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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00868)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

- Our sales for the financial year ended 31 December 2009 reached approximately HK$3,958.0 million, representing an increase of approximately 1.6% as compared with that for the financial year ended 31 December 2008.

- Our net profit attributable to the equity holders of the Company for the financial year ended 31 December 2009 reached approximately HK$773.5 million, representing an increase of approximately 9.1% as compared with that for the financial year ended 31 December 2008.

- Basic earnings per Share for the financial year ended 31 December 2009 was 44.6 HK cents.

- The Directors propose to declare a final dividend of 15.0 HK cents per Share for the financial year ended 31 December 2009.

- The Directors propose to make a bonus issue on the basis of one (1) new bonus Share for every existing Share, conditional upon, amongst other things, the approval of the increase of the authorised share capital of the Company and the bonus issue by the Shareholders at the Annual General Meeting.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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 2009, together with comparative figures for the financial year ended 31 December 2008, as follows:-

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

CONSOLIDATED INCOME STATEMENT

	Note	**2009**	**2008**
Revenue	3	3,957,957	3,894,283
Cost of sales	4	(2,496,047)	(2,683,403)
Gross profit		1,461,910	1,210,880
Other income	5	33,628	38,118
Other gains - net	6	13,343	46,129
Selling and marketing costs	4	(268,169)	(318,227)
Administrative expenses	4	(323,321)	(209,205)
Provision for legal claim	13	(85,332)	—
Operating profit		832,059	767,695
Finance income	7	6,782	9,116
Finance costs	7	(15,216)	(24,029)
Share of profit of an associate		372	272
Profit before income tax		823,997	753,054
Income tax expense	8	(47,392)	(42,256)
Profit for the year		776,605	710,798
Profit attributable to:			
Equity holders of the Company		773,526	709,232
Minority interests		3,079	1,566
		776,605	710,798
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in Hong Kong cents per share)			
- Basic	9	44.6	41.9
- Diluted	9	44.5	41.8
Dividends	10	372,012	337,116

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
Profit for the year	776,605	710,798
Other comprehensive income:		
Currency translation differences	(6,606)	201,171
Other comprehensive income for the year, net of tax	(6,606)	201,171
Total comprehensive income for the year	769,999	911,969
Total comprehensive income attributable to:		
Equity holders of the Company	766,281	910,459
Minority interests	3,718	1,510
Total comprehensive income for the year	769,999	911,969

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	**2009**	**2008**
ASSETS			
Non-current assets			
Leasehold land and land use rights		664,367	362,800
Property, plant and equipment		4,787,849	3,972,031
Investment property		32,229	10,927
Deposits for property, plant and equipment and land use rights		300,369	280,871
Intangible assets		95,480	90,048
Available-for-sale financial assets		569	569
Interest in an associate		13,589	15,889
Deferred income tax assets		8,819	—
		5,903,271	4,733,135
Current assets			
Inventories		678,172	612,134
Trade and other receivables	11	843,528	661,275
Amounts due from customers for contract work		27,057	48,828
Financial assets at fair value through profit or loss		14,330	—
Pledged bank deposits		11,446	6,854
Cash and cash equivalents		531,895	435,712
		2,106,428	1,764,803
Total assets		8,009,699	6,497,938
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		177,305	168,808
Share premium		2,334,321	1,829,174
Other reserves		810,561	728,323
Retained earnings			
- Proposed final dividend		265,629	151,475
- Others		1,822,698	1,491,552
		5,410,514	4,369,332
Minority interest		20,072	20,204
Total equity		5,430,586	4,389,536

	Note	**2009**	**2008**
LIABILITIES			
Non-current liabilities			
Bank borrowings		522,495	484,079
Deferred income tax liabilities		5,113	1,044
		527,608	485,123
Current liabilities			
Trade payables, accruals and other payables	12	1,361,779	879,291
Amounts due to customers for contract work		—	71
Current income tax liabilities		24,649	21,526
Bank borrowings		579,745	722,391
Provisions for legal claim	13	85,332	—
		2,051,505	1,623,279
Total liabilities		2,579,113	2,108,402
Total equity and liabilities		8,009,699	6,497,938
Net current assets		54,923	141,524
Total assets less current liabilities		5,958,194	4,874,659

NOTES

1 General information

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 have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They 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.

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

The Group adopted the following new and amended standards as of 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009). The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 7, 'Financial instruments — disclosures' (amendment)— (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

2 **Basis of preparation (continued)**

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

- HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131. 'Disclosure 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. This has not resulted in any changes in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors ("Directors") that makes strategic decisions.

  Goodwill is allocated by Directors to groups of cash-generating units on a segment level. Goodwill relating to the share repurchased from a minority shareholder of the subsidiary , Xinyi Glass (North America) Inc., during the year has been allocated to the automobile glass segment. The adoption of this standard has not resulted in any additional goodwill impairment and no comparative for 2008 have been restated.

(b) *Standards, amendments and interpretations to existing standards that have become effective in 2009 but not relevant to the Group's operations*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 23	Borrowing costs	1 January 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendments)	Share-based payment	1 January 2009
HK(IFRIC) - Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives	Period ending on or after 30 June 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
HKFRSs (Amendments)	First annual improvements project published in October 2008	1 January 2009

2 **Basis of preparation (continued)**

(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 2010 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 (Amendment)	Classification of right issues	1 February 2010
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) - Int 18	Transfer of assets from customers	1 July 2009
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRSs (Amendments)	First annual improvements project published in October 2008 and second annual improvements project published in May 2009 by HKICPA	1 July 2009

3 **Segment information**

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

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

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

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

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

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Automobile glass	**Construction glass**	**Float glass and photovoltaic glass**	**Unallocated**	**Total**
Segment revenue	1,946,536	721,540	1,872,829	—	4,540,905
Inter-segment revenue	—	—	(582,948)	—	(582,948)
Revenue from external customers	1,946,536	721,540	1,289,881	—	3,957,957
Cost of sales	(1,124,803)	(424,989)	(946,255)	—	(2,496,047)
Gross profit	821,733	296,551	343,626	—	1,461,910

3 **Segment information (continued)**

	Automobile glass	Construction glass	Float glass and photovoltaic glass	Unallocated	Total
Depreciation of property, plant and equipment	91,446	43,172	117,134	1,003	252,755
Amortisation					
— leasehold land and land use rights	2,701	696	4,084	1,243	8,724
— intangible assets	1,373	—	393	—	1,766
Impairment of property, plant and equipment	—	1,119	—	—	1,119
Provision for impairment of trade and other receivables, net	10,257	(3)	751	—	11,005
Provision for legal claim	85,332	—	—	—	85,332
Total assets	2,121,740	1,242,002	4,324,687	321,270	8,009,699
Total assets included:					
Interest in an associate	—	—	—	13,589	13,589
Additions to non-current assets (other than financial instruments and deferred income tax assets)	163,907	169,068	1,084,302	12,826	1,430,103
Total liabilities	645,962	153,889	831,899	947,363	2,579,113

3 **Segment information (continued)**

The segment information for the year ended 31 December 2008 is as follows:

	Automobile glass	Construction glass	Float glass and photovoltaic glass	Unallocated	Group
Segment revenue	1,964,294	650,829	1,793,760	—	4,408,883
Inter-segment revenue	—	—	(514,600)	—	(514,600)
Revenue from external customers	1,964,294	650,829	1,279,160	—	3,894,283
Cost of sales	(1,214,422)	(452,222)	(1,016,759)	—	(2,683,403)
Gross profit	749,872	198,607	262,401	—	1,210,880
Depreciation of property, plant and equipment	83,200	28,104	105,036	1,567	217,907
Amortisation					
— leasehold land and land use rights	1,896	470	4,233	74	6,673
— intangible assets	1,390	—	—	—	1,390
Provision for impairment of trade and other receivables, net	456	559	—	—	1,015
Total assets	2,109,146	1,147,658	3,031,319	209,815	6,497,938
Total assets included:					
Interest in an associate	—	—	—	15,889	15,889
Additions to non-current assets (other than financial instruments and deferred income tax assets)	178,690	297,678	457,241	6,259	939,868
Total liabilities	480,389	217,391	435,603	975,019	2,108,402

3 **Segment information (continued)**

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

	2009	2008
Segment gross profit	1,461,910	1,210,880
Unallocated:		
Other income	33,628	38,118
Other gains – net	13,343	46,129
Selling and marketing costs	(268,169)	(318,227)
Administrative expenses	(323,321)	(209,205)
Provision for legal claim	(85,332)	—
Finance income	6,782	9,116
Finance costs	(15,216)	(24,029)
Share of profit of an associate	372	272
Profit before income tax	823,997	753,054

Reportable segments assets/(liabilities) are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2009	2008	2009	2008
Segment assets/(liabilities)	7,688,429	6,288,123	(1,631,750)	(1,133,383)
Unallocated:				
Property, plant and equipment	109,651	35,682	—	—
Interest in an associate	13,589	15,889	—	—
Available-for-sale financial assets	569	569	—	—
Deferred income tax assets	5,185	—	—	—
Prepayments, deposits and other receivables	44,648	641	—	—
Financial assets at fair value through profit or loss	14,330	—	—	—
Cash and cash equivalents	133,298	157,034	—	—
Accruals and other payables	—	—	(9,912)	(19,852)
Current income tax liabilities	—	—	—	(1,688)
Deferred tax liabilities	—	—	(5,113)	—
Current bank borrowings	—	—	(409,843)	(703,479)
Non-current bank borrowings	—	—	(522,495)	(250,000)
Total assets/(liabilities)	8,009,699	6,497,938	(2,579,113)	(2,108,402)

3 **Segment information (continued)**

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

	2009	**2008**
Sales of automobile glass	1,946,536	1,964,294
Sales of construction glass	721,540	650,829
Sales of float glass and photovoltaic glass	1,289,881	1,279,160
Total	3,957,957	3,894,283

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

	2009	**2008**
Greater China	2,205,511	1,903,575
North America	580,446	774,519
Europe	377,238	555,533
Other countries	794,762	660,656
	3,957,957	3,894,283

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

	2009	**2008**
Greater China	5,885,095	4,724,556
North America	8,746	7,989
Other countries	42	21
	5,893,883	4,732,566

4 **Expenses by nature**

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

	2009	**2008**
Amortisation of leasehold land and land use rights	8,724	6,673
Depreciation of property, plant and equipment	252,755	217,907
Amortisation of intangible assets	1,766	1,390
Employee benefit expenses	357,693	300,112
Cost of inventories	1,736,896	1,851,329
Other selling expenses (including transportation and advertising costs)	125,412	176,458
Operating lease payments in respect of land and buildings	4,509	4,048
Impairment of property, plant and equipment	1,119	—
Provision for impairment of trade and other receivables, net	11,005	1,015
Auditors' remuneration	3,366	3,243
Refunds of the overpaid export Value Add Tax ("VAT") *(Note (i))*	(89,644)	(10,803)
Direct operating expenses arising from investment property that generate rental income	900	961
Other expenses, net	673,036	658,502
Total of cost of sales, selling and marketing costs and administrative expenses	3,087,537	3,210,835

Note (i): The amount represents refunds of the overpaid export VAT rebate to certain PRC subsidiaries of the Group in relation to a number of qualified export sales contracts. The related export VAT was paid between July 2007 and October 2008. Such refunds were approved by the PRC national tax bureau in accordance with relevant tax law of the PRC. All of the refunds were recognised as 'cost of sales' in the period of receipt.

5 **Other income**

	2009	**2008**
Rental income	4,900	3,866
Anti-dumping duties refund	13,133	19,116
Others	15,595	15,136
	33,628	38,118

6 Other gains — net

	2009	2008
Loss on disposal of property, plant and equipment	(10,577)	(1,027)
Impairment loss of property, plant and equipment	(1,119)	—
Fair value gains of financial assets at fair value through profit or loss	1,723	—
Gains/(losses) on disposal of financial assets at fair value through profit or loss	2,378	(7,784)
Fair value gains on investment property	21,302	1,467
Fair value gains/(losses) on cross currency swap	147	(1,285)
Net foreign exchange (losses)/gains	(511)	54,758
	13,343	46,129

7 Finance income and costs

Finance income:

	2009	2008
Interest income on short-term bank deposits	5,282	7,695
Interest income on loan advanced to an associate	1,500	1,421
	6,782	9,116

Finance costs:

	2009	2008
Interest expense on bank borrowings	23,875	56,080
Less: interest expense capitalised under construction in progress	(8,659)	(32,051)
	15,216	24,029

8 Income tax expense

	2009	2008
Current income tax		
— Hong Kong profits tax	1,289	11,928
— PRC corporate income tax	47,104	28,962
— Overseas income tax	8,613	2,267
— Over-provision in prior years	(4,864)	(1,614)
Deferred income tax		
— Origination and reversal of temporary differences	(4,750)	713
	47,392	42,256

9 **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.

	2009	**2008**
Profit attributable to equity holders of the Company (HK$'000)	773,526	709,232
Weighted average number of ordinary shares in issue (thousands)	1,734,942	1,692,130
Basic earnings per share (HK$ per share)	0.446	0.419

Diluted:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. The dilutive potential share of the Company is share options. The calculation 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.

	2009	**2008**
Profit attributable to equity holders of the Company (HK$'000)	773,526	709,232
Weighted average number of ordinary shares in issue (thousands)	1,734,942	1,692,130
Adjustments for share options (thousands)	4,417	2,985
Weighted average number of ordinary shares for diluted earnings per shares (thousands)	1,739,359	1,695,115
Diluted earnings per share (HK$ per share)	0.445	0.418

10 Dividends

The dividends paid in 2009 and 2008 were HK$257,858,000 (HK$0.15 per share) and HK$354,434,000 (HK$0.21 per share), respectively. A final dividend in respect of the financial year ended 31 December 2009 of HK$0.15 per share (2008: HK$0.09 per share), amounting to a total dividend of HK$265,629,000 (2008: HK$151,475,000). These financial statements do not reflect this dividend payable.

	2009	**2008**
Interim dividend paid of HK$0.06 (2008: HK$0.11) per share	106,383	185,641
Proposed final dividend of HK$0.15 (2008: HK$0.09) per share	265,629	151,475
	372,012	337,116

11 Trade and other receivables

	Group	
	2009	**2008**
Trade receivables	535,018	511,581
Less: provision for impairment of receivables	(12,392)	(12,474)
	522,626	499,107
Bills receivable	111,735	76,383
Trade and bills receivables — net	634,361	575,490
Prepayments, deposits and other receivables	209,167	85,785
	843,528	661,275

(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 2009 and 2008, the ageing analysis of the Group's trade receivables were as follows:

	2009	**2008**
0 - 90 days	436,440	458,850
91 - 180 days	51,434	23,139
181 - 365 days	19,839	14,274
1 - 2 years	18,364	10,049
Over 2 years	8,941	5,269
	535,018	511,581

11 **Trade and other receivables (continued)**

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

	2009	2008
RMB	303,034	275,846
HKD	3,917	2,956
USD	195,623	210,538
Other currencies	32,444	22,241
	535,018	511,581

12 **Trade payables, accruals and other payables**

	Group	
	2009	2008
Trade payables (note (a))	220,402	192,116
Bills payable (note (b))	460,966	277,823
	681,368	469,939
Accruals and other payables (note (c))	680,411	409,352
	1,361,779	879,291

Notes:

(a) At 31 December 2009 and 2008, the ageing analysis of the trade payables based on invoice date were as follows:

	Group	
	2009	2008
0 - 90 days	207,772	177,044
91-180 days	7,216	8,754
181-365 days	1,796	2,103
1-2 years	1,249	3,121
Over 2 years	2,369	1,094
	220,402	192,116

12 **Trade payables, accruals and other payables (continued)**

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

	Group 2009	2008
RMB	169,356	133,020
HKD	20	153
USD	50,115	58,802
Other currencies	911	141
	220,402	192,116

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

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

	Group 2009	2008
Payables for property, plant and equipment	201,198	150,606
Accruals for employee benefits and welfare	91,603	63,352
Payables for value-added tax	69,467	50,687
Payables for utilities	33,588	24,810
Trading derivatives		
- cross currency swap	1,138	1,285
Others	283,417	118,612
	680,411	409,352

13 **Provision for legal claim**

The movement of provision for legal claim is shown as follows:

	Group 2009	2008
At beginning of the year	—	—
Charged to the consolidated income statement	85,332	—
At end of the year	85,332	—

13 **Provision for legal claim (continued)**

As disclosed by the Group in its announcement dated 12 November 2009, a verdict was issued by a jury in the United States District Court for the Northern District of Ohio in the United States ("US") on 10 November 2009 against Xinyi Glass (North America), Inc. and Xinyi Automobile Glass (Shenzhen) Co., Ltd. for infringements of certain patents held by Saint-Gobain (as defined in the announcement) in the US. The alleged infringements relate to the sales of profiled spacers affixed on certain windshield products by the Group to the US market during the period between June 2002 and June 2009 (being the last expiry date of the relevant patents held by Saint-Gobain.

The verdict requires the Group to pay damages to Saint-Gobain in an aggregate amount of approximately US$10.9 million (equivalent to approximately HK$85.3 million) which the Group has made full provision in the audited accounts for the year ended 31 December 2009. For prudence, the Directors believe the provision made is reasonable at current stage and with the legal advice available. The matter is currently in the post-trial motion stage in which the plaintiff has submitted motions to request the payment of additional amount of damages, the interest accrued thereon and reimbursement of legal fees. None of these motions has yet to be considered or accepted by the court, and Group disagrees with the requests set forth in the motions. The Group is taking all necessary steps to appeal the verdict and seek reversal of the verdict.

Final dividend

Subject to the approval by the Shareholders at the forthcoming annual general meeting, the final dividend of 15.0 HK cents per Share will be payable on or before Wednesday, 30 June 2010 to the Shareholders whose names appear on the register of members of the Company at the closure day of register of members. The closure day for cash dividend will be disclosed in the notice of Annual General Meeting.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Group produces and sells a wide range of glass products, from automobile glass, construction glass, float glass, photovoltaic glass to other glass products for commercial applications. The Group has production facilities in Shenzhen, Dongguan, Wuhu, Jiangmen and Tianjin in China. In addition to the glass products, the Group also produces automobile rubber and plastic components.

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, solar module, construction and furniture manufacturing.

Business review

Although the performance of the Group during the first half of 2009 was weak, principally because of the global economic downturn, the Group recorded a strong business growth during the entire year of 2009 as a result of the continuous economic recovery in China as well as the modest economic rebound in other overseas markets of the Group. The sales and the net profit attributable to equity holders of the Company reached approximately HK$3,958.0 million and HK$773.5 million, respectively, representing a year-on-year increase of approximately 1.6% and 9.1%, as compared to approximately HK$3,894.3 million and HK$709.2 million for the financial year ended 31 December 2008. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 30.1% and 31.3%, respectively, during the period of the five years ended 31 December 2009.

The major construction glass products "low-emission coated glass" continued to be one of the Group's popular products in 2009. Its environmentally-friendly and energy-saving capability are consistent with the environmental protection policies in China. In order to capture the high-growth business opportunities, the Group completed the installation of the third low-emission coating glass production line in its Dongguan production complex in the first quarter of 2009 and the fourth low-emission coating glass production line in its Wuhu production complex in fourth quarter of 2009. These two new production lines commenced the full commercial operation during the year.

Business review (continued)

Sales of high quality float glass was also a major growth driver in the year. Demand for the float glass and the photovoltaic glass were strong both in China and the overseas markets in the second half of 2009. With one new high quality float glass production lines of daily melting capacity of up to 500 tons and the addition of a new photovoltaic glass line of daily melting capacity up to 500 tons in operation in Wuhu since fourth quarter 2009, the Group increased the sales volume in 2009.

Operational review

Sales

The sales of the Group increased by approximately 1.6% for the financial year ended 31 December 2009. The increase was principally due to the growth of the Group's float glass business and construction glass business in China. The increased sales was also attributable to the purchase orders from new customers as a result of strengthened business development efforts.

The tables below illustrate the Group's sales by products and by geographical regions:-

	Financial year ended 31 December			
	2009		2008	
	HK$'000	*%*	*HK$'000*	*%*
Sales				
Automobile glass products *(Note 1)*	1,946,536	49.2	1,964,294	50.4
Construction glass products *(Note 2)*	721,540	18.2	650,829	16.7
Float glass and photovoltaic glass products *(Note 3)*	1,289,881	32.6	1,279,160	32.9
	3,957,957	100.0	3,894,283	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.

Operational review (continued)

	Financial year ended 31 December 2009		2008	
	HK$'000	%	*HK$'000*	%
Sales				
Greater China *(Note (a))*	2,205,511	55.7	1,903,575	48.9
North America	580,446	14.7	774,519	19.9
Europe	377,238	9.5	555,533	14.2
Others *(Note (b))*	794,762	20.1	660,656	17.0
	3,957,957	100.0	3,894,283	100.0

Notes:

(a) China and Hong Kong.

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

Cost of sales

With a lower material and fuel costs, better production efficiency and a refund of overpaid export VAT, the cost of sales for the financial year ended 31 December 2009 was approximately HK$2,496.0 million, representing a decrease of approximately 7.0%.

Gross profit

The Group's gross profit for the financial year ended 31 December 2009 was approximately HK$1,461.9 million, representing an increase of approximately 20.7%. The overall gross profit margin increased from approximately 31.1% to 36.9% as a result of the lower cost of sales, better combination of high valued added products and refund rates of export VAT for automobile glass, construction glass and photovoltaic glass were increased from 11% to 13% on 1 June 2009.

Other gains

The Group's other gains was approximately HK$13.3 million for the financial year ended 31 December 2009, as compared to approximately HK$46.1 million for the financial year ended 31 December 2008. The decrease was principally due to an exchange loss of HK$0.5 million in 2009 while there was an exchange gain of HK$54.8 million recognised in 2008.

Operational review (continued)

Selling and marketing costs

With a lower freight and advertisement costs, the Group's selling and marketing costs decreased by approximately 15.7% to approximately HK$268.2 million for the financial year ended 31 December 2009.

Administrative expenses

The Group's administrative expenses increased by approximately 54.5% to approximately HK$323.3 million for the financial year ended 31 December 2009, principally attributable to the increase in staff and welfare and provision for bad debts of approximately HK$57.6 million and HK$10.0 million, respectively.

Finance costs

The Group's finance cost decreased by approximately 36.7% to approximately HK$15.2 million for the financial year ended 31 December 2009. The decrease was principally due to the lower interest rates for bank borrowings. A lower bank borrowings balance during the year was resulted from the new issued of capital of HK$522 million in the second quarter of 2009 and decreasing Renminbi bank borrowings with higher interest rate were also contributed the drop of finance cost. Some of the interest expenses were capitalised in relation to the acquisition of plant and machinery at the production complex in Wuhu, but they were charged as expenses when the new production lines commenced commercial operation. Interest expenses of HK$8.7 million were capitalised under construction-in-progress for the financial year ended 31 December 2009.

Taxation

The Group's income tax expense amounted to approximately HK$47.4 million for the financial year ended 31 December 2009. The effective tax rate slightly increased from approximately 5.6% to 5.8% for the financial year ended 31 December 2009, which was mainly due to the payment of Canadian corporate income tax of approximately HK$7.7 million for receiving the refund of US anti-dumping duty by a Canadian subsidiary.

Operational review (continued)

EBITDA and net profit for the year

During the financial year ended 31 December 2009, the Company's EBITDA (i.e. earnings before interest expense, taxation, depreciation and amortisation) reached approximately HK$1,102.5 million, representing an increase of approximately 9.9%, as compared to HK$1,003.1 million for the financial year ended 31 December 2008. The Company's EBITDA margin, calculated based on turnover for the financial year, was approximately 27.9%, as compared to approximately 25.8% for the financial year ended 31 December 2008.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2009 was approximately HK$773.5 million, representing an increase of approximately 9.1%, as compared to HK$709.2 million for the financial year ended 31 December 2008. Net profit margin increased to approximately 19.5% for the financial year ended 31 December 2009 as a result of better product combination, improved production efficiency and lower material and fuel costs.

Patent infringement litigation

As disclosed by the Group in its announcement dated 12 November 2009, a verdict was issued by a jury in the United States District Court for the Northern District of Ohio in the United States on 10 November 2009 against Xinyi Glass (North America), Inc. and Xinyi Automobile Glass (Shenzhen) Co., Ltd. for infringements of certain patents held by Saint-Gobain (as defined in the announcement) in the US. The alleged infringements relate to the sales of profiled spacers affixed on certain windshield products by the Group to the US market during the period between June 2002 and June 2009 (being the last expiry date of the relevant patents held by Saint-Gobain in an aggregate amount of approximately US$11.04 million (equivalent to approximately HK$86.11 million). The verdict requires the Group to pay damages to Saint-Gobain in an aggregate amount of approximately US$10.94 million (equivalent to approximately HK$85.3 million) and such amount of legal costs and penalty damages to be determined by the judge. The Board disagrees with the verdict and is taking all necessary steps to appeal the verdict and seek reversal of the verdict. The appeal is in progress, and the Board will provide further update should there be any further decision by the appellate courts.

Final dividend

At the meeting of the Board held on 29 March 2010, the Directors proposed to declare a final cash dividend of 15 HK cents per Share for the financial year ended 31 December 2009. Together with the interim cash dividend of HK$106.4 million for 2009, the total dividend paid and payable represent a dividend pay-out ratio of approximately 48.1%. The Directors believe that this dividend level is appropriate in reflecting the growth of the net profit of the Group for the financial year ended 31 December 2009.

Bonus issue

To celebrate the fifth anniversary of the listing of the Shares on the Stock Exchange in February 2005, in addition to the proposed final cash dividend set forth above, the Directors also proposed, subject to the conditions below, a bonus issue (the "**Bonus Issue**") to the Shareholders on the basis of one (1) new bonus Share for every existing Share held by the Shareholders (for the avoidance of doubt, the new Shares to be issued under the Bonus Issue will not be entitled to the final cash dividend for the financial year ended 31 December 2009 stated above). The Bonus Issue will be conditional upon:-

(a) the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") to increase the authorised share capital of the Company;

(b) the approval of the Shareholders of the Bonus Issue at the AGM ; and

(c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new bonus Shares to be issued pursuant to the Bonus Issue.

The Directors believe that the Bonus Issue represents part of the investment return to the long-term support from the Shareholders. The Bonus Issue will also allow the Shareholders to enjoy the results of the business growth of the Group by way of capitalisation of a portion of the share premium account.

A circular containing details of the Bonus Issue and the notice of AGM will be despatched to the Shareholders as soon as possible.

Current ratio

The Group's current ratio for the financial year ended 31 December 2009 was approximately 1.03, as compared to 1.09 in the previous year. The slight decrease was due to an increase in trade and other payables and a provision for a legal claim for the year.

Net current assets

As at 31 December 2009, the Group had net current assets of approximately HK$54.9 million, as compared to approximately HK$141.5 million as at 31 December 2008. The decrease was a result of the increase in trade payables, accruals and other payables.

Financial resources and liquidity

During the financial year ended 31 December 2009, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to approximately HK$1,322.6 million (2008: HK$1,167.7 million) as a result of better working capital management generating a net cash surplus from operations. As at 31 December 2009, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$543.3 million (2008: HK$442.6 million).

As at 31 December 2009, the Group had bank loans totaling approximately HK$1,102.2 million, representing a decrease of approximately 8.6% as at 31 December 2008. The decrease was principally due to the proceeds raised from share placement during the year.

The Group's net debt gearing ratio as at 31 December 2009, calculated by dividing the net bank debt by the total equity of the Group as at 31 December 2009. Net bank debt is calculated as total borrowings less cash and cash equivalents (excluding pledged bank deposits). This ratio was approximately 10.5% (31 December 2008: 17.6%). The decrease was principally due to a lower bank debts balance and improved profit for the year.

Pledge of assets

As at 31 December 2009, bank balance of approximately HK$11.4 million was pledged as collateral mainly to United States Customs as a security of import duties.

Employees and remuneration policy

As at 31 December 2009, the Group had 9,602 full-time employees of whom 9,563 were based in Greater China and 39 were based in other countries and territories. The Group maintained good relationship with all the employees. The Group provided the employees with sufficient training on business knowledge including information on the applications of the Group's products and skills in maintaining good client relationship. Remuneration packages offered to the Group's employees 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.

Employees and remuneration policy (continued)

Pursuant to the applicable laws and regulations, the Group participated in relevant defined contribution retirement schemes administrated by the relevant Chinese government authorities for the Group's employees in China. For the Group's employees in Hong Kong, 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) are duly implemented.

The Company 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. The exercise price of these options was HK$2.15 and all unexercised options under this tranche expired on 27 January 2009.

The 2nd tranche of 13,552,000 options were granted to employees of the Group, of which 1,410,000 options have lapsed and 600,000 options have been granted to connected persons of the Company, being directors of certain 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 24,258,600 options were granted to employees of the Group of which 3,158,000 options have lapsed and 810,000 options have been granted to connected persons of the Company, being directors of certain 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.

The 4th tranche of 11,143,500 options were granted to employees of the Group of which 515,000 options have lapsed and 444,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.44 and the option holders may exercise the options between 1 April 2011 and 31 March 2012, 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 31 March 2012, they shall lapse.

Post financial tsunami and a year of fluctuating demand

During the year, our business segments reported different results. Turnover from the automobile glass business slightly decreased by approximately 0.9% to approximately HK$1,946.5 million, which accounted for about 49.2% of the Group's total turnover. This was mainly attributable to the decrease in the sales price of automobile glass products and the drop of sales volume to the European Union and North America. Construction glass turnover grew by 10.9% to approximately HK$721.5 million, which accounted for about 18.2% 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 glass for commercial buildings, public facilities-related structures and high end residential buildings in the construction sector. The float glass and ultra clear photovoltaic glass business also grew by approximately 0.8% to approximately HK$1,289.9 million, which accounted for approximately 32.6% of the Group's total turnover. Such growth was largely driven by the demand of high quality float glass in the South China region, as well as the Group's expanded high quality float glass capacity in its Wuhu production complex. Ultra clear photovoltaic glass benefited from the strong rebound of solar photovoltaic demand in the fourth quarter of the year, which also in turn drove the Group's sales. The gross profit margin was approximately 36.9% (2008: 31.1%) while the net profit margin was approximately 19.5% (2008: 18.2%).

2009 was full of challenges and opportunities. The industry faced difficulties as a result of the global financial tsunami, the recession in Europe and the US and the escalating fuel and raw material costs in the second half of 2009. The Group nevertheless achieved satisfactory results by leveraging economies of scale, high quality products with an optimised product mix, flexible global sales and operational management strategies to benefit from the PRC government's supportive policy to the automobile industry and domestic consumer markets. The PRC's 4 trillion stimulus plan also spurred the strong demand of construction materials.

Recession in Europe and the US — exploration of export sales channels and increase in China sales ratio

The European and US economies were seriously hit by the economic turmoil. The export markets were affected to different extents. Therefore, we actively explored different overseas markets, such as Australia, Middle East and Africa to offset the decreased demand from Europe and the US.

Recession in Europe and the US — exploration of export sales channels and increase in China sales ratio (continued)

Sales to North America were down by 25.1% to approximately HK$580.4 million for the financial year of 2009. The sales to Europe also dropped by 32.1% to approximately HK$377.2 million for the financial year of 2009. The decline in performance was attributable to the decrease of overall sales price, the impact of de-stocking and the subsequent re-stocking action that has yet to increase inventories back to the level before the financial tsunami even when these economies have been showing improvement.

Therefore, the Group has actively explored other overseas markets and in 2009, revenue from these markets increased by 20.3% to approximately HK$794.8 million. Riding on the business opportunities brought from the strong economic rebound in the Greater China market, the Group's sales here also increased 15.9% to approximately HK$2,205.5 million.

Improved productivity and economies of scale to minimise energy and material costs

Since the end of 2008, the selling prices of heavy oil, the fuel for float glass production, and soda ash, a principal raw material, have dropped significantly and thus our overall costs structure has improved.

Moreover, with our strong experience in operations management combined with the improvements in the production process, we enhanced our productivity and yield rate to minimise the overall production and energy costs. The Group's daily production capacity of high quality float glass increased from 2,600 daily melting tons in early 2009 to 3,100 daily melting tons by end of 2009. The new ultra clear glass production line in our Wuhu production complex also provided the Group with additional daily production capacity of 500 melting tons since the fourth quarter of 2009. The new capacities in our Wuhu operations are using lower cost and cleaner natural gas. The economies of scale have enhanced the Group's purchasing power, reduced the average fuel consumption rate and the fixed unit cost, and thus mitigate the impact of any potential cost pressure on the gross profit margin in the future.

OUTLOOK FOR 2010

In 2010, we will continue to strengthen our operational management efficiency in order to tackle the challenges resulting from the post global financial tsunami period and the plan to retreat from the economic stimulus policies by major countries. In view of the PRC government's economic stimulus plan, its policies to support

OUTLOOK FOR 2010 (continued)

automobile industry and encourage the building materials industry in rural areas in China, the new energy-saving standards for building construction and the Golden Sun model home project, We will strengthen our research and development capability to enhance the new product development and product quality. We will expand new production complexes in the Yangtze River Delta, the Pearl River Delta and the Bohai 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 high quality float glass, LOW-E glass, double glazing insulated glass and photovoltaic glass products. We expect the second and third tier PRC cities will also have strong demand for high quality float glass and Low-E glass in future.

The second ultraclear photovoltaic glass production line, which is mainly used for photovoltaic power systems, has successfully commenced operation in the fourth quarter of 2009. This glass product has been well received by the market. The demand for solar power system is expected to continuously increase in Europe, China, Japan and the US.

Since 1 June 2009, the rebate of China export tax for automobile glass, construction glass and photovoltaic glass has increased back to 13%. The rebate will strengthen the competitiveness of our export businesses. At the same time, the decrease in the costs of raw materials and fuel will accelerate our 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 2009.

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 consolidated financial statements of the Group for the financial year ended 31 December 2009.

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

5,178,000 Shares of the Company were repurchased on 31 December 2008 and were cancelled in January 2009.

In May 2009, the Company executed a share placement which raised gross proceeds of approximately HK$522.0 million to provide the Group with additional funds for expansion. Please refer to the Company's announcements dated 26 May 2009 and 5 June 2009, respectively for details.

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 ended 31 December 2009.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(a) In January 2010, the Company repurchased certain of its own Shares on the Stock Exchange.

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$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid HK$'000
January 2010	2,190,000	6.69	6.54	14,436

(b) On 10 March 2010, Xinyi Automobile Glass (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with a third party to dispose of its entire shareholding of 100% interest in Xinyi Curtain Wall Decorative Engineering (Shenzhen) Company Limited ("Xinyi CW"). Xinyi CW was a subsidiary principally engaging in the installation of construction glass business. The management do not expect such disposal will incur significant loss to the Group.

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 of the Company for the financial year ended 31 December 2009 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 of the Company (the "**Annual General Meeting**") will be held on or before Wednesday, 30 June 2010. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or about Friday, 30 April 2010.

On behalf of the Board
XINYI GLASS HOLDINGS LIMITED
LEE Yin Yee, M.H.
Chairman

Hong Kong, 29 March 2010

As at the date of this announcement, the executive Directors are Mr. LEE Yin Yee, M.H., 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, S.B.S, Mr. WONG Chat Chor Samuel and Mr. WONG Yin Wai, S.B.S, JP.