# XINYI GLASS HOLDINGS LIMITED
# 信 義 玻 璃 控 股 有 限 公 司

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

**(Stock code: 868)**

## FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### HIGHLIGHTS

- Gross proceeds raised by the Company's under placement of new Shares in October 2007 amounted to approximately HK$1,324.8 million.
- Our sales for the financial year ended 31 December 2007 reached approximately HK$2,774.6 million, representing an increase of approximately 43.5%, as compared with that for the financial year ended 31 December 2006.
- Our net profit attributable to the equity holders of the Company for the financial year ended 31 December 2007 reached approximately HK$670.9 million, representing an increase of approximately 72.8%, as compared with that for the financial year ended 31 December 2006.
- Basic earnings per Share for the financial year ended 31 December 2007 was 41.1 HK cents.
- The Directors propose to declare a final dividend of 10.0 HK cents per Share for the financial year ended 31 December 2007.
- The annual general meeting of the Company is proposed to be held on 9 May 2008. A notice convening the annual general meeting will be published on the website of the Stock Exchange and dispatched to the Shareholders on or about Monday, 28 April 2008.

## FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The board of directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2007, together with comparative figures for the financial year ended 31 December 2006, as follows:-

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

## CONSOLIDATED INCOME STATEMENT

| | *Note* | **Financial year ended 31 December 2007** | **2006** |
|---|---|---|---|
| **Revenue** | 3 | 2,774,624 | 1,933,173 |
| Cost of sales | 4 | (1,702,269) | (1,232,981) |
| **Gross profit** | | 1,072,355 | 700,192 |
| Other income | 3 | 18,362 | 21,912 |
| Other gains | 3 | 57,008 | 10,193 |
| Selling and marketing costs | 4 | (286,451) | (211,205) |
| Administrative expenses | 4 | (135,066) | (110,687) |
| **Operating profit** | | 726,208 | 410,405 |
| Finance income | 5 | 9,017 | 3,484 |
| Finance costs | 5 | (33,762) | (11,533) |
| Share of profit/(loss) of associate | | 1,703 | (563) |
| **Profit before income tax** | | 703,166 | 401,793 |
| Income tax expense | 6 | (30,165) | (15,981) |
| **Profit for the year** | | 673,001 | 385,812 |
| **Attributable to:** | | | |
| Equity holders of the company | 7 | 670,860 | 388,235 |
| Minority interests | | 2,141 | (2,423) |
| | | 673,001 | 385,812 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** (expressed in Hong Kong cents per share) | | | |
| - Basic | 7 | 41.1 | 24.6 |
| - Diluted | 7 | 41.0 | 24.6 |
| **Dividends** | 8 | 313,103 | 176,512 |

## CONSOLIDATED BALANCE SHEET

| | Note | AS AT 31 DECEMBER 2007 | 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Leasehold land and land use rights | | 146,892 | 128,539 |
| Property, plant and equipment | | 3,268,901 | 1,790,017 |
| Investment property | | 9,460 | — |
| Deposits for property, plant and equipment and land use right | | 292,854 | 121,109 |
| Intangible assets | | 81,372 | — |
| Available-for-sale financial assets | | 532 | 500 |
| Interest in an associate | | 11,374 | 11,932 |
| Deferred income tax assets | | — | 3,676 |
| | | 3,811,385 | 2,055,773 |
| **Current assets** | | | |
| Inventories | | 510,690 | 371,081 |
| Trade and other receivables | 10 | 674,722 | 568,938 |
| Amounts due from customers for contract work | | 57,524 | 61,222 |
| Financial assets at fair value through profit or loss | | — | 15,231 |
| Cash and cash equivalents | | | |
| Pledged | | 6,702 | 10,449 |
| Unpledged | | 309,506 | 162,330 |
| | | 1,559,144 | 1,189,251 |
| **Total assets** | | 5,370,529 | 3,245,024 |

| | Note | AS AT 31 DECEMBER 2007 | 2006 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | 172,344 | 160,466 |
| Share premium | | 2,073,287 | 850,804 |
| Other reserves | | 454,085 | 238,433 |
| Retained earnings | | | |
| - Proposed final dividend | | 168,683 | 112,326 |
| - Others | | 1,176,680 | 886,001 |
| | | 4,045,079 | 2,248,030 |
| **Minority interest** | | 443 | (1,707) |
| **Total equity** | | 4,045,522 | 2,246,323 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | | 259,949 | 79,917 |
| Deferred income tax liabilities | | 331 | — |
| | | 260,280 | 79,917 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 626,339 | 570,749 |
| Amounts due to customers for contract work | | 609 | 1,165 |
| Bank borrowings | | 423,608 | 334,667 |
| Current income tax liabilities | | 14,171 | 12,203 |
| | | 1,064,727 | 918,784 |
| **Total liabilities** | | 1,325,007 | 998,701 |
| **Total equity and liabilities** | | 5,370,529 | 3,245,024 |
| **Net current assets** | | 494,417 | 270,467 |
| **Total assets less current liabilities** | | 4,305,802 | 2,326,240 |

## NOTES

1 **Summary of significant accounting policies**

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

2. **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) ***Standards and interpretations effective in 2007***

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC)-Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) ***Interpretations effective in 2007 but not relevant***

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

HK(IFRIC)-Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

HK(IFRIC)-Int 9, 'Re-assessment of embedded derivatives'.

(c) ***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group***

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

HK(IFRIC)-Int 11, 'HKFRS 2 - Group and treasury share transactions' (effective from annual periods beginning on or after 1 March 2007). It provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009.

HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

HK(IFRIC)-Int 14, 'HKAS 19 - The limit on a defined benefits asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) — Int 14 provides guidance on assessing the limit in HKSA 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) — Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

(d) ***Interpretations to existing standards those are not yet effective and not relevant for the Group's operations***

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK(IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) - Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC/HK(IRFIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

## 3 Segment information

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

| | **Financial year ended 31 December** | |
|---|---|---|
| | **2007** | **2006** |
| **Revenue** | | |
| Sales of goods | 2,662,505 | 1,817,332 |
| Construction contract revenue | 112,119 | 115,841 |
| | 2,774,624 | 1,933,173 |
| **Other income** | | |
| Government grants (note) | 14,110 | 17,321 |
| Rental income | 3,752 | 2,461 |
| Royalty income | 500 | 2,130 |
| | 18,362 | 21,912 |
| **Total revenue** | 2,792,986 | 1,955,085 |

*Note:* These amounts represented government grants given to a subsidiary of the Group in form of "tax refund on reinvestment" in relation to the Group's re-investment of dividends declared and received by the subsidiary in PRC in certain subsidiaries as additional capital contributions. Such grants were approved by the local tax bureau in accordance with relevant tax law of PRC. All the approved grants were recognised in the year of receipt.

***Other gains***

Other gains represent mainly net gain on disposal of other financial assets at fair value through profit or loss and gain on disposal of property, plant and equipment.

***Primary reporting format - business segments***

At 31 December 2007, the Group was organised into three main business segments:

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

The segment results for the year ended 31 December 2007 are as follows:

| | **Automobile glass** | **Construction glass** | **Float glass** | **Group** |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total gross segment revenue | 1,716,803 | 565,949 | 1,020,468 | 3,303,220 |
| Inter-segment revenue | — | — | (528,596) | (528,596) |
| External revenue | 1,716,803 | 565,949 | 491,872 | 2,774,624 |
| Segment results | 487,168 | 109,745 | 119,848 | 716,761 |
| Unallocated other income | | | | 18,362 |
| Unallocated other gains | | | | 38,335 |
| Unallocated costs | | | | (47,250) |
| Operating profit | | | | 726,208 |
| Finance income | | | | 9,017 |
| Finance costs | | | | (33,762) |
| Share of profit of associate | — | — | 1,703 | 1,703 |
| **Profit before income tax** | | | | 703,166 |
| Income tax expense | | | | (30,165) |
| **Profit for the year** | | | | 673,001 |

The segment results for the year ended 31 December 2006 are as follows:

| | Automobile glass | Construction glass | Float glass | Group |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total gross segment revenue | 1,229,330 | 498,038 | 341,027 | 2,068,395 |
| Inter-segment revenue | — | — | (135,222) | (135,222) |
| External revenue | 1,229,330 | 498,038 | 205,805 | 1,933,173 |
| Segment results | 278,482 | 89,870 | 34,894 | 403,246 |
| Unallocated other income | | | | 21,912 |
| Unallocated other gains | | | | 10,193 |
| Unallocated costs | | | | (24,946) |
| Operating profit | | | | 410,405 |
| Finance income | | | | 3,484 |
| Finance costs | | | | (11,533) |
| Share of loss of associate | — | — | (563) | (563) |
| **Profit before income tax** | | | | 401,793 |
| Income tax expense | | | | (15,981) |
| **Profit for the year** | | | | 385,812 |

Other segment items included in the income statement are as follows:

| | Year ended 31st December 2007 | | | | |
|---|---|---|---|---|---|
| | Automobile glass | Construction glass | Float glass | Unallocated | Group |
| Depreciation | 61,499 | 19,310 | 59,178 | 47 | 140,034 |
| Amortisation | | | | | |
| - land use right | 1,403 | 305 | 875 | 424 | 3,007 |
| - intangible assets | 214 | — | — | — | 214 |
| Impairment of trade and other receivables, net | 8,948 | 3,423 | — | — | 12,371 |

| | Year ended 31st December 2006 | | | | |
|---|---|---|---|---|---|
| | Automobile glass | Construction glass | Float glass | Unallocated | Group |
| Depreciation | 47,163 | 18,694 | 28,511 | 50 | 94,418 |
| Amortisation | | | | | |
| - land use right | 1,186 | 287 | 615 | 606 | 2,694 |
| Impairment of trade and other receivables, net | 2,047 | 6,327 | — | — | 8,374 |

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

| | Automobile glass | Construction glass | Float glass | Unallocated | Group |
|---|---|---|---|---|---|
| Assets | 2,110,008 | 616,160 | 2,492,525 | 140,462 | 5,359,155 |
| Associate | — | — | 11,374 | — | 11,374 |
| Total assets | 2,110,008 | 616,160 | 2,503,899 | 140,462 | 5,370,529 |
| Liabilities | 526,571 | 183,801 | 302,334 | 312,301 | 1,325,007 |
| Capital expenditure | 397,376 | 330,491 | 985,458 | 142 | 1,713,467 |

| | Assets | Liabilities |
|---|---|---|
| Segment assets/liabilities | 5,230,067 | 1,012,706 |
| Unallocated: | | |
| Property, plant and equipments | 72 | — |
| Available-for-sale financial assets | 532 | — |
| Bank balance and cash | 139,858 | — |
| Other payables | — | 7,728 |
| Current income tax liabilities | — | 7,124 |
| Current borrowings | — | 37,500 |
| Non-current borrowing | — | 259,949 |
| Total | 5,370,529 | 1,325,007 |

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

| | Automobile glass | Construction glass | Float glass | Unallocated | Group |
|---|---|---|---|---|---|
| Assets | 1,267,619 | 551,157 | 1,319,645 | 94,671 | 3,233,092 |
| Associate | — | — | 11,932 | — | 11,932 |
| Total assets | 1,267,619 | 551,157 | 1,331,577 | 94,671 | 3,245,024 |
| Liabilities | 438,156 | 154,128 | 109,132 | 297,285 | 998,701 |
| Capital expenditure | 92,119 | 11,222 | 361,293 | 36 | 464,670 |

| | Assets | Liabilities |
|---|---|---|
| Segment assets/liabilities | 3,150,353 | 701,416 |
| Unallocated: | | |
| Property, plant and equipments | 120 | — |
| Deferred tax | 3,550 | — |
| Deposit and prepayments | 548 | — |
| Bank balance and cash | 74,722 | — |
| Available-for-sale financial assets | 500 | — |
| Financial assets at fair value through profit or loss | 15,231 | — |
| Other payables | — | 12,701 |
| Current borrowings | — | 204,667 |
| Non-current borrowings | — | 79,917 |
| Total | 3,245,024 | 998,701 |

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

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

***Secondary reporting format - geographical segments***

The Group's revenue is mainly derived from customers located in the Greater China (including Hong Kong, PRC and Taiwan) and North America while the Group's business activities are conducted predominately in the Greater China. The following table provides an analysis of the Group's sales by geographical location of its customers.

**Revenue**

| | Financial year ended 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Greater China | 1,208,344 | 874,284 |
| North America | 844,129 | 659,043 |
| Europe | 286,733 | 123,558 |
| Other countries *(note a)* | 435,418 | 276,288 |
| | 2,774,624 | 1,933,173 |

*Notes:-*

(a) Other countries included Australia, New Zealand and countries in Africa, the Middle East and Central and South America.

**Total assets**

| | **2007** | **2006** |
|---|---|---|
| Greater China | 5,346,458 | 3,229,975 |
| North America | 22,866 | 14,454 |
| Other countries | 1,205 | 595 |
| | 5,370,529 | 3,245,024 |

**Capital expenditure**

| | **2007** | **2006** |
|---|---|---|
| Greater China | 1,759,112 | 464,457 |
| North America | 10,171 | 213 |
| Other countries | 60 | — |
| | 1,769,343 | 464,670 |

## 4 Expenses by nature

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

| | Financial year ended 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Depreciation and amortisation | 143,255 | 97,112 |
| Employee benefit expense | 217,907 | 131,125 |
| Cost of inventories | 1,073,735 | 842,820 |
| Other selling expenses (including transportation and advertising costs) | 171,056 | 122,901 |
| Operating lease payments in respect of land and buildings | 3,722 | 3,642 |
| Foreign exchange gain, net | (31,209) | (20,497) |
| Impairment of trade and other receivables, net | 12,371 | 8,374 |
| Auditors' remuneration | 3,005 | 2,211 |
| Other expenses, net | 529,944 | 367,185 |
| Total of cost of sales, selling and marketing costs and administrative expenses | 2,123,786 | 1,554,873 |

## 5 Finance income and finance costs

***Finance income***

| | Financial year ended 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Interest income on short-term bank deposits | 8,212 | 2,719 |
| Interest income on loan advanced to associate | 805 | 765 |
| | 9,017 | 3,484 |

***Finance costs***

| | Financial year ended 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Interest on bank borrowings | 36,839 | 20,514 |
| Less: interest expenses capitalised under construction in progress | (3,077) | (8,981) |
| | 33,762 | 11,533 |

## 6 Income tax expense

| | Financial year ended 31 December 2007 | 2006 |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax *(note (a))* | 6,382 | 360 |
| — PRC foreign enterprise income tax *(note (b))* | 19,765 | 18,454 |
| — Overseas taxation | 11 | 101 |
| Deferred income tax | 4,007 | (2,934) |
| | 30,165 | 15,981 |

*Notes:*

(a) **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

(b) **PRC foreign enterprise income tax**

PRC foreign enterprise income tax ("FEIT") is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. Certain PRC subsidiaries are entitled to tax holiday and the profits are fully exempted from FEIT for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in FEIT in next three years. The applicable FEIT rate for subsidiaries located in Shenzhen and Dongguan is 15% and 24%, respectively.

Effective from 1 January 2008, the PRC subsidiaries shall determine and pay the FEIT in accordance with the Corporate Income Tax Law of the People's Republic of China (herein after "the new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the FEIT tax rate applicable to the PRC subsidiaries under tax holiday and applying reduced FEIT rates, will be gradually increased to 25% in a 5-year period from 2008 to 2012.

(c) **Overseas taxation**

Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 31 December 2007 and 2006 at the rates of taxation prevailing in the countries in which the Group operates.

## 7 Earnings per share

***Basic***

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

| | Financial year ended 31 December 2007 | 2006 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | 670,860 | 388,235 |
| Weighted average number of shares in issue (thousands) | 1,632,107 | 1,578,115 |
| Basic earnings per share (HK$ per share) | 0.411 | 0.246 |

***Diluted***

Diluted earnings per share is calculated adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The dilutive potential share of the Company is share options. The adjustments for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the 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.

| | Financial year ended 31 December 2007 | 2006 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | 670,860 | 388,235 |
| Weighted average number of shares in issue (thousands) | 1,632,107 | 1,578,115 |
| Adjustments for share options (thousands) | 5,304 | 1,552 |
| Weighted average number of shares for diluted earnings per shares (thousands) | 1,637,411 | 1,579,667 |
| Diluted earnings per share (HK$ per share) | 0.410 | 0.246 |

## 8 Dividends

The dividends paid during each of the financial years ended 2007 and 2006 were HK$256,746,000 (16.0 HK cents per share) and HK$141,333,000 (9.0 HK cents per share), respectively. A final dividend in respect of the financial year ended 31 December 2007 of 10 HK cents per share, amounting to a total dividend of HK$168,683,000 for the financial year, is to be proposed at the Annual General Meeting to be held on 9 May 2008. These financial statements do not reflect this dividend payable.

| | **2007** | **2006** |
|---|---|---|
| Interim dividend paid of 9.0 HK cents (2006: 4.0 HK cents) per share | 144,420 | 64,186 |
| Proposed final dividend of 10.0 HK cents (2006: 7.0 HK cents) per share | 168,683 | 112,326 |
| | 313,103 | 176,512 |

## 9 Business combinations

In October 2007, the Group acquired 100% of the share capital of Shenzhen China Southern Automobile Glass Company Limited, an automobile glass manufacturing company in PRC. The acquired business contributed revenues of HK$45,377,000 and net profit of HK$4,772,000 to the Group for the period from 1 November 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, group revenue would have been HK$239,902,000, and net profit would have been HK$2,327,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the reduced depreciation and additional amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

| | **2007** |
|---|---|
| Purchase consideration - Cash payment of RMB167 million | 177,660 |
| Assumption of debt of RMB58 million and dividend payable of RMB8 million | 70,891 |
| Fair value of net assets acquired - shown as below | (192,675) |
| Goodwill | 55,876 |

Goodwill is attributable to high profitability and synergies expect to arise from the acquired subsidiary and business.

The assets and liabilities as of 1 November 2007 are as follows:

| | Fair value | Acquiree's Carrying amount |
|---|---|---|
| Cash and cash equivalents | 4,433 | 4,433 |
| Property, plant and equipment | 266,691 | 317,522 |
| Land use right | 14,362 | 12,707 |
| Trademark | 20,306 | — |
| Customer relationship | 5,404 | — |
| Inventories | 32,722 | 32,722 |
| Trade receivables and other receivables | 59,826 | 59,826 |
| Trade payables and other payables | (75,812) | (75,812) |
| Bank borrowings | (135,257) | (135,257) |
| Net assets acquired | 192,675 | 216,141 |
| Purchase consideration settled in cash | | 177,660 |
| Cash payment on debt and dividend payable assumed | | 70,891 |
| Cash and cash equivalents in subsidiary acquired | | (4,433) |
| Purchase consideration payable include in accruals and other payables | | (90,341) |
| Cash outflow on acquisition | | 153,777 |

10 **Trade and other receivables - Group**

| | As at 31 December 2007 | 2006 |
|---|---|---|
| Trade receivables *(note (a))* | 517,840 | 445,586 |
| Less: provision for impairment of receivables | (15,455) | (4,207) |
| | 502,385 | 441,379 |
| Bills receivables *(note (b))* | 91,345 | 45,363 |
| Trade and bills receivables - net | 593,730 | 486,742 |
| Prepayment, deposits and other receivables | 80,992 | 82,196 |
| | 674,722 | 568,938 |

*Notes:-*

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

The credit period granted by the Group to its customers is generally 30 to 90 days.

At 31 December 2007 and 2006, the ageing analysis of the Group's trade receivables were as follows:

| | As at 31 December | |
|---|---|---|
| | **2007** | **2006** |
| 0 - 90 days | 459,455 | 366,374 |
| 91 - 180 days | 35,331 | 46,138 |
| 181 - 365 days | 8,668 | 15,808 |
| 1 - 2 years | 9,961 | 16,208 |
| Over 2 years | 4,425 | 1,058 |
| | 517,840 | 445,586 |

The carrying amount of the Group's trade receivables are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Renminbi | 229,435 | 201,547 |
| Hong Kong dollars | 5,654 | 13,484 |
| US dollars | 282,409 | 229,143 |
| Other currencies | 342 | 1,412 |
| | 517,840 | 445,586 |

(b) Bills receivables have maturities ranging within 6 months.

11 **Trade and other payables - Group**

| | As at 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Trade payables *(note (a))* | 143,663 | 103,405 |
| Bills payables *(note (b))* | 41,102 | 238,710 |
| | 184,765 | 342,115 |
| Accruals and other payable | 441,574 | 228,634 |
| | 626,339 | 570,749 |

*Notes:*

(a) At 31 December 2007 and 2006, the ageing analysis of the trade payables were as follows:

| | As at 31 December | |
|---|---|---|
| | **2007** | **2006** |
| 0 - 90 days | 137,520 | 92,808 |
| 91-180 days | 1,235 | 3,105 |
| 181-365 days | 2,254 | 3,065 |
| 1-2 years | 2,154 | 4,361 |
| Over 2 years | 500 | 66 |
| | 143,663 | 103,405 |

The carrying amount of the trade payables are denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | **2007** | **2006** |
| Renminbi | 106,485 | 61,915 |
| Hong Kong dollars | 373 | 56 |
| US dollars | 35,063 | 41,434 |
| Other currencies | 1,742 | — |
| | 143,663 | 103,405 |

(b) Bills payables have maturities ranging within 6 months.

12 **Other reserves - Group**

| | Statutory reserve fund *(Note a)* | Enterprise expansion fund *(Note a)* | Translation reserves | Capital reserve | Share options reserve | Property Revaluation reserve | Capital redemption reserve | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2006, as per above | 60,037 | 29,695 | 20,921 | 11,840 | — | — | — | 122,493 |
| Transfer from retained earnings | 39,189 | 9,480 | — | — | — | — | — | 48,669 |
| Employee share option scheme: | | | | | | | | |
| — value of employee services | — | — | — | — | 1,175 | — | — | 1,175 |
| Currency translation differences | 2,401 | 1,188 | 62,507 | — | — | — | — | 66,096 |
| Balance at 31 December 2006 | 101,627 | 40,363 | 83,428 | 11,840 | 1,175 | — | — | 238,433 |
| Balance at 1 January 2006, as per above | 101,627 | 40,363 | 83,428 | 11,840 | 1,175 | — | — | 238,433 |
| Transfer from retained earnings | 66,119 | — | — | — | — | — | — | 66,119 |
| Property revaluation | — | — | — | — | — | 624 | — | 624 |
| Employee share option scheme: | | | | | | | | |
| — value of employee services | — | — | — | — | 5,541 | — | — | 5,541 |
| Currency translation differences | 6,487 | 2,576 | 133,346 | — | — | — | — | 142,409 |
| Share repurchase | — | — | — | — | — | — | 959 | 959 |
| Balance at 31 December 2007 | 174,233 | 42,939 | 216,774 | 11,840 | 6,716 | 624 | 959 | 454,085 |

*Notes:*

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

During the year ended 31 December 2007, the boards of directors of the group companies resolved to appropriate approximately HK$66,119,000 (2006: HK$39,189,000) from retained earnings to the statutory reserve fund. No enterprise expansion fund was appropriated during the year ended 31 December 2007 (2006: HK$9,480,000).

**Final dividend**

Upon approval at the Annual General Meeting, a final dividend will be payable on or about Wednesday, 21 May 2008 to the Shareholders whose names appear on the register of members of the Company at close of business on Friday, 9 May 2008.

**Closure of register of members**

The Company's register of members will be closed from Tuesday, 6 May 2008 to Friday, 9 May 2008 (both days inclusive), during such period no transfer of the Shares will be registered. In order to qualify for the proposed final dividend, all transfers of the 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on Monday, 5 May 2008.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

The Group produces and sells a variety of glass products, ranging from automobile glass, construction glass, float glass and other glass products for decorative and commercial applications. The Group has production facilities in Shenzhen, Dongguan, Wuhu and Tianjin in China. According to the "China Trade Information" report, a monthly research report issued by Goodwill China Business Information Ltd., the Group has been the largest Chinese exporter of automobile glass products since 2004 in terms of export volume. In addition to glass products, the Group also produces automobile rubber and plastic components that are sold together with our automobile glass products. The Group also undertakes construction projects in China that involve principally installation of glass curtain walls.

Founded in Hong Kong in 1989, the Group today sells its automobile glass products to customers in over 100 countries and territories, including China, Hong Kong, the United States, Canada, Australia, New Zealand, the Middle East, Europe, Africa and Central and South America. Its customers include companies in different businesses, including automobile glass manufacturing, glass wholesale and distribution, automobile repair, motor vehicle manufacturing, construction and furniture and household appliances manufacturing.

## BUSINESS REVIEW

The Group achieved significant business growth for the financial year ended 31 December 2007. Our sales and net profit attributable to equity holders of the Company reached approximately HK$2,774.6 million and approximately HK$670.9 million, respectively, representing a year-on-year increase of approximately 43.5% and approximately 72.8%, as compared to approximately HK$1,933.2 million and approximately HK$388.2 million for the financial year ended 31 December 2006. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 36.0% and 34.5%, respectively, for the five years ended 31 December 2007.

Our major construction glass products "low-emission coated glass" continued to be one of our most popular products in 2007. Its environmentally friendly and energy saving capability are generally consistent with the policy objectives outlined in "Eleventh Five Years Plan" of China. In order to capture this high growth business opportunity, the second low-emission coating glass production line has installed and commenced its operation in Tianjin production complex in February 2008 and the third low-emission coating glass production line will be installed in April 2008 and commenced its operation in Dongguan production complex in September 2008.

The third high quality float glass production line with 500-tonne daily melting rate started commercial production in the third quarter of 2007, and the forth one of 900-tonne daily melting started commercial run in the end of 2007. The addition of the new production lines are capable of high yields and made the high quality float glass operation became a major growth driver of our business of the year.

## OPERATIONAL REVIEW

### SALES

Our sales increased by approximately 43.5% for the financial year ended 31 December 2007, as compared with that for the financial year ended 31 December 2006. The increase was principally due to the substantial growth of our float glass and construction glass sales in China and automobile glass export sales to countries in North America and Europe. In addition, the improved sales performance was also attributable to the new products launched during the year and new customers and orders resulting from our business development efforts.

The tables below show the analysis of our sales by products and by geographical regions:-

| | Financial year ended 31 December | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | *HK$'000* | *%* | *HK$'000* | *%* |
| **Sales** | | | | |
| Automobile glass products *(Note 1)* | 1,716,803 | 61.9 | 1,229,330 | 63.6 |
| Construction glass products *(Note 2)* | 565,949 | 20.4 | 498,038 | 25.8 |
| Float glass products | 491,872 | 17.7 | 205,805 | 10.6 |
| | 2,774,624 | 100.0 | 1,933,173 | 100.0 |

*Notes:*

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

(2) Included sales derived from the sales of architectural glass products, furniture glass products and construction fee income received from curtain wall construction projects.

| | Financial year ended 31 December | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | *HK$'000* | *%* | *HK$'000* | *%* |
| **Sales** | | | | |
| Greater China *(Note (a))* | 1,208,344 | 43.6 | 874,284 | 45.2 |
| North America | 844,129 | 30.4 | 659,043 | 34.1 |
| Europe | 286,733 | 10.3 | 123,558 | 6.4 |
| Others *(Note (b))* | 435,418 | 15.7 | 276,288 | 14.3 |
| | 2,774,624 | 100.0 | 1,933,173 | 100.0 |

*Notes:*

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

(b) Other countries included countries in Australia, New Zealand, Africa, the Middle East and Central and South America.

## COST OF SALES

Alongside growth in sales, our cost of sales for the financial year ended 31 December 2007 was approximately HK$1,702.3 million, representing an increase of approximately 38.1%, as compared with that for the financial year ended 31 December 2006.

## GROSS PROFIT

Our gross profit for the financial year ended 31 December 2007 was approximately HK$1,072.4 million, representing an increase of approximately 53.2% as compared with that for the financial year ended 31 December 2006. Overall gross profit margin increased from approximately 36.2% to approximately 38.6%, attributable to enhanced cost control, improved product mix and better pricing of new products.

## OTHER GAINS

Our other gains totaled approximately HK$57.0 million for the financial year ended 31 December 2007, as compared to approximately HK$10.2 million for the financial year ended 31 December 2006. The increase of 458.8% was mainly represented the net gain on disposal of other financial assets at fair value through profit or loss and gain on disposal of property, plant and equipment during the year.

## SELLING AND MARKETING COSTS

Our selling and marketing costs increased by approximately 35.6% to approximately HK$286.5 million for the financial year ended 31 December 2007. The increase was principally due to the increase in other selling expenses from approximately HK$122.9 million in 2006 to approximately HK$171.1 million in 2007, as we were required by some of our new customers to bear transportation costs and the increase in international sea freight rates in relation to shipment. Advertising costs also increased as a result of the Group spending more on exploring new markets and promoting new products such as our low-emission coated glass and float glass products in Greater China and other countries and territories.

## ADMINISTRATIVE EXPENSES

Our administrative expenses increased by approximately 22.0% to approximately HK$135.1 million for the financial year ended 31 December 2007, attributable principally by an increase in employee benefit expense of approximately HK$17.5 million for the financial year ended 31 December 2007.

## FINANCE COSTS

Our finance cost increased by approximately 192.7% to approximately HK$33.8 million for the financial year ended 31 December 2007. The increase was principally due to an increase in bank borrowings for use as working capital and capital expenditures of new operations. Some of the interest costs were incurred and capitalised in relation to the acquisition of plant and machinery at our production complex in Dongguan, but they were expensed when the new production lines commenced commercial operation. Interest expenses of HK$3.1 million were capitalised under construction-in-progress for the financial year ended 31 December 2007.

## TAXATION

Our income tax expense amounted to approximately HK$30.2 million for the financial year ended 31 December 2007. Our effective tax rate maintained similar range from approximately 4.0% to approximately 4.3% for the financial year ended 31 December 2007, which was mainly due to the tax exemptions enjoyed by our operating subsidiaries in China.

## EBITDA AND NET PROFIT FOR THE YEAR

During the financial year ended 31 December 2007, the Company's EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) reached approximately HK$877.8 million, representing an increase of approximately 71.2%, as compared to approximately HK$512.9 million for the financial year ended 31 December 2006. The Company's EBITDA margin, calculated based on turnover, for the financial year, was approximately 31.6%, as compared to approximately 26.5% for the financial year ended 31 December 2006.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2007 was approximately HK$670.9 million, representing an increase of approximately 72.8%, as compared to approximately HK$388.2 million for the financial year ended 31 December 2006. Net profit margin increased from approximately 20.1% for the financial year ended 31 December 2006 to approximately 24.2% for the financial year ended 31 December 2007 as a result of improved cost efficiency, better product mix and commencement of the new float glass operation.

## DIVIDENDS

We proposed to declare a final dividend of 10.0 HK cents per Share for the financial year ended 31 December 2007. That together with the interim dividends of HK$144.4

million for the year already distributed represented a dividend pay out ratio of approximately 46.7%. The Directors believe that this dividend level is appropriate in reflecting the substantial improvement in overall performance of the Group for the financial year ended 31 December 2007 as compared with the financial year ended 31 December 2006.

## CURRENT RATIO

Our current ratio for the financial year ended 31 December 2007 was approximately 1.5, as compared to approximately 1.3 in the year 2006. The increase was a result of improved cash and accounts receivable management.

## NET CURRENT ASSETS

As at 31 December 2007, we had net current assets of approximately HK$494.4 million, as compared to approximately HK$270.5 million as at 31 December 2006. The Group was in a better financial position and had more cash on hand for the financial year ended 31 December 2007 than that in the previous year.

## FINANCIAL RESOURCES AND LIQUIDITY

During the financial year ended 31 December 2007, our primary sources of funding included cash generated from operating activities, credit facilities provided by our principal banks in Hong Kong and China and issuing of new Shares with gross proceeds in aggregate of approximately HK$1,324.8 million on 12 October 2007. Net cash inflow from operating activities amounted to approximately HK$440.0 million (2006: HK$365.6 million), as a result of working capital management generating a net cash surplus from operations. As at 31 December 2007, we had bank balances and cash of approximately HK$316.2 million (2006: HK$172.8 million).

As at 31 December 2007, we had bank loans totaling approximately HK$683.6 million, representing an increase of approximately 64.9% over that as at 31 December 2006. The rise was principally due to the increased capital expenditures for the year.

Our net debt gearing ratio as at 31 December 2007, calculated by dividing the net bank debt by the total equity of the Group as at 31 December 2007, was approximately 9.1%, slightly lower than the approximately 10.8% as at 31 December 2006.

## PLEDGE OF ASSETS

As at 31 December 2007, bank balance of approximately HK$6.7 million were pledged as collateral for banking facilities.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, we had 7,338 full-time employees of whom 7,221 were based in Greater China and 117 were based in other countries. We maintain good relationship with our employees. We provide staff training on business knowledge including information on the applications of our products and skills in maintaining good client relationship. Remuneration packages offered to our staff are in line with prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group's performance and performance of the individual employee.

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

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

As at the date of this announcement, the 1st batch of 8,520,000 options had been granted to employees of the Group of which 718,000 were lapsed, 538,500 were exercised and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$2.15 and the option holders may exercise the options between 27 January 2008 and 26 January 2009, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 26 January 2009, the un-exercised options outstanding shall lapse.

The 2nd batch of 13,552,000 options had been granted to employees of the Group of which no option was lapsed, and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$6.98 and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 30 June 2011, the un-exercised options outstanding shall lapse.

## REVIEW AND OUTLOOK

## A YEAR OF CHALLENGES AND OPPORTUNITIES

During the year, all our different business segments reported strong growth, with automobile glass and float glass business spearheading the lead. Turnover from the automobile glass business grew by approximately 39.7% to around HK$1,716.8 million, which accounted for roughly 61.9% of the Group's total turnover. This was mainly attributed to a substantial increase in sales of automobile glass products to overseas markets, such as North America and Europe. The float glass business' turnover grew significantly by approximately 139.0% to the region of HK$491.9 million which accounted for roughly 17.7% of the Group's total turnover. Such strong demand was largely driven by overseas and South China markets, as well as an increase in our float glass capacity. The gross profit margin rose from approximately 36.2% to around 38.6% while the net profit margin climbed from roughly 20.1% to approximately 24.2%.

2007 was a year of challenges. The industry faced difficulties arising from the Renminbi's appreciation, reduction of export tax rebate, weakening of the US economy, and escalating fuel and raw material costs. The Group nevertheless achieved remarkable growth by leveraging economies of scale and flexible management strategies.

## APPRECIATION OF RENMINBI — INCREASE IN CHINA SALES RATIO

Although the Renminbi appreciated by approximately 6% in 2007, our Group derived approximately 43.6% of its Renminbi from local income to settle such expenses. Other foreign currency incomes were mainly used to settle expenses where such costs were handled using the US dollar, Euro or Hong Kong dollar. By using the Hong Kong dollar as the reporting and functional currency in our consolidated financial statements, this "natural hedging" arrangement allowed us to minimize foreign exchange risk. Accordingly, our Group managed to achieve solid growth despite appreciation of the Renmenbi which commenced in July 2005.

## REDUCTION OF EXPORT SALES REBATE, WEAKENIG OF US ECONOMY, EXPLORATION OF EXPORT SALES CHANNELS

In July 2007, China reduced its export tax rebate on all glass products to 5.0%. All sectors of the glass industry were affected by this new tax policy. Consequently, with the support of our overseas customers, our Group increased the selling price of all export glass products. Overseas revenue duly increased by approximately 47.9% in 2007 with overall gross margin increasing by roughly 2.4%. This underlined our Group's ability to overcome the obstacle posed by the export tax rebate reduction.

The US economy was weakened by the sub-prime rate issue which began last year; significantly impacting on the housing and new car markets. However, as our automobile glass sales to North America are aimed at the aftermarket sector, serving the purpose of replacement due to breakage by daily driving, the weakened economy had minimal impact on our business. Sales in North America actually grew by approximately 28.1% during the year.

The Group continues to explore other overseas markets. In 2007, our revenue generated from the European market increased by approximately 132.1% to roughly HK$286.7 million. Other overseas markets also increased by around 57.6% to approximately HK$435.4 million.

## IMPROVED PRODUCTIVITY AND ECONOMIES OF SCALE HELP TO MITIGATE ENERGY AND MATERIAL COST PRESSURES

Since the fourth quarter of 2007, the selling price of "heavy oil" — the fuel for float glass production, and "soda ash", a key raw material, have risen appreciably in price. However, with our strong experience in operations management combined with improvements in production flow, the Group enhanced its productivity and yield rate to combat the overall production and energy cost rises. The Group's float glass capacity duly increased from 1,200 daily melting tons — achieved early in the year — to 2,600 daily melting tons by year's end. The new ultra clear glass production line also provided the Group with additional capacity of 300 melting tons per day. This increase in economies of scale enhanced the Group's purchasing power, decreased the average heavy oil consumption rate and reduced the fixed cost per unit.

## EXPANDED SHAREHOLDER BASE AND STRENGTHENED INFRASTRUCTURE

In September 2007, the Group placed 128,372,960 new ordinary shares on the market to broaden our shareholders base. This further improved our ordinary share liquidity in the equity market. Proceeds of HK$1,324.8 million earned from the placement were partly used to acquire 100% shareholding of "Shenzhen CS Automobile Glass Company Limited", the third largest China automobile glass exporter. Remaining funds were directed towards, financing the second phase of our float glass facilities in Dongguan, purchasing low-emission coating glass equipment, and to strengthen the Group's cash position.

## OUTLOOK FOR 2008

In the coming year, we will continue to strengthen our operations management capabilities, thus fully armed to tackle new challenges ahead. Observing China's economic policies and new construction energy saving standard, we will look towards establishing new production complexes in the Pearl River Delta and Yangtze River Delta regions. As well, we will mainly develop environmental friendly and energy efficient glass products to meet the strong market demand for low-emission coating glass and double glazing insulated glass that is expected.

Ultra clear glass, which is mainly used for photovoltaic power systems, successfully commenced commercial production in January 2008, earning strong support from the market. The development of this renewable energy related product will be our main focus in the future.

From 2008, the Group expects more than 50% of our total revenue will be derived from China. Revenue will be collected in major international currencies based on different economic zones. This can thereby minimize foreign exchange risk from US dollar settlements.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the "**Code**") as set out in appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") during the financial year ended 31 December 2007.

## AUDIT COMMITTEE OF THE BOARD

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference set out in "A Guide For The Formation Of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants adopted as the terms of reference of audit committee with the exception that the audit committee may have a minimum of two members. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2007.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company executed a share placement on 12 October 2007 which raised gross proceeds of approximately HK$1,324.8 million to provide the Group with additional funds for expansion.

During the year, the Company repurchased a total of 9,594,000 ordinary shares of the Company at an aggregate consideration of HK$75,083,160 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

| Month of repurchase | Number of ordinary shares repurchased | Price per ordinary share Highest *(HK$)* | Price per ordinary share Lowest *(HK$)* | Aggregate purchase price *(HK$)* |
|---|---|---|---|---|
| November 2007 | 9,594,000 | 8.60 | 7.27 | 75,083,160 |
| | Total expenses on shares repurchased | | | 286,340 |
| | | | | 75,369,500 |

The 9,594,000 repurchased ordinary shares were cancelled during the year, and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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 year.

## SIGNIFICANT EVENT AFTER BALANCE SHEET DATE

In January 2008, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited. The Directors considered that, as the Company's shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The aggregate consideration paid on repurchase was charged to share premium.

| | **Month of repurchase** | **Number of shares of HK$0.10 each** | **Highest price per share** *HK$* | **Lowest price per share** *HK$* | **Aggregate consideration paid** |
|---|---|---|---|---|---|
| January 2008 | 37,144,000 | 7.00 | 5.93 | 234,284 | 234.3 million |

## PUBLIC FLOAT

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

## PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the website of the Stock Exchange.

The annual report for the financial year ended 31 December 2007 containing all the information required by appendix 16 to the Listing Rules will be dispatched to the Shareholders and published on the website of the Stock Exchange.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 9 May 2008. A notice convening the Annual General Meeting will be published on the newspaper and dispatched to the Shareholders on or about Monday, 28 April 2008.

On behalf of the Board
**XINYI GLASS HOLDINGS LIMITED**
**LEE Yin Yee**
*Chairman*

Hong Kong, 31 March 2008

*As at the date of this announcement, the executive Directors are Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Put, Mr. LEE Yau Ching, Mr. LI Man Yin, the non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung, Mr. NG Ngan Ho, and the independent non-executive Directors are Mr. LAM Kwong Siu, Mr. WONG Chat Chor Samuel and Mr. WONG Yin Wai, JP.*