923</u>
Cash and cash equivalents at 30 June	8	<u>703,561</u>	<u>387,011</u>



## 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 solar glass products through production complexes located in the People’s Republic of China (the “**PRC**”).

The principal place of business of the Group in Hong Kong is situated at 3rd Floor, Harbour View 2, 16 Science Park East Avenue, Hong Kong Science Park Phase 2, Pak Shek Kok, Tai Po, 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 1 August 2011.

#### Key events

On 7 June 2011, the Group submitted an application for separate listing of its solar glass business on The Stock Exchange of Hong Kong Limited.

### 2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This unaudited condensed consolidation interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

### 3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2010, 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.

(a) *New and amended standards adopted by the Group*

In 2011, the Group has adopted the following revised standards and amendments to standards issued by HKICPA, which are mandatory for accounting periods beginning on or after 1 January 2011. The adoption of these revised standards and amendments to standards does not have any significant impact on the Group's results and financial position.

- HKAS 24 (Revised)                      Related Party Disclosure
- Amendment to HKAS 34                Interim financial reporting

(b) *Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group*

- Amendment to HKAS 32                Classification of right issues
- Amendment to HK (IFRIC)            Prepayments of a minimum funding requirement  
- Int 14
- HK (IFRIC) - Int 19                      Extinguishing financial liabilities with equity  
instruments
- HKFRSs (Amendments)                Third annual improvements project published in May  
2010 by HKICPA

#### 4 **Segment information**

Management has determined the operating segments based on the reports reviewed by the executive Directors that are used to make strategic decisions.

The executive Directors consider the business from an operational entity perspective. Generally, the executive Directors consider the performance of business of each entity within the Group separately. Thus, each entity within the Group is an individual operating segment.

Among these operating segments, these operating segments are aggregated into four segments based on the products sold: (1) automobile glass; (2) construction glass; (3) float glass and (4) solar glass.

The executive Directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate other operating costs to its segments as this information is not reviewed by the executive Directors.

Sales between segments are carried out at terms mutually agreed by the relevant parties. The revenue from external parties reported to the executive Directors is measured in a manner consistent with that in the consolidated income statement.

The unaudited segment information for the period ended 30 June 2011:

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	1,453,332	434,289	1,927,929	653,561	—	4,469,111
Inter-segment revenue	—	—	(588,125)	—	—	(588,125)
Revenue from external customers	1,453,332	434,289	1,339,804	653,561	—	3,880,986
Cost of sales	(844,237)	(288,864)	(1,043,861)	(333,859)	—	(2,510,821)
Gross profit	<u>609,095</u>	<u>145,425</u>	<u>295,943</u>	<u>319,702</u>	<u>—</u>	<u>1,370,165</u>
Depreciation of property, plant and equipment (Note 13)	47,795	33,915	87,068	22,428	1,306	192,512
Amortisation — leasehold land and land use rights (Note 13)	2,005	671	6,304	1,299	37	10,316
— intangible assets (Note 13)	1,163	—	203	—	—	1,366
Provision for impairment of trade and other receivables, net (Note 13)	<u>2,407</u>	<u>(518)</u>	<u>—</u>	<u>(1,184)</u>	<u>—</u>	<u>705</u>
Total assets	<u>2,802,157</u>	<u>1,586,099</u>	<u>6,946,096</u>	<u>2,434,897</u>	<u>605,430</u>	<u>14,374,679</u>
Total assets included:						
Interests in associates	—	—	—	—	15,628	15,628
Loans to an associate	—	—	—	—	38,126	38,126
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>102,274</u>	<u>26,996</u>	<u>1,243,550</u>	<u>714,657</u>	<u>262,401</u>	<u>2,349,878</u>
Total liabilities	<u>628,271</u>	<u>370,688</u>	<u>985,818</u>	<u>401,951</u>	<u>3,959,737</u>	<u>6,346,465</u>

The unaudited segment revenue for the period ended 30 June 2010 and the audited segment assets and liabilities as at 31 December 2010:

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	1,086,168	388,065	1,162,094	435,238	—	3,071,565
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>(422,891)</u>	<u>—</u>	<u>—</u>	<u>(422,891)</u>
Revenue from external customers	1,086,168	388,065	739,203	435,238	—	2,648,674
Cost of sales	<u>(670,721)</u>	<u>(246,280)</u>	<u>(452,340)</u>	<u>(247,566)</u>	<u>—</u>	<u>(1,616,907)</u>
Gross profit	<u>415,447</u>	<u>141,785</u>	<u>286,863</u>	<u>187,672</u>	<u>—</u>	<u>1,031,767</u>
Depreciation of property, plant and equipment (Note 13)	43,786	31,079	53,015	19,083	766	147,729
Amortisation — leasehold land and land use rights (Note 13)	1,420	365	4,316	685	120	6,906
— intangible assets (Note 13)	686	—	196	—	—	882
Provision for impairment of trade and other receivables, net (Note 13)	<u>675</u>	<u>(391)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>284</u>
Total assets	<u>2,531,211</u>	<u>1,567,418</u>	<u>5,051,788</u>	<u>1,649,398</u>	<u>216,683</u>	<u>11,016,498</u>
Total assets included:						
Interests in associates	—	—	—	—	16,212	16,212
Loans to associates	—	—	—	—	39,482	39,482
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>114,815</u>	<u>179,822</u>	<u>1,451,973</u>	<u>506,475</u>	<u>16,984</u>	<u>2,270,069</u>
Total liabilities	<u>469,942</u>	<u>154,911</u>	<u>919,706</u>	<u>161,245</u>	<u>2,754,800</u>	<u>4,460,604</u>

A reconciliation of segment gross profit to profit before income tax is provided as follows:

	<b>2011</b> <i>(unaudited)</i>	<b>2010</b> <i>(audited)</i>
Segment gross profit	1,370,165	1,031,767
Unallocated:		
Other income	3,451	2,463
Other gains — net	53,666	35,515
Selling and marketing costs	(202,627)	(163,207)
Administrative expenses	(239,999)	(177,052)
Finance income	1,447	888
Finance costs	(5,304)	(4,229)
Share of post-tax profits of associates	<u>1,595</u>	<u>604</u>
Profit before income tax	<u>982,394</u>	<u>726,749</u>

Reportable segments assets/(liabilities) for the period ended 30 June 2011 and the year ended 31 December 2010 are reconciled to total assets/(liabilities) as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Segment assets/(liabilities)	13,769,249	10,799,815	(2,386,728)	(1,705,804)
Unallocated:				
Property, plant and equipment	72,973	76,141	—	—
Deposits for property, plant and equipment and land use rights	260,400	—	—	—
Interests in associates	15,628	16,212	—	—
Balances with associates	38,126	39,482	(3,687)	(2,910)
Available-for-sale financial assets	602	588	—	—
Deferred income tax assets	4,936	3,819	—	—
Prepayments, deposits and other receivables	13,870	4,664	—	—
Cash and cash equivalents	198,895	75,777	—	—
Accruals and other payables	—	—	(15,807)	(15,409)
Current income tax liabilities	—	—	—	(111)
Deferred income tax liabilities	—	—	(91,632)	(78,637)
Current bank borrowings	—	—	(978,393)	(403,758)
Non-current bank borrowings	<u>—</u>	<u>—</u>	<u>(2,870,218)</u>	<u>(2,253,975)</u>
Total assets/(liabilities)	<u>14,374,679</u>	<u>11,016,498</u>	<u>(6,346,465)</u>	<u>(4,460,604)</u>

Breakdown of the revenue from the sales of products is as follows:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
Sales of automobile glass	1,453,332	1,086,168
Sales of construction glass	434,289	388,065
Sales of float glass	1,339,804	739,203
Sales of solar glass	<u>653,561</u>	<u>435,238</u>
 Total	 <u><u>3,880,986</u></u>	 <u><u>2,648,674</u></u>

The Group's revenue is mainly derived from customers located in the Greater China (including Hong Kong and PRC), North America and Europe while the Group's business activities are conducted predominately in the Greater China. An analysis of the Group's sales by geographical locations of its customers is as follows:

	<b>Unaudited</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
Greater China	2,481,340	1,720,517
North America	503,558	330,527
Europe	292,935	150,858
Other countries	<u>603,153</u>	<u>446,772</u>
	<u><u>3,880,986</u></u>	<u><u>2,648,674</u></u>

An analysis of the Group's non-current assets other than financial instruments, loan to an associate and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) by geographical area in which the assets are located is as follows:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China	10,269,667	7,965,216
North America	11,002	10,774
Other countries	<u>570</u>	<u>450</u>
	<u><u>10,281,239</u></u>	<u><u>7,976,440</u></u>

## 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:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
In Hong Kong, held on:		
Lease of between 10 to 50 years	2,690	2,727
Outside Hong Kong, held on:		
Land use rights of between 10 to 50 years	<u>1,048,422</u>	<u>891,430</u>
	<u><u>1,051,112</u></u>	<u><u>894,157</u></u>

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Beginning balance	894,157	664,367
Exchange differences	21,481	23,350
Addition	145,790	223,146
Amortisation charge	<u>(10,316)</u>	<u>(16,706)</u>
	<u><u>1,051,112</u></u>	<u><u>894,157</u></u>

6 **Property, plant and equipment — Group**

	<b>Construction in progress</b>	<b>Buildings</b>	<b>Plant and machinery</b>	<b>Office equipment</b>	<b>Total</b>
Opening net book amount as at 1 January 2011	1,399,727	1,180,612	3,892,152	13,471	6,485,962
Exchange differences	33,514	27,923	93,604	370	155,411
Additions	1,699,938	7,193	248,731	1,195	1,957,057
Transfer upon completion	(1,287,772)	196,161	1,091,243	368	—
Disposals	(615)	—	(823)	—	(1,438)
Depreciation	<u>—</u>	<u>(22,496)</u>	<u>(184,716)</u>	<u>(1,566)</u>	<u>(208,778)</u>
Closing net book amount as at 30 June 2011	<u>1,844,792</u>	<u>1,389,393</u>	<u>5,140,191</u>	<u>13,838</u>	<u>8,388,214</u>

7 **Trade and bills receivables — Group**

	<b>As at</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (note (a))	862,515	714,827
Less: provision for impairment of receivables	<u>(15,510)</u>	<u>(16,145)</u>
	847,005	698,682
Bills receivables (note (b))	<u>522,424</u>	<u>321,655</u>
Trade and bills receivables — net	1,369,429	1,020,337
Prepayments, deposits and other receivables	<u>837,153</u>	<u>513,503</u>
	<u>2,206,582</u>	<u>1,553,840</u>



- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2011 and 31 December 2010, the ageing analysis of the Group's trade receivables were as follows:

	As at	
	30 June 2011	31 December 2010
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	693,785	594,318
91-180 days	108,630	68,729
181-365 days	41,725	32,150
1-2 years	12,008	12,321
Over 2 years	<u>6,367</u>	<u>7,309</u>
	<u>862,515</u>	<u>714,827</u>

- (b) The maturities of bills receivables are ranging within six months.

## 8 Cash and bank balances

Cash and bank balances include the following for the purpose of the condensed consolidated cash flows:

	As at	
	30 June 2011	31 December 2010
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and bank balances	866,521	641,984
Less:		
— Pledged bank deposits ( <i>Note</i> )	(1,096)	(1,725)
— Bank deposits with maturity more than three months	<u>(161,864)</u>	<u>(75,639)</u>
	<u>703,561</u>	<u>564,620</u>

*Note:* The pledged bank deposits pledged to banks as required by different regulatory bodies for securing relevant tax duties.

## 9 Share capital

	<i>Note</i>	Number of Shares	Ordinary shares of HK\$0.1 each	Share premium	Total
<b>Authorised:</b>					
As at 31 December 2010 and 30 June 2011		<u>20,000,000,000</u>	<u>2,000,000</u>	<u>—</u>	<u>2,000,000</u>
<b>Issued and fully paid:</b>					
As at 1 January 2011		3,517,092,920	351,709	2,016,842	2,368,551
Issues of Shares under an employees' share option scheme	(a)	17,710,600	1,771	48,252	50,023
Issuance of new Shares	(b)	<u>100,000,000</u>	<u>10,000</u>	<u>810,767</u>	<u>820,767</u>
		<u>3,634,803,520</u>	<u>363,480</u>	<u>2,875,861</u>	<u>3,239,341</u>

### Notes:

- (a) Details of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2011		2010	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per share (restated)	Options (thousands) (restated)
At 1 January	2.75	89,279	2.48	83,294
Granted	6.44	23,718	3.55	36,898
Exercised	2.15	(17,711)	—	—
Lapsed	3.89	(2,983)	2.69	(5,428)
Expired	<u>3.49</u>	<u>(207)</u>	<u>—</u>	<u>—</u>
At 30 June	<u>3.77</u>	<u>92,096</u>	<u>2.81</u>	<u>114,764</u>

Out of the 92,096,000 outstanding options, 4,628,000 options were exercisable as at 30 June 2011. Options exercised in 2011 resulted in 17,711,000 being issued at a weighted average price at the time of exercise of HK\$ 2.15 each.

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

<b>Expiry date</b>	<b>Exercise price in HK dollar per share</b>	<b>Options (thousands)</b>
31 March 2012	1.72	4,628
19 April 2013	2.34	30,044
31 March 2014	3.55	34,777
31 March 2015	6.44	<u>22,647</u>
		<u>92,096</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	1 March 2011
Option valued	2.366
Share price at the date of grant	HK\$6.44
Exercisable price	HK\$6.44
Expected volatility	60.40%
Annual risk-free interest rate	1.33%
Life of option	4 years and 1 month
Dividend yield	3.26%

- (b) In June 2011, 100,000,000 Shares were allotted and issued by way of a placing at HK\$ 8.35 per Share, totaling HK\$835,000,000 and the related transaction costs amounting to HK\$ 14,233,000 have been netted off with the deemed proceeds. 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.

## 10 Other reserve — Group

	Statutory reserve fund	Enterprise expansion fund	Foreign currency translation reserve	Capital reserve	Share options reserve	Property revaluation reserve	Capital redemption reserve	Subtotal	Retained earnings	Total
<b>Balance at 1 January 2011</b>	472,203	46,905	623,127	11,840	34,501	624	8,942	1,198,142	2,969,574	4,167,716
Profit for the period	—	—	—	—	—	—	—	—	842,039	842,039
Currency translation differences	11,458	1,111	202,390	—	—	—	—	214,959	—	214,959
Employees' share option scheme:										
— Proceeds from shares issued	—	—	—	—	(12,096)	—	—	(12,096)	—	(12,096)
— Value of employee service	—	—	—	—	15,311	—	—	15,311	—	15,311
— Release of forfeiture of share options	—	—	—	—	(1,114)	—	—	(1,114)	1,114	—
Dividend relating to 2010	—	—	—	—	—	—	—	—	(458,646)	(458,646)
<b>Balance at 30 June 2011</b>	<u>483,661</u>	<u>48,016</u>	<u>825,517</u>	<u>11,840</u>	<u>36,602</u>	<u>624</u>	<u>8,942</u>	<u>1,415,202</u>	<u>3,354,081</u>	<u>4,769,283</u>

## 11 Trade payable, accruals and other payables — Group

	As at	
	30 June 2011 (Unaudited)	31 December 2010 (Audited)
Trade payables (note (a))	534,002	377,043
Bills payables (note (b))	<u>247,244</u>	<u>200,342</u>
	781,246	577,385
Accruals and other payables	<u>1,459,027</u>	<u>930,273</u>
	<u>2,240,273</u>	<u>1,507,658</u>

Notes:

- (a) At 30 June 2011 and 31 December 2010, the ageing analysis of the trade payables were as follows:

	As at	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	493,624	350,273
91-180 days	16,867	11,955
181-365 days	20,148	4,617
1-2 years	850	8,517
Over 2 years	<u>2,513</u>	<u>1,681</u>
	<u><u>534,002</u></u>	<u><u>377,043</u></u>

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

## 12 Bank borrowings — Group

	As at	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-current</b>		
Secured (note (a))	3,359,286	2,537,616
Less: Current portion	<u>(489,068)</u>	<u>(283,641)</u>
Shown as non-current liabilities	<u>2,870,218</u>	<u>2,253,975</u>
<b>Current</b>		
Secured (note (a))	530,323	120,118
Unsecured	<u>—</u>	<u>66,764</u>
	<u>530,323</u>	<u>186,882</u>
Current portion of non-current borrowings	<u>489,068</u>	<u>283,641</u>
Shown as current liabilities	<u>1,019,391</u>	<u>470,523</u>
Total bank borrowings	<u><u>3,889,609</u></u>	<u><u>2,724,498</u></u>

*Note:*

- (a) 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 2011 and 31 December 2010, the Group's bank borrowing were repayable as follows:

	<b>As at</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	1,019,391	470,523
Between 1 and 2 years	1,318,385	832,806
Between 2 and 5 years	<u>1,551,833</u>	<u>1,421,169</u>
	<u><u>3,889,609</u></u>	<u><u>2,724,498</u></u>

At 30 June 2011 and 31 December 2010, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	<b>As at</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Hong Kong dollar	3,591,353	2,435,826
US dollar	298,256	276,908
Renminbi	<u>—</u>	<u>11,764</u>
	<u><u>3,889,609</u></u>	<u><u>2,724,498</u></u>

Out of the total USD denominated bank borrowings of HK\$298,256,000 (2010:HK\$276,908,000), US\$18,000,000 (2010:US\$24,800,000) has been arranged to be swapped into HK\$140,004,000 (2010:HK\$192,894,000 ) under a cross currency swap at repayment date.

The carrying amounts of bank borrowings approximate at their fair values as at 30 June 2011 and 31 December 2010.

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

	<b>30 June 2011</b>		<b>31 December 2010</b>		
	<i>HK\$</i>	<i>US\$</i>	<i>HK\$</i>	<i>US\$</i>	<i>RMB</i>
Bank borrowings	1.43%	1.51%	1.45%	1.55%	5.31%

### 13 Expenses by nature

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
Depreciation and amortisation	204,194	155,517
Employee benefit expenses	273,716	190,826
Cost of inventories	1,830,651	1,148,884
Other selling expenses (including transportation and advertising costs)	112,183	93,049
Operating lease payments in respect of land and buildings	3,393	2,540
Impairment of trade and other receivables, net	705	284
Other expenses, net	<u>528,605</u>	<u>366,066</u>
Total of cost of sales, selling and marketing costs and administrative expenses	<u>2,953,447</u>	<u>1,957,166</u>

### 14 Finance income and finance costs

#### Finance income

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
Interest income on short-term bank deposits	1,447	653
Interest income on loan advanced to an associate	<u>—</u>	<u>235</u>
	<u>1,447</u>	<u>888</u>

## Finance costs

	Unaudited	
	For the six months ended 30 June	
	2011	2010
Interest on bank borrowings	25,133	10,542
Less: interest expenses capitalised under construction in progress	<u>(19,829)</u>	<u>(6,313)</u>
	<u>5,304</u>	<u>4,229</u>

## 15 Income tax expense

	Unaudited	
	For the six months ended 30 June	
	2011	2010
Current income tax		
— Hong Kong profits tax (a)	14,948	9,210
— PRC corporate income tax (b)	112,822	69,374
— Overseas taxation (c)	402	1,021
Deferred income tax	<u>11,878</u>	<u>4,399</u>
	<u>140,050</u>	<u>84,004</u>

### Notes:

#### (a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period.

#### (b) PRC corporate income tax

Effective from 1 January 2008, the PRC subsidiaries shall determine and pay the corporate income tax (“CIT”) in accordance with the Corporate Income Tax Law of the PRC (hereinafter “the new CIT Law”) as approved by the National People’s Congress on 16 March 2007.

PRC CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the period, calculated in accordance with the relevant tax rules and regulations. Certain PRC subsidiaries are entitled to tax holiday and the profits are fully exempted from CIT for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in CIT in next three years.



Under the new CIT Law, entities currently enjoying tax holidays will continue to enjoy them until they expire. The CIT rate applicable to the PRC subsidiaries under tax holiday and applying reduced CIT rate will be gradually increase to 25% in a 5-year period from 2008 to 2012. The applicable CIT rate for subsidiaries located in Shenzhen, Wuhu and Dongguan is 24% (2010: 22%), 12% (2010: 11%) and 12.5% to 25% (2010: 12.5% to 25%), respectively.

Two major subsidiaries in Shenzhen and Dongguan enjoy high-tech enterprise income tax benefit and the tax rate is 15%.

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the periods ended 30 June 2011 and 2010 at the rates of taxation prevailing in the countries in which the Group operates.

16 Dividends

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
Final dividend paid for 2010 of 13.0 HK cents (2009: 15.0 HK cents) per Share	458,646	265,629
Interim dividend of 11.0 HK cents (2010: 8.0 HK cents) per Share	<u>399,828</u>	<u>283,338</u>
	<u>858,474</u>	<u>548,967</u>

*Note:*

At a meeting of the Board held on 1 August 2011, the Directors declared an interim dividend of 11.0 HK cents per Share for the six months ended 30 June 2011. 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 period ending 30 June 2011.

Shareholder will be given the option to receive the interim dividend in cash or in lieu of cash (“Scrip Dividend Arrangement”). The scrip Dividend Arrangement is subject to the Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new Shares to be issued.

## 17 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.

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
Profit attributable to equity holders of the Company (HK\$'000)	842,039	641,840
Weighted average number of Shares in issue (thousands)	3,539,177	3,542,000
Basic earnings per Share (HK cents per Share)	23.8	18.1

### *Diluted*

Diluted earnings per Share is calculated adjusting the weighted average number of Shares outstanding to assume conversion of all dilutive potential shares and adjusting for the placing of new Shares in 2011 (as stated in note 9(b)). 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.

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
<i>Profit attributable to equity holders of the Company and use to determine diluted earnings per Share (HK\$'000)</i>	<u>842,039</u>	<u>641,840</u>
Weighted average number of Shares in issue (thousands)	3,539,177	3,542,000
Adjustments for share options (thousands)	<u>53,894</u>	<u>26,523</u>
Weighted average number of Shares for diluted earnings per Shares (thousands)	<u>3,593,017</u>	<u>3,568,523</u>
Diluted earnings per Share (HK cents per Share)	<u>23.4</u>	<u>18.0</u>

## 18 Commitments — Group

### *Capital commitments*

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

	As at	
	30 June 2011	31 December 2010
	(Unaudited)	(Audited)
Property, plant and equipment		
Contracted but not provided for	872,611	1,241,584
Authorised but not contracted for	<u>4,288,786</u>	<u>658,383</u>
	<u>5,161,397</u>	<u>1,899,967</u>

## BUSINESS REVIEW

### Period of tightening policy in China

During the six months ended 30 June 2011, all business segments of the Group grew at different rates. Both overseas sales and domestic sales in the PRC also recorded satisfactory growths. With the additional production capacity contributed at the Jiangmen and Wuhu production complexes, both of the high quality float glass and the solar glass businesses enjoyed a large increase in sales. The sales of aftermarket automobile glass to the overseas markets increased significantly with new capacity added in our Shenzhen production complex and gaining more overseas market share. With the bolstered capacity of our Wuhu production complex and the increase demand for energy saving Low-E glass in the PRC, our construction glass business also recorded satisfactory growth. All of these factors combined to help the Group achieved a remarkable rise in revenue during the six months ended 30 June 2011.

During the period under review, although the economy in China continued to grow rapidly, the float glass market was volatile while industry competition was getting tougher. The rising PRC inflation rate, accompanied by the new float glass production lines added by other glass manufacturers in the PRC, meant that our Group faced the pressure of escalating cost in raw materials and production. Moreover, the tightening of the PRC's economics and monetary policies has in effect in slowed down the demand of float glass at varying magnitudes at different time and caused the fluctuations of float glass selling price at different scale.

The Group managed to be a leader in the global glass industry by boosting its economies of scale, devising a strategic plan for expanding the production capacity and accelerating the strategic construction of production complexes, improving production technique and workflow, implementing better control on raw materials costs and inventory levels, providing a wide range of high value-added glass product and adopted flexible sales and pricing policies to take advantage of industry support measures from time to time implemented by the PRC government.

### **Unstable global economy — Using flexible sales strategies to increase market share**

By the finish of the second stage of quantitative easing in the US, that the country is facing the risk of exceeding the maximum national debt level. The European financial and debt crisis and the unstable political environment in the Middle East have led to different global economic problems. However, the Group proactively implemented flexible sales and production strategies to explore new overseas customers and expanded its market share. As a result, our overseas revenue increased about 17.8% to approximately HK\$1,399.7 million.

### **Improved productivity and economies of scale to minimise energy and raw material cost pressures**

Our high quality float glass and solar glass production lines in Wuhu and Tianjin are using cleaner and more cost effective natural gas as fuel. Also, our high quality float glass and solar glass production lines in Dongguan shifted to natural gas as fuel during the period. Our Jiangmen production complex is to use natural gas in the third quarter this year in order to improve our overall cost structure.

Our strong experience in operations management combined with the improvements in the production process have enhanced our productivity and yield rates to reduce overall production and energy costs. The Group's daily production capacity of high quality float glass increased from 4,700 daily melting tonnes at the end of 2010 to 7,100 daily melting tonnes by mid-2011. The three new float glass production lines in our Jiangmen production complex have also provided the Group with an additional daily production capacity of 2,400 melting tonnes in the first half of 2011. The economies of scale have enhanced the Group's procurement purchasing power, reduced the average fuel consumption rate and the fixed cost per unit, thus mitigating the impact of any potential cost pressure on the gross profit margin in the future.

Also, the Group uses an environmentally friendly low temperature recycling residual heat power co-generation system in Dongguan and is installing this system at the new production complexes to lessen carbon emissions and enhance our overall production cost structure.

## **OPTIMISE THE USE OF RESOURCES AND CREATE GREATER VALUE**

The Group's businesses in automobile glass and construction glass maintained satisfactory gross margins during the period under review.

As fossil fuel resources are gradually becoming depleted and international crude oil prices keep rising, sales of solar power-related products have benefited from the policies energy of different countries emphasizing clean and renewable energy. This has led to a strong demand for solar power products since the end of 2009 that has positively contributed to the record high revenue and profit of the solar glass business and the Group's overall profitability in the first half of 2011.

## **DIVERSIFIED AND HIGH VALUE-ADDED PRODUCT MIX — ENHANCED OVERALL COMPETITIVENESS**

During the period under review, the revenue generated from the Group's automobile glass, construction glass, high quality float glass and solar glass businesses achieved satisfactory growth. This performance is proof that our Group's diversified business and high value added product mix can ameliorate fluctuations on revenues. Also, the Group's strategic plan for our production complexes in the three major advanced economic zones in China, the Pearl River Delta, Yangtze River Delta and Bohai Economic Rim, is progressing well. Executed by the well experienced and stable management team, this strategy can enhance the Group's overall competitiveness to tackle the complicated challenges in future.

## **OPERATIONAL OUTLOOK**

The Group will continue to strengthen the efficiency of the operational management in order to address issues that may arise from the financial and debt crises in European countries and the United States and tightened financial economic policies in China. The float glass market is anticipated to continue to volatile in the near future. The PRC's national affordable housing scheme could be supportive the demand for float glass by the end of this year. Besides, we are more optimistic about the export business of automobile glass in the second half of this year. Also, we expect that second- and third-tier PRC cities should also have a strong demand for high quality float glass and Low-E glass in the future.

As the four new solar glass production lines in Wuhu and Tianjin have gradually commenced production, the Group has become one of the largest solar glass manufacturers in the world. Also, most of the world's ten largest solar module manufacturers are using our solar glass products. The application for separate listing of the solar glass business is in progress. If the listing is successfully completed, the solar glass business is expected to develop rapidly with the additional financial

resources. This will also benefit the Group with management focus on the other core glass businesses. Should the supportive policies and subsidies in overseas countries to the solar power industry be this development would help stabilize the solar glass market.

The Group will continue to strengthen the research and development capability to create new products and enhance product quality. The focus will be on the development of high quality float glass, new energy and environmentally-friendly energy efficient glass and ultra-thin electronic glass products to meet the anticipated strong market demand for high quality float glass, Low-E glass, double glazing insulated glass, solar glass and ultra-thin electronic glass products.

The Group is constructing an ultra-thin electronic glass production line in Wuhu to capture the demand from the growing market for high technology electronic products. This new high technology glass product will be another future growth driver of the Group.

The Group will continue to proactively and aggressively tackle challenges within a variety of business environments and optimize our performance with the support of the management team and customers, reaping benefits from any business opportunities that arise. We remain optimistic about our future development and will adhere to our flexible business strategies that have proven to be highly successful. Striving to maintain our leading position, the management of the Group intend to continue our efforts to enable the Group to further expand its presence in the global glass market.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

With the commencement of commercial production of the production facilities in Jiangmen, Wuhu and Tianjin, the performance of Group continued to grow during the six months ended 30 June 2011. The turnover and the net profit of the Group were HK\$3,881.0million and HK\$842.0 million, respectively, representing an increase by 46.5% and 31.2%, as compared with HK\$2,648.7 million and HK\$641.8 million, respectively, for the six months ended 30 June 2010.

## **Revenue**

The significant rise in revenue for the six months ended 30 June 2011 was principally attributable to the new capacities from the diversified glass products of the Group. The increased demand was attributable to various factors, such as increased purchase from the overseas customers of automobile glass products in light of more market share in overseas markets.

In particular, the strong performance of the PRC economy and the wealth accumulation amongst the rapidly expanding middle class have provided a favourable environment for continuous growth in the domestic demand and consumption in China. The environmental protection and energy saving policies of the government in the PRC facilitate a strong demand for Low Emission (“**Low-E**”) glass. The Group’s new float glass production capacities in Jiangmen and Wuhu have contributed a significant growth of sales of the Group’s glass products during the six months ended 30 June 2011.

Sales of the solar glass also enjoyed a significant growth during the six months ended 30 June 2011 because of the expansion production capacity of the Group’s solar glass products in Wuhu and Tianjin.

## **Gross Profit**

The Group’s gross profit for the six months ended 30 June 2011 was HK\$1,370.1, representing an increase of 32.8% from last year. However, the overall gross margin decreased from 39.0% to 35.3% as a result of increase in the production cost and the cost of raw materials and the decrease in the selling prices of the float glass products.

## **Other Gains**

Other gains for the six months ended 30 June 2011 were HK\$53.6 million, as compared with HK\$35.5 million for the same period in 2010. The climb was principally attributable to the increase in the PRC government grants of HK\$15.5 million and increase in foreign exchange gain of HK\$4.9 million during the period.

## **Selling and Marketing costs**

Selling and marketing costs increased by 24.2% to HK\$202.6 million for the six months ended 30 June 2011. The increase was principally attributable to the payment of increased amount of overseas import duties and declaration fees, sales commissions and salaries and related transportation costs as a result of the increase in the domestics and the overseas sales volumes.

## **Finance Costs**

Finance costs rose by 25.4% to HK\$5.3 million for period under review. The increase was principally due to the increased bank borrowings for the capital expenditure incurred in the construction of our production facilities. Some of these interest expenses had been previously capitalised as part of the total cost in the purchase of plant and machinery and construction of factory buildings in Jiangmen, Wuhu and Tianjin, but they were expensed during the six months ended 30 June 2011 when the new production facilities commenced commercial production. As interest expense of HK\$19.8 million was capitalised under construction-in-progress for the six months ended 30 June 2011.

## **Earnings Before Interest and Taxes (“EBIT”)**

EBIT increased by 35.1% for the six months ended 30 June 2011 to HK\$1,187.3 million compared with the same period in 2010. This increase was consistent with the increased revenue and the net profit of the Group during the six months ended 30 June 2011.

## **Taxation**

Tax payment amounted to HK\$140.1 million for the six months ended 30 June 2011 and the effective tax rate was 14.3% which reflected that the income tax exemption for subsidiaries in the PRC reaching 50% for 2010 to 2012 under the applicable PRC corporate income tax laws and regulations.

## **Net Profit for the Period**

Net profit for the six months ended 30 June 2011 was HK\$842.0 million, representing a significant increase of 31.2% as compared with the same period in 2010. Net profit margin for the period decreased to 21.7% from 24.2% in the same period in 2010, which was principally due to the higher production costs and the decline in float glass sales price during the period.

## **Capital Expenditure**

For the six months ended 30 June 2011, the Group incurred an aggregate amount of HK\$2,238.3 million for the 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 of 30 June 2011, the Group had net current assets of HK\$668.5 million.



## **Financial Resources and Liquidity**

In 2011, the Group's primary source of funding included cash generated from operating activities, credit facilities provided by principal banks in Hong Kong and China and placing of new Shares with gross proceeds amounting in aggregate to HK\$835 million in May 2011. As of 30 June 2011, the net cash inflow from operating activities amounted to approximately HK\$802.3 million (2010: HK\$262.0 million). As of 30 June 2011, the Group had cash and cash equivalents of HK\$866.5 million (2010: HK\$388.1 million).

Total bank borrowings as of 30 June 2011 were HK\$3,889.6 million. Net debt gearing ratio, calculated by dividing net total bank borrowings by total Shareholders' equity, increased to 37.7% as of 30 June 2011 from 31.8% as of 31 December 2010, principally due to an increase in the bank borrowings to finance the capital expenditure of the Group.

## **Interim Dividends and Closure of Register of Members**

The Directors are pleased to recommend and declare an interim dividend of 11.0 HK cents per share (the "**Share**") of the Company for the six months ended 30 June 2011 (2010: 8.0 HK cents), which will be paid to all shareholders (the "**Shareholders**") of the Company with their names recorded on the register of members of the Company at the close of business on Wednesday, 31 August 2011. Shareholder will be given the option to receive the interim dividend in cash or in lieu of cash by scrip dividend (the "**Scrip Dividend Arrangement**"). The Scrip Dividend Arrangement is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new Shares to be issued.

The Company's register of members will be closed from Monday, 29 August 2011 to Friday, 31 August 2011 (both days inclusive), and during such period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers 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 Friday, 26 August 2010.

## **Treasury Policies and Exposure to Fluctuation in Exchange Rates**

The Group's transactions are mainly denominated in Renminbi, United States dollars, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities conducted in China. As of 30 June 2011, the Group's bank borrowings were denominated in Renminbi and Hong Kong dollars bearing interest

rates ranging from 1.11% to 1.64% per annum. Hence, the Group's exposure to foreign exchange fluctuations was minimal and did not experience any material difficulties and liquidity problems resulting from currency exchange fluctuation. The Group may use financial instruments for hedging purposes as and when required.

### **Employees and Remuneration Policy**

As of 30 June 2011, the Group had 13,781 full-time employees of whom 13,662 were based in China and 119 were based in Hong Kong and 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 the required retirement contribution 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 forth in the scheme, to accept options to be granted by the Group for subscription for the Shares. Up to the date of this announcement, 17,040,000 options (restated), 24,230,000 options (restated), 48,517,200 options (restated), 22,288,000 options (restated), 36,898,000 options and 23,718,000 options were granted under the share option scheme on 26 January 2006, 1 July 2007, 18 April 2008, 1 April 2009, 31 March 2010 and 1 March 2011, respectively, and 92,095,900 options were outstanding as of 30 June 2011.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company allotted and issued 100,000,000 Shares in June 2011 by way of placement, and raised gross proceeds of approximately HK\$835.0 million 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 2011, the Company complied with the applicable code provisions of the Code on Corporate Governance Practices set forth 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 forth 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 2011.

## **REVIEW OF THE INTERIM RESULTS**

The Company’s interim results for the six months ended 30 June 2011 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 AND THE DOCUMENT FOR THE SCRIP DIVIDEND ARRANGEMENT**

The interim report of the Group for the six months ended 30 June 2011 containing all the relevant information required by the Listing Rules will be dispatched to all Shareholders and published on the websites of the Stock Exchange and the Company in due course. The document for the Scrip Dividend Arrangement will also be distributed to the Shareholders following closure of the register of members of the Company on Wednesday, 31 August 2011.

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

Hong Kong, 1 August 2011

*As of 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.*