

**XINYI GLASS HOLDINGS LTD:
THIS COMPANY LOOKS SET FOR BIGGER THINGS**

Although Xinyi Glass Holdings Ltd (Code: 868, Main Board, The Stock Exchange of Hongkong Ltd) is a very successful manufacturer of glass – mostly for use in motor vehicles – with its Bottom Line, over the past 4 Financial Years, having risen by about 94 percent, one should not lose sight of the fact that it is, still, a mama-and-papa shop, no matter how one views it.

Of the 8 Executive Directors, 5 of their number are part of the Lee Yin Yee Family.

There is, of course, nothing wrong with such an arrangement, but it does suggest, strongly, that institutionalisation of this Company is unlikely to proceed apace – if at all.

And that would suggest that growth within this Company could well be stymied to a greater or lesser extent, depending on the interests of the controlling family shareholders.

Also, such an hierarchical corporate structure only too often leads to the needs of the controlling family, or any single member thereof, taking precedence over the requirements of the corporate entity.

Xinyi Glass Holdings went public on the Main Board of The Stock Exchange of Hongkong Ltd on January 24, 2005, when it pitched an International Placing and Hongkong Public Offer of 375 million, 10-cent Shares at a Premium of \$HK1.90 per Share.

The flotation was a success, but the share price of this Company is, still, lingering at the \$HK2-level.

TARGET wonders as to the reason(s) for this seeming anomaly.

Because Xinyi Glass Holdings appears to be a very solid company, in the right business, with a very bright future in the very near future.

On April 22, 2005, the Company brought out its financial results for the 2004 Financial Year: It was another record level.

On a Turnover of about \$HK1.03 billion, the Net Profit Attributable to Shareholders came in at about \$HK235.84 million.

That Bottom Line was an increase of about \$HK50.41 million, equivalent to about 27.19 percent, compared with the 2003-Year's results.

The following table is reproduced from the Prospectus of Xinyi Glass Holdings, to which **TARGET** has added the latest information, gathered from the Company's announcement of April 22, 2005, and to which **TARGET** has made some interesting calculations:

| | Financial Year, Ended December 31 | | | |
|---------------|--|-----------|-----------|-----------|
| | 2001 | 2002 | 2003 | 2004 |
| | All Figures Are Denominated In \$HK'000 (unless otherwise stipulated) | | | |
| Turnover | 466,718 | 596,558 | 800,835 | 1,028,334 |
| Cost of Sales | (283,925) | (341,581) | (528,951) | (654,781) |
| Gross Profit | 182,793 | 254,977 | 271,884 | 373,553 |

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Gross Profit Margin* | 39.17 percent | 42.74 percent | 33.95 percent | 36.33 percent |
| Other Revenues | 4,747 | 7,464 | 10,239 | 26,827 |
| Selling and Distribution Expenses | (20,426) | (35,749) | (41,861) | (90,751) |
| Administrative and General Expenses | (31,647) | (53,100) | (44,613) | (56,532) |
| Operating Profit | 135,467 | 173,592 | 195,649 | 253,097 |
| Financing Costs | (3,122) | (1,163) | (979) | (1,456) |
| Profit Before Taxation | 132,345 | 172,429 | 194,670 | 251,641 |
| Taxation | (9,860) | (20,345) | (8,856) | (14,677) |
| Profit After Taxation | 122,485 | 152,084 | 185,814 | 236,964 |
| Minority Interests | (1,123) | 66 | (393) | (1,129) |
| Net Profit Attributable to Shareholders | 121,362 | 152,150 | 185,421 | 235,835 |
| Net Profit Margin* | 26.00 percent | 25.50 percent | 23.15 percent | 22.93 percent |

* These are **TARGET**'s calculations

What may be considered somewhat worrying to some people, on scanning the above **TARGET** table, is that, while the Turnover rose by about \$HK227,499,000, between the 2003 Financial Year and the 2004 Financial Year, that is equivalent to an improvement of about 28.41 percent, Year-On-Year, the selling and distributional costs also rose, during those 12 months, by about \$HK48.89 million, equivalent to about 113.79 percent.

In respect of 'Other Revenues', which amounted to about \$HK26.83 million, during the 2004 Financial Year, these are shown in the Prospectus of the Company to be mostly Government of the People's Republic of China (PRC) grants.

If one subtracts that figure of ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.

