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 2008

HIGHLIGHTS

- Our sales for the financial year ended 31 December 2008 reached approximately HK$3,894.3 million, representing an increase of approximately 40.4%, as compared with that for the financial year ended 31 December 2007.
- Our net profit attributable to the equity holders of the Company for the financial year ended 31 December 2008 reached approximately HK$709.2 million, representing an increase of approximately 5.7%, as compared with that for the financial year ended 31 December 2007.
- Basic earnings per Share for the financial year ended 31 December 2008 was 41.9 HK cents.
- The Directors propose to declare a final dividend of 9.0 HK cents per Share for the financial year ended 31 December 2008.
- The annual general meeting of the Company is proposed to be held on 22 May 2009. 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 Tuesday, 21 April 2009.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

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 2008, together with the comparative figures for the financial year ended 31 December 2007, as follows:-

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

CONSOLIDATED INCOME STATEMENT

	Note	**Financial year ended 31 December 2008**	**2007**
Revenue	2	3,894,283	2,774,624
Cost of sales	5	(2,683,403)	(1,702,269)
Gross profit		1,210,880	1,072,355
Other income	3	38,118	25,140
Other gains - net	4	46,129	81,439
Selling and marketing costs	5	(318,227)	(286,451)
Administrative expenses	5	(209,205)	(166,275)
Operating profit		767,695	726,208
Finance income	6	9,116	9,017
Finance costs	6	(24,029)	(33,762)
Share of profit of an associate		272	1,703
Profit before income tax		753,054	703,166
Income tax expense	7	(42,256)	(30,165)
Profit for the year		710,798	673,001
Attributable to:			
Equity holders of the Company	8	709,232	670,860
Minority interests		1,566	2,141
		710,798	673,001
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
- Basic	8	41.9	41.1
- Diluted	8	41.8	41.0
Dividends	9	337,116	313,103

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2008	2007
ASSETS			
Non-current assets			
Leasehold land and land use rights		362,800	146,892
Property, plant and equipment		3,972,031	3,268,901
Investment property		10,927	9,460
Deposits for property, plant and equipment and land use rights		280,871	292,854
Intangible assets		90,048	81,372
Available-for-sale financial assets		569	532
Interest in an associate		15,889	11,374
		4,733,135	3,811,385
Current assets			
Inventories		612,134	510,690
Trade and other receivables	10	661,275	674,722
Amounts due from customers for contract work		48,828	57,524
Pledged bank deposits		6,854	6,702
Cash and cash equivalents		435,712	309,506
		1,764,803	1,559,144
Total assets		6,497,938	5,370,529
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		168,808	172,344
Share premium		1,829,174	2,073,287
Other reserves	12	728,323	454,085
Retained earnings			
- Proposed final dividend		151,475	168,683
- Others		1,491,552	1,176,680
		4,369,332	4,045,079
Minority interest		20,204	443
Total equity		4,389,536	4,045,522

	Note	As at 31 December 2008	2007
LIABILITIES			
Non-current liabilities			
Bank borrowings		484,079	259,949
Deferred income tax liabilities		1,044	331
		485,123	260,280
Current liabilities			
Trade payables, accruals and other payables	11	879,291	626,339
Amounts due to customers for contract work		71	609
Bank borrowings		722,391	423,608
Current income tax liabilities		21,526	14,171
		1,623,279	1,064,727
Total liabilities		2,108,402	1,325,007
Total equity and liabilities		6,497,938	5,370,529
Net current assets		141,524	494,417
Total assets less current liabilities		4,874,659	4,305,802

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.

1.1 ***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 property, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) 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 judgement in the process of applying the Group's accounting policies.

New standards, amendments and interpretations to existing standards

The following are the amendments and interpretations to existing standards from the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for financial year ended 31 December 2008:

HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

HK(IFRIC) - Int 11, 'HKFRS 2 - Group and treasury share transactions', 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.

HK(IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 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. This interpretation does not have any impact on the Group's financial statements, as none of the group companies operate a defined benefit pension scheme.

HK(IFRIC) - Int 12, 'Service concession arrangements', deals primarily with public to private service concession arrangements for the delivery of the public services. It applies only to concession arrangements where the use of the infrastructure and significant residual interest in the infrastructure are controlled by the grantor. The interpretation does not have an impact on the Group's financial statements.

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 2009 or later periods, but the Group has not early adopted them:

	Effective date
HKAS 1 (Revised), 'Presentation of financial statements'	1 January 2009
HKAS 23 (Revised), 'Borrowing costs'	1 January 2009
HKAS 27 (Revised), 'Consolidated and separate financial statements'	1 July 2009
HKAS 32 (Amendment), 'Financial instruments: Presentation' and HKAS 1 (Amendment), 'Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation'	1 January 2009
HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement - Eligible hedged items'	1 July 2009
HKFRS 1 (Amendment), 'First-time adoption of HKFRS' and HKAS 27, 'Consolidated and separate financial statements'	1 July 2009
HKFRS 2 (Amendment), 'Share-based payment'	1 January 2009
HKFRS 3 (Revised), 'Business combination'	1 July 2009
HKFRS 8, 'Operating segments'	1 January 2009
HK (IFRIC) - Int 13, 'Customer loyalty programmes'	1 July 2008
HK(IFRIC) - Int 15, 'Agreements for construction of real estates'	1 January 2009
HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation'	1 October 2008
HK(IFRIC) - Int 17, 'Distributions of non-cash assets to owners'	1 July 2009
HK(IFRIC) - Int 18, 'Transfers of assets from customers'	1 July 2009

Apart from the above, HKICPA has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. These amendments are primarily effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect adoption of these amendements to have a significant effect on the consolidated financial statements.

2 **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 2008	**2007**
Revenue		
Sales of automobile glass	1,964,294	1,716,803
Sales of float glass	1,279,160	491,872
Sales of construction glass	622,732	453,830
Construction contract revenue	28,097	112,119
Total	3,894,283	2,774,624

Primary reporting format - business segments

At 31 December 2008, 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 2008 are as follows:

	Automobile glass	**Construction glass**	**Float glass**	**Group**
Revenue				
Total gross segment revenue	1,964,294	650,829	1,793,760	4,408,883
Inter-segment revenue	—	—	(514,600)	(514,600)
External revenue	1,964,294	650,829	1,279,160	3,894,283
Segment results	480,629	117,861	207,569	806,059
Unallocated other income				3,866
Unallocated other gains — net				7,533
Unallocated costs				(49,763)
Operating profit				767,695
Finance income *(Note 6)*				9,116
Finance costs *(Note 6)*				(24,029)
Share of profit of an associate	—	—	272	272
Profit before income tax				753,054
Income tax expense *(Note 7)*				(42,256)
Profit for the year				710,798

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 — net				38,335
Unallocated costs				(47,250)
Operating profit				726,208
Finance income *(Note 6)*				9,017
Finance costs *(Note 6)*				(33,762)
Share of profit of an associate	—	—	1,703	1,703
Profit before income tax				703,166
Income tax expense *(Note 7)*				(30,165)
Profit for the year				673,001

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

	Year ended 31st December 2008				
	Automobile glass	Construction glass	Float glass	Unallocated	Group
Depreciation	83,200	28,104	105,036	1,567	217,907
Amortisation					
- land use rights	1,896	470	4,233	74	6,673
- intangible assets	1,390	—	—	—	1,390
Impairment of trade and other receivables, net	456	559	—	—	1,015

	Year ended 31st December 2007				
	Automobile glass	**Construction glass**	**Float glass**	**Unallocated**	**Group**
Depreciation	60,249	18,894	56,896	47	136,086
Amortisation					
- land use rights	1,403	305	875	424	3,007
- intangible assets	214	—	—	—	214
Impairment of trade and other receivables, net	8,948	3,423	—	—	12,371

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Automobile glass	**Construction glass**	**Float glass**	**Unallocated**	**Group**
Assets	2,109,146	1,147,658	3,031,319	193,926	6,482,049
Associate	—	—	15,889	—	15,889
Total assets	2,109,146	1,147,658	3,047,208	193,926	6,497,938
Liabilities	480,389	217,391	435,603	975,019	2,108,402
Capital expenditure	178,690	297,678	457,241	17	933,626

	Assets 2008	**Liabilities 2008**
Segment assets/liabilities	6,304,012	1,133,383
Unallocated:		
Property, plant and equipment	35,682	—
Prepayments	641	—
Available-for-sale financial assets	569	—
Bank balance and cash	157,034	—
Other payables	—	19,852
Current income tax liabilities	—	1,688
Current bank borrowings	—	703,479
Non-current bank borrowings	—	250,000
Total	6,497,938	2,108,402

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	2,074,256	616,160	2,492,525	176,214	5,359,155
Associate	—	—	11,374	—	11,374
Total assets	2,074,256	616,160	2,503,899	176,214	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 2007	Liabilities 2007
Segment assets/liabilities	5,194,315	1,012,706
Unallocated:		
Property, plant and equipment	35,824	—
Prepayments	—	—
Available-for-sale financial assets	532	—
Bank balance and cash	139,858	—
Other payables	—	7,728
Current income tax liabilities	—	7,124
Current bank borrowings	—	37,500
Non-current bank borrowings	—	259,949
Total	5,370,529	1,325,007

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

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

Capital expenditure comprises mainly 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 and PRC), North America and Europe 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	
	2008	**2007**
Greater China	1,903,575	1,208,344
North America	774,519	844,129
Europe	555,533	286,733
Other countries	660,656	435,418
	3,894,283	2,774,624

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

Total assets

	Financial year ended 31 December	
	2008	**2007**
Greater China	6,472,907	5,346,458
North America	20,936	22,866
Other countries	4,095	1,205
	6,497,938	5,370,529

Capital expenditure

	Financial year ended 31 December	
	2008	**2007**
Greater China	933,538	1,703,236
North America	73	10,171
Other countries	15	60
	933,626	1,713,467

3 Other income

	Financial year ended 31 December	
	2008	**2007**
Government grants *(note)*	—	14,110
Rental income	3,866	3,752
Royalty income	—	500
Anti-dumping duties refund	19,116	88
Others	15,136	6,690
	38,118	25,140

Note: These amounts represented government grants given to a subsidiary of the Group in the form of "tax refund on reinvestment" in relation to the Group's re-investment of dividends declared and received by certain subsidiaries in the PRC 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.

4 Other gains — net

	Financial year ended 31 December	
	2008	**2007**
(Losses)/gains on disposal of property, plant and equipment	(1,027)	18,675
(Losses)/gains on disposal of financial assets at fair value through profit or loss	(7,784)	31,148
Fair value gain on investment property	1,467	407
Fair value loss on interest rate swap	(1,285)	—
Net foreign exchange difference	54,758	31,209
	46,129	81,439

5 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	
	2008	**2007**
Depreciation and amortisation	225,970	139,307
Employee benefit expenses	300,112	217,907
Cost of inventories	1,851,329	1,073,735
Other selling expenses (including transportation and advertising costs)	176,458	171,056
Operating lease payments in respect of land and buildings	4,048	3,722
Impairment of trade and other receivables, net	1,015	12,371
Auditors' remuneration	3,243	3,005
Other expenses, net	648,660	533,892
Total of cost of sales, selling and marketing costs and administrative expenses	3,210,835	2,154,995

6 Finance income and finance costs

Finance income

	Financial year ended 31 December 2008	2007
Interest income on short-term bank deposits	7,695	8,212
Interest income on loan advanced to an associate	1,421	805
	9,116	9,017

Finance costs

	Financial year ended 31 December 2008	2007
Interest on bank borrowings	56,080	36,839
Less: interest expense capitalised under construction in progress	(32,051)	(3,077)
	24,029	33,762

7 Income tax expense

	Financial year ended 31 December 2008	2007
Current income tax		
- Hong Kong profits tax *(note (a))*	11,928	6,382
- PRC corporate income tax *(note (b))*	28,962	19,765
- Overseas taxation	2,267	11
Over-provision in prior years	(1,614)	—
Deferred income tax	713	4,007
	42,256	30,165

Notes:

(a) *Hong Kong profits tax*

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year.

(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 Peoples's Republic of China (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 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 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 and Dongguan is 18% (2007: 15%) and 24% (2007: 24%), respectively.

(c) *Overseas taxation*

Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 31 December 2008 and 2007 at the rates of taxation prevailing in the countries in which the Group operates.

8 **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	
	2008	**2007**
Profit attributable to equity holders of the Company (HK$'000)	709,232	670,860
Weighted average number of shares in issue (thousands)	1,692,130	1,632,107
Basic earnings per share (HK$ per share)	0.419	0.411

Diluted

Diluted earnings per share is calculated by 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	
	2008	**2007**
Profit attributable to equity holders of the Company (HK$'000)	709,232	670,860
Weighted average number of shares in issue (thousands)	1,692,130	1,632,107
Adjustments for share options (thousands)	2,985	5,304
Weighted average number of shares for diluted earnings per shares (thousands)	1,695,115	1,637,411
Diluted earnings per share (HK$ per share)	0.418	0.410

9 **Dividends**

The dividends paid during each of the financial years ended 2008 and 2007 were HK$354,434,000 (21.0 HK cents per share) and HK$256,746,000 (16.0 HK cents per share), respectively. A final dividend in respect of the financial year ended 31 December 2008 of 9.0 HK cents per share (2007: 10.0 HK cents per share), amounting to a total dividend of HK$151,475,000 (2007: HK$168,683,000) for the financial year, is to be proposed at the Annual General Meeting to be held on 22 May 2009. These financial statements do not reflect this dividend payable.

	Financial year ended 31 December	
	2008	**2007**
Interim dividend paid of 11.0 HK cents (2007: 9.0 HK cents) per share	185,641	144,420
Proposed final dividend of 9.0 HK cents (2007: 10.0 HK cents) per share	151,475	168,683
	337,116	313,103

10 **Trade and other receivables**

	As at 31 December	
	2008	**2007**
Trade receivables *(note (a))*	511,581	517,840
Less: provision for impairment of receivables	(12,474)	(15,455)
	499,107	502,385
Bills receivable *(note (b))*	76,383	91,345
Trade and bills receivables — net	575,490	593,730
Prepayments, deposits and other receivables	85,785	80,992
	661,275	674,722

Notes:

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

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

The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2008 and 2007, the ageing analysis of the Group's trade receivables were as follows:

	As at 31 December	
	2008	**2007**
0 - 90 days	458,850	459,455
91 - 180 days	23,139	35,331
181 - 365 days	14,274	8,668
1 - 2 years	10,049	9,961
Over 2 years	5,269	4,425
	511,581	517,840

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

	As at 31 December	
	2008	**2007**
RMB	275,846	229,435
HKD	2,956	5,654
USD	210,538	282,409
Other currencies	22,241	342
	511,581	517,840

11 Trade payables, accruals and other payables

	As at 31 December 2008	2007
Trade payables *(note (a))*	192,116	143,663
Bills payable *(note (b))*	277,823	41,102
	469,939	184,765
Accruals and other payables *(note (c))*	409,352	441,574
	879,291	626,339

Notes:

(a) At 31 December 2008 and 2007, the ageing analysis of the trade payables were as follows:

	As at 31 December 2008	2007
0 - 90 days	177,044	137,520
91-180 days	8,754	1,235
181-365 days	2,103	2,254
1-2 years	3,121	2,154
Over 2 years	1,094	500
	192,116	143,663

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

	As at 31 December 2008	2007
RMB	133,020	106,485
HKD	153	373
USD	58,802	35,063
Other	141	1,742
	192,116	143,663

Trade payables have maturities within 3 months.

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

(c) Nature of accruals and other payables is as follows:

	As at 31 December 2008	2007
Payables for plant and equipment	150,606	115,780
Payable for acquisition of a subsidiary	—	90,341
Accruals for employee benefits and welfare	63,352	57,688
Payables for value-added tax	50,687	44,912
Utilities payables	24,810	30,387
Cross currency interest rate swap	1,285	—
Others	118,612	102,466
	409,352	441,574

(d) The carrying amounts of trade payables, accruals and other payables approximate their fair values.

12 Other reserves - Group

	Statutory reserve fund *(Note a)*	Enterprise expansion fund *(Note a)*	Foreign currency translation reserve	Capital reserve *(Note b)*	Share options reserve	Property revaluation reserve	Capital redemption reserve	Total
Balance at 1 January 2007	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
Balance at 1 January 2008, as per above	174,233	42,939	216,774	11,840	6,716	624	959	454,085
Transfer from retained earnings	57,134	—	—	—	—	—	—	57,134
Proceeds from issue of share under a share option scheme	—	—	—	—	(1,024)	—	—	(1,024)
Employee share option scheme:								
- value of employee services	—	—	—	—	13,075	—	—	13,075
Currency translation differences	11,937	2,969	186,321	—	—	—	—	201,227
Share repurchase	—	—	—	—	—	—	3,826	3,826
Balance at 31 December 2008	243,304	45,908	403,095	11,840	18,767	624	4,785	728,323

Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in the PRC and regulations 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 group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2008, the boards of directors of the group companies resolved to appropriate approximately HK$57,134,000 (2007: HK$66,119,000) from retained earnings to the statutory reserve fund. No enterprise expansion fund was appropriated during the year ended 31 December 2007 and 2008.

(b) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Reorganisation in 2004 and the nominal value of the share capital of the Company issued in exchange thereof.

Final dividend

Subject to the approval at the forthcoming annual general meeting, the final dividend of 9.0 HK cents per Share will be payable on or about Monday, 1 June 2009 to the Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 22 May 2009.

Closure of register of members

The Company's register of members will be closed from Tuesday, 19 May 2009 to Friday, 22 May 2009 (both days inclusive). During such period no transfer of 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, 18 May 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Group produces and sells a wide range of glass products, from automobile glass, construction glass, float glass to 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*", 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 the glass products, the Group also produces automobile rubber and plastic components. The Group is also engaged in construction projects in China involving installation of glass curtain walls on buildings.

Founded in Hong Kong in 1989, the Group's automobile glass products are sold 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. The Group's customers include companies in the businesses of automobile glass manufacturing, glass wholesale and distribution, automobile repairs, motor vehicle manufacturing, construction and furniture and household appliances manufacturing.

Business review

The Group achieved a significant business growth during the financial year ended 31 December 2008. The sales and the net profit attributable to equity holders of the Company reached approximately HK$3,894.3 million and HK$709.2 million, respectively, representing a year-on-year increase of approximately 40.4% and 5.7%, as compared to approximately HK$2,774.6 million and HK$670.9 million for the financial year ended 31 December 2007. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 39.5% and 31.7%, respectively, during the period of the five years ended 31 December 2008.

Our major construction glass products "low-emission coated glass" continued to be one of the most popular products in 2008. Its environmentally-friendly and energy-saving capability are generally consistent with the national policy of China. In order to capture the high-growth business opportunities, the Group installed the second low-emission coating glass production line in its Tianjin production complex in the first quarter of 2008 and the third low-emission coating glass production line in its Dongguan production complex in fourth quarter of 2008. These two production lines are in full commercial operation.

Sales of float glass, including the new product of photovoltaic glass, were also a major growth driver in 2008. Demand for the float glass and the photovoltaic glass were strong both in China and the overseas markets. With two new float glass production lines of daily melting capacity of up to 500 tons and 900 tons in operation since the second half of 2007 and the addition of a new photovoltaic glass line of daily capacity up to 300 tons in operation since January 2008, the Group substantially increased the sales volume in 2008.

Operational review

Sales

Our sales increased by approximately 40.4% for the financial year ended 31 December 2008. The increase was principally due to the substantial growth of our float glass business and construction glass business in China and the export business of automobile glass to Australia and European countries. In addition, the increased sales was also attributable to the launch of our new product, photovoltaic glass, and purchase orders from new customers as a result of our strengthened business development efforts.

The tables below illustrate our sales by products and by geographical regions:-

	Financial year ended 31 December			
	2008		**2007**	
	HK$'000	%	*HK$'000*	%
Sales				
Automobile glass products *(Note 1)*	1,964,294	50.4	1,716,803	61.9
Construction glass products *(Note 2)*	650,829	16.7	565,949	20.4
Float glass products *(Note 3)*	1,279,160	32.9	491,872	17.7
	3,894,283	100.0	2,774,624	100.0

Notes:

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

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

(3) Included sales of photovoltaic glass products.

	Financial year ended 31 December			
	2008		2007	
	HK$'000	%	*HK$'000*	%
Sales				
Greater China *(Note (a))*	1,903,575	48.9	1,208,344	43.6
North America	774,519	19.9	844,129	30.4
Europe	555,533	14.2	286,733	10.3
Others *(Note (b))*	660,656	17.0	435,418	15.7
	3,894,283	100.0	2,774,624	100.0

Notes:

(a) China and Hong Kong.

(b) Australia, New Zealand, Africa, the Middle East and South America.

Cost of sales

Consistent with the growth in sales, our cost of sales for the financial year ended 31 December 2008 was approximately HK$2,683.4 million, representing an increase of approximately 57.6%.

Gross profit

Our gross profit for the financial year ended 31 December 2008 was approximately HK$1,210.9 million, representing an increase of approximately 12.9%. However, the overall gross profit margin decreased from approximately 38.6% to 31.1% as a result of the reduction of the amount of rebate of the China export tax on glass products to 5.0% from July 2007 and the significant increases in the production costs of float glass — heavy oil and soda ash.

Other income

Our other income was approximately HK$38.1 million for the financial year ended 31 December 2008, as compared to approximately HK$25.1 million for the financial year ended 31 December 2007. The increase was principally due to a refund of the United States anti-dumping duty paid during the period between 2002 and 2006.

Selling and marketing costs

With effective cost control measures, our selling and marketing costs only increased by approximately 11.1% to approximately HK$318.2 million for the financial year ended 31 December 2008. Such increase was mainly due to our growth in sales.

Administrative expenses

Our administrative expenses slightly increased by approximately 25.8% to approximately HK$209.2 million for the financial year ended 31 December 2008, principally attributable to the increase in staff welfare and donations of approximately HK$24.6 million and HK$5.3 million, respectively.

Finance costs

Our finance cost decreased by approximately 28.8% to approximately HK$24.0 million for the financial year ended 31 December 2008. The decrease was principally due to the lower interest rates for bank borrowings for working capital and capital expenditures. Some of the interest expenses were capitalised in relation to the acquisition of plant and machinery at our production complex in Dongguan and Wuhu, but they were charged as expenses when the new production lines commenced during the year. Interest expenses of HK$32.1 million were capitalised under construction-in-progress for the financial year ended 31 December 2008.

Taxation

Our income tax expense amounted to approximately HK$42.3 million for the financial year ended 31 December 2008. The effective tax rate slightly increased from approximately 4.3% to 5.6% for the financial year ended 31 December 2008, which was mainly due to the payment of PRC Corporate Income Tax instead of Foreign Enterprise Income Tax from 2008 by two members of the Group in China.

EBITDA and net profit for the year

During the financial year ended 31 December 2008, the Company's EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) reached approximately HK$1,001.5 million, representing an increase of approximately 14.6%, as compared to HK$874.1 million for the financial year ended 31 December 2007. The Company's EBITDA margin, calculated based on turnover for the financial year, was approximately 25.7%, as compared to approximately 31.5% for the financial year ended 31 December 2007.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2008 was approximately HK$709.2 million, representing an increase of approximately 5.7%, as compared to HK$670.9 million for the financial year ended 31 December 2007. Net profit margin decreased to approximately 18.2% for the financial year ended 31 December 2008 as a result of the reduction of the amount of rebate of the China export tax on glass products to 5.0% from July 2007 and the increase of production costs of float glass — heavy oil and soda ash.

Dividends

At a meeting held on 30 March 2009, the Directors proposed to declare a final dividend of 9.0 HK cents per Share for the financial year ended 31 December 2008. Together with the interim dividends of HK$185.6 million for 2008, the total dividend paid and payable represent a dividend pay-out ratio of approximately 47.5%. The Directors believe that this dividend level is appropriate in reflecting the substantial growth of the business of the Group during the financial year ended 31 December 2008.

Current ratio

Our current ratio for the financial year ended 31 December 2008 was approximately 1.1, as compared to 1.5 in the previous year. The slight decrease was due to an increase in trade and other payables and short-term bank borrowings as a result of the increased sales in 2008.

Net current assets

As at 31 December 2008, we had net current assets of approximately HK$141.5 million, as compared to approximately HK$494.4 million as at 31 December 2007. The decrease was a result of the increase in construction-in-progress of our new Wuhu production complex.

Financial resources and liquidity

During the financial year ended 31 December 2008, our primary sources of funding included cash generated from operating activities and the credit facilities provided by our principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to approximately HK$1,167.7 million (2007: HK$440.0 million) as a result of working capital management generating a net cash surplus from operations. As at 31 December 2008, we had cash and bank balances of approximately HK$442.6 million (2007: HK$316.2 million).

As at 31 December 2008, we had bank loans totaling approximately HK$1,206.5 million, representing an increase of approximately 76.5% as at 31 December 2007. The increase was principally due to the increased capital expenditures for the year.

Our net debt gearing ratio as at 31 December 2008, calculated by dividing the net bank debt by the total equity of the Group as at 31 December 2008, was approximately 17.4%. The increase was principally due to the increased capital expenditures for the year.

Pledge of assets

As at 31 December 2008, bank balance of approximately HK$6.9 million was pledged as collateral mainly to United States Customs as a security of import duties.

Employees and remuneration policy

As at 31 December 2008, we had 7,338 full-time employees of whom 6,463 were based in Greater China and 42 were based in other countries and territories. We maintain good relationship with our employees. We provide our staff with sufficient 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 consistent with the 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. 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 tranche of 8,520,000 options were granted to employees of the Group, of which 4,188,500 options were lapsed and 4,331,500 options have been exercised. Amongst the options granted, 600,000 options are granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of these options was HK$2.15 and all these options were expired on 27 January 2009.

The 2nd tranche of 13,552,000 options were granted to employees of the Group, of which 1,464,000 options were lapsed and 600,000 options have been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of these 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 granted have not been exercised by the holders on or before 30 June 2011, they shall lapse.

The 3rd tranche of 24,568,600 options were granted to employees of the Group of which 760,000 options were lapsed and 810,000 options have been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of these options is HK$4.67 and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 19 April 2013, they shall lapse.

A year of cost fluctuations and financial tsunami

During the year, all our business segments reported strong growth. Turnover from the automobile glass business grew by approximately 14.4% to approximately HK$1,964.3 million, which accounted for approximately 50.4% of the Group's total turnover. This was mainly attributable to the substantial increase in sales of automobile glass products to overseas markets, such as Australia and Europe. Construction glass turnover grew by approximately 15.0% to approximately HK$650.8 million, which accounted for approximately 16.7% of the Group's total turnover. This was mainly attributable to (a) the strong demand for the low-emission coating ("LOW-E") glass and double glazing insulated glass products and (b) our strategic focus on developing commercial buildings and public facilities-related construction glass market. The float glass and ultra clear photovoltaic glass business also grew significantly by approximately 160.1% to approximately HK$1,279.2 million, which accounted for approximately 32.9% of the Group's total turnover. Such strong demand was largely driven by overseas and South China markets, as well as the Group expanded float glass capacity. Ultra clear photovoltaic glass, our newly launched product, has received high recognition from customers as a result of the strong demand for solar related photovoltaic market. The gross profit margin was approximately 31.1% (2007: 38.6%) while the net profit margin was approximately 18.2% (2007: 24.2%).

2008 was full of challenges. The industry faced difficulties as a result of the global financial tsunami, the Renminbi's appreciation, the reduction of the export tax rebate, the recession of the US economy and the escalating fuel and raw material costs. The Group nevertheless achieved satisfactory results by leveraging economies of scale, high product quality with diversified product lines and flexible global sales and operational management strategies.

Appreciation of Renminbi — increase in China sales ratio

Although the Renminbi appreciated by approximately 5.6% in 2008, our sales in China amounted to approximately 48.9% of the Group's total turnover that was used to settle Renminbi expenses. Other sales denominated in foreign currencies were mainly used to settle costs expenses incurred in 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 mitigate any adverse impact as a result of foreign exchange rate fluctuations. It also mitigated the impact from the economic downturn in North America. All of these facilicated the Group to achieve solid sales growth in this year.

Reduction of export tax rebate, weakening of US economy, exploration of export sales channels

On 1 July 2007, the PRC government reduced the export tax rebate on automobile and construction glass products from 13% to 5% and that of float glass products from 11% to 5%. All sectors of the glass industry were affected by this new policy, and as a result, the Group's overall gross margin dropped from 38.6% in 2007 to 31.1% for the financial year ended 2008.

The US economy is in recession, which has significantly impacted the housing and new car markets. However, as the automobile glass products sold by us in North America are aimed at the aftermarket sector serving replacement purposes, the weak US economy has no significant adverse impact on the demand for our automobile glass products. However, our construction glass business was hit by the slow housing market and its sales to North America were down by approximately 8.2% to HK$774.5 million for the financial year ended 2008.

The Group continued to explore other overseas markets. In 2008, our revenue generated from the European market increased by approximately 93.7% to HK$555.5 million. Revenue from other overseas markets also increased by approximately 51.7% to HK$660.7 million.

Improved productivity and economies of scale to mitigate the increases in energy and material costs

Since the fourth quarter of 2007, the selling prices of heavy oil, the fuel for float glass production, and soda ash, a principal raw material, have risen significantly and thus reduced our overall gross profit margin.

However, with our strong experience in operations management combined with the improvements in the production process, we enhanced our productivity and yield rate to combat the overall production and energy cost rises. The Group's daily production capacity of float glass increased from 1,200 daily melting tons in the middle of 2007 to 2,600 daily melting tons by end of 2008. The new ultra clear glass production line also provided the Group with additional daily production capacity of 300 melting tons. The economies of scale enhanced the Group's purchasing power, reduced the average fuel consumption rate and the fixed unit cost, thus was able to mitigate the impact of increased costs on the gross profit margin.

Since the third quarter of 2008, the international crude oil price gradually decreased to the lowest price level towards the end of the year. The soda ash price also dropped in the fourth quarter. We therefore expect the production cost pressure will be gradually eliminated in 2009.

Improved operations management capability rewarded with market recognition

Our dedication in providing high quality glass products and improving operational efficiency and management capability has been rewarded with market recognition. In December 2008, our subsidiary, Xinyi Automobile Glass (Shenzhen) Company Limited, was award the "2008 Shenzhen Mayer Quality Award" with a cash prize of RMB 3.0 million.

Starting on 29 October 2008, the shares of the Company were included as a constituent of the Hang Seng Composite Index, Hang Seng Mainland Composite Index, Hang Seng Composite Industry Index - Consumer Goods, Hang Seng Freefloat Composite Index and Hang Seng Mainland Freefloat Index. We were also named as Forbes Asia's Annual "Best 200 Under a Billion" for the second consecutive year in 2008. We were ranked the 23rd by revenue, the 16th by net profit and the 40th by market capitalisation.

OUTLOOK FOR 2009

In 2009, we will continue to strengthen our operational management efficiency in order to tackle the challenges resulting from the global financial tsunami. In view of PRC government's four trillion economic stimulus plan, its policies to support automobile industry, the VAT refund scheme for new fixed asset investments in China and the new energy saving standards for building construction, we will establish new production complex in the Yangtze River Delta region. We will also focus on the development of new environmentally-friendly and energy efficient glass products to meet the anticipated strong market demand for LOW-E glass, double glazing insulated glass and solar photovoltaic glass products.

In January 2008, we successfully produced ultra clear glass, photovoltaic, which is mainly used for photovoltaic power systems. This glass product is well received by the market. The development of this new energy related product and thin film conductive glass ("TCO" glass) will be one of our main business focuses in the future.

Since 1 November 2008, the rebate of China export tax for automobile glass and construction glass increased to 11%. It will strengthen our competitiveness on the export businesses. The decrease in the costs of raw materials and fuel will accelerate the growth momentum and enhance the flexibility in our overall glass sales.

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 2008.

AUDIT COMMITTEE OF THE BOARD

The Company has established an audit committee, comprising three independent non-executive Directors. 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 2008.

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

During the year, the Company repurchased a total of 43,444,000 ordinary shares of the Company at an aggregate consideration of HK$251,083,000 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$'000)*
January 2008	37,144,000	7.00	5.93	234,898
July 2008	1,122,000	4.70	4.55	5,212
December 2008	5,178,000	2.22	1.96	10,973
			Total expenses on shares repurchased	251,083

The repurchased ordinary shares were cancelled 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

No significant event has taken place subsequent to 31 December 2008.

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 websites of the Stock Exchange and the Company.

The annual report for the financial year ended 31 December 2008 containing all the information required by appendix 16 to the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 22 May 2009. A notice convening the Annual General Meeting will be published on the the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or about Tuesday, 21 April 2009.

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

Hong Kong, 30 March 2009

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 Kan, Mr. LEE Yau Ching and Mr. LI Man Yin. The non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho. The independent non-executive Directors are Mr. LAM Kwong Siu, Mr. WONG Chat Chor Samuel and Mr. WONG Yin Wai, S.B.S, JP.