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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 2010

HIGHLIGHTS

- Our sales for the financial year ended 31 December 2010 reached approximately HK$6,364.3 million, representing an increase of approximately 60.8% as compared with that for the financial year ended 31 December 2009.
- Our net profit attributable to the equity holders of the Company for the financial year ended 31 December 2010 reached approximately HK$1,571.2 million, representing an increase of approximately 103.1% as compared with that for the financial year ended 31 December 2009.
- Basic earnings per Share for the financial year ended 31 December 2010 was 44.43 HK cents.
- The Directors propose to declare a final dividend of 13.0 HK cents per Share for the financial year ended 31 December 2010.
- The Company allotted and issued 1,770,860,460 Shares by way of bonus issue on the basis of one new bonus Share for every existing Share held by shareholders in June 2010.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

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 2010, together with comparative figures for the financial year ended 31 December 2009, as follows:-

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

CONSOLIDATED INCOME STATEMENT

	Note	**2010**	**2009**
Revenue	3	6,364,314	3,957,957
Cost of sales	4	(3,809,267)	(2,496,047)
Gross profit		2,555,047	1,461,910
Other income	5	85,048	33,628
Other (losses) / gains - net	6	(9,476)	13,343
Selling and marketing costs	4	(365,186)	(268,169)
Administrative expenses	4	(405,897)	(323,321)
Reversal of provision / (provision) for legal claim	13	36,816	(85,332)
Operating profit		1,896,352	832,059
Finance income	7	3,111	6,782
Finance costs	7	(6,839)	(15,216)
Share of profits of associates		514	372
Profit before income tax		1,893,138	823,997
Income tax expense	8	(320,726)	(47,392)
Profit for the year		1,572,412	776,605
Profit attributable to:			
Equity holders of the Company		1,571,198	773,526
Non-controlling interests		1,214	3,079
		1,572,412	776,605
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	44.43	22.06
- Diluted	9	44.01	22.01
Dividends	10	740,560	372,012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
Profit for the year	1,572,412	776,605
Other comprehensive income:		
Currency translation differences	240,533	(6,606)
Other comprehensive income for the year, net of tax	240,533	(6,606)
Total comprehensive income for the year	1,812,945	769,999
Total comprehensive income attributable to:		
Equity holders of the Company	1,810,915	766,281
Non-controlling interests	2,030	3,718
Total comprehensive income for the year	1,812,945	769,999

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	**2010**	**2009**
ASSETS			
Non-current assets			
Leasehold land and land use rights		894,157	664,367
Property, plant and equipment		6,485,962	4,787,849
Investment property		32,086	32,229
Deposits for property, plant and equipment and land use rights		449,227	300,369
Intangible assets		98,796	95,480
Available-for-sale financial assets		588	569
Investments in associates		16,212	11,747
Loan to an associate		36,353	1,842
Deferred income tax assets		3,819	8,819
		8,017,200	5,903,271
Current assets			
Inventories		820,345	678,172
Loans to associates		3,129	—
Trade and other receivables	11	1,533,840	843,528
Amounts due from customers for contract work		—	27,057
Financial assets at fair value through profit or loss		—	14,330
Pledged bank deposits		1,725	11,446
Cash and bank balances		640,259	531,895
		2,999,298	2,106,428
Total assets		11,016,498	8,009,699
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		351,709	177,305
Share premium		2,016,842	2,334,321
Other reserves		1,198,142	810,561
Retained earnings			
- Proposed final dividend		457,222	265,629
- Others		2,512,352	1,822,698
		6,536,267	5,410,514
Non-controlling interests		19,627	20,072
Total equity		6,555,894	5,430,586

	Note	2010	2009
LIABILITIES			
Non-current liabilities			
Bank borrowings		2,253,975	522,495
Deferred income tax liabilities		78,637	5,113
		2,332,612	527,608
Current liabilities			
Provision for legal claim	13	—	85,332
Amount due to an associate		2,910	—
Trade payables, accruals and other payables	12	1,507,658	1,361,779
Current income tax liabilities		146,901	24,649
Bank borrowings		470,523	579,745
		2,127,992	2,051,505
Total liabilities		4,460,604	2,579,113
Total equity and liabilities		11,016,498	8,009,699
Net current assets		871,306	54,923
Total assets less current liabilities		8,888,506	5,958,194

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 of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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.

Changes in accounting policy and disclosures

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

(i) The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

		Effective for accounting periods beginning on or after
HKAS 17 (Amendment)	Leases	1 July 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK-Int 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	Immediate effect from 29 November 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

(ii) The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
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
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

(b) *New standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning on or after 1 January 2010 and have not been early adopted*

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRSs (Amendments)	Third annual improvements project published in May 2010 by HKICPA	1 July 2010

3 **Segment information**

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

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

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

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate 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 consolidated income statement.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	2,378,772	926,016	2,820,584	1,077,767	—	7,203,139
Inter-segment revenue	—	—	(838,825)	—	—	(838,825)
Revenue from external customers	2,378,772	926,016	1,981,759	1,077,767	—	6,364,314
Cost of sales	(1,440,561)	(574,378)	(1,275,842)	(518,486)	—	(3,809,267)
Gross profit	938,211	351,638	705,917	559,281	—	2,555,047
Depreciation charge of property, plant and equipment	87,934	61,766	138,240	32,233	4,381	324,554
Amortisation charge						
— leasehold land and land use rights	2,704	881	11,047	2,000	74	16,706
— intangible assets	1,706	—	406	—	—	2,112
Impairment charge of goodwill	2,943	—	—	—	—	2,943
(Reversal of provision) / provision for impairment of trade receivables, net	(121)	(37)	—	4,004	—	3,846
Reversal of provision for legal claim	(36,816)	—	—	—	—	(36,816)
Total assets	2,531,211	1,567,418	5,051,788	1,649,398	216,683	11,016,498
Total assets included:						
Investments in associates	—	—	—	—	16,212	16,212
Loans to associates	—	—	—	—	39,482	39,482
Additions to non-current assets (other than financial instruments and deferred income tax assets)	572,229	203,805	1,451,973	25,078	16,984	2,270,069
Total liabilities	469,942	154,911	919,706	161,245	2,754,800	4,460,604

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	Solar glass	Unallocated	Total
Segment revenue	1,946,536	721,540	1,664,970	207,859	—	4,540,905
Inter-segment revenue	—	—	(582,948)	—	—	(582,948)
Revenue from external customers	1,946,536	721,540	1,082,022	207,859	—	3,957,957
Cost of sales	(1,124,803)	(424,989)	(801,908)	(144,347)	—	(2,496,047)
Gross profit	821,733	296,551	280,114	63,512	—	1,461,910
Depreciation charge of property, plant and equipment	91,446	43,172	103,302	13,832	1,003	252,755
Amortisation						
— leasehold land and land use rights	2,701	696	2,948	1,136	1,243	8,724
— intangible assets	1,373	—	393	—	—	1,766
Impairment loss of property, plant and equipment	—	1,119	—	—	—	1,119
Provision/(reversal of provision) for impairment of trade receivables, net	10,133	(2,840)	—	751	—	8,044
Provision for legal claim	85,332	—	—	—	—	85,332
Total assets	2,121,740	1,242,002	3,110,756	1,213,931	321,270	8,009,699
Total assets included:						
Investment in an associate	—	—	—	—	11,747	11,747
Loan to an associate	—	—	—	—	1,842	1,842
Additions to non-current assets (other than financial instruments and deferred income tax assets)	163,907	169,068	460,191	624,111	12,826	1,430,103
Total liabilities	645,962	153,889	722,788	109,111	947,363	2,579,113

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

	2010	2009
Segment gross profit	2,555,047	1,461,910
Unallocated:		
Other income	85,048	33,628
Other (losses) / gains — net	(9,476)	13,343
Selling and marketing costs	(365,186)	(268,169)
Administrative expenses	(405,897)	(323,321)
Reversal of provision / (provision) for legal claim	36,816	(85,332)
Finance income	3,111	6,782
Finance costs	(6,839)	(15,216)
Share of profits of associates	514	372
Profit before income tax	1,893,138	823,997

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

	Assets		Liabilities	
	2010	2009	2010	2009
Segment assets/(liabilities)	10,799,815	7,688,429	(1,705,804)	(1,631,750)
Unallocated:				
Property, plant and equipment	76,141	109,651	—	—
Investments in associates	16,212	11,747	—	—
Balances with associates	39,482	1,842	(2,910)	—
Available-for-sale financial assets	588	569	—	—
Deferred income tax assets	3,819	8,819	—	—
Prepayments, deposits and other receivables	4,664	41,014	—	—
Financial assets at fair value through profit or loss	—	14,330	—	—
Cash and cash equivalents	75,777	133,298	—	—
Accruals and other payables	—	—	(15,409)	(9,912)
Current income tax liabilities	—	—	(111)	—
Deferred income tax liabilities	—	—	(78,637)	(5,113)
Current bank borrowings	—	—	(403,758)	(409,843)
Non-current bank borrowings	—	—	(2,253,975)	(522,495)
Total assets/(liabilities)	11,016,498	8,009,699	(4,460,604)	(2,579,113)

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

	2010	2009
Sales of automobile glass	2,378,772	1,946,536
Sales of construction glass	926,016	721,540
Sales of float glass	1,981,759	1,082,022
Sales of solar glass	1,077,767	207,859
Total	6,364,314	3,957,957

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

	2010	2009
Greater China	4,230,085	2,205,511
North America	747,489	580,446
Europe	451,816	377,238
Other countries	934,924	794,762
	6,364,314	3,957,957

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:

	2010	2009
Greater China	7,965,216	5,883,253
North America	10,774	8,746
Other countries	450	42
	7,976,440	5,892,041

4 **Expenses by nature**

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

	2010	**2009**
Amortisation charge of leasehold land and land use rights	16,706	8,724
Depreciation charge of property, plant and equipment	324,554	252,755
Amortisation charge of intangible assets	2,112	1,766
Employee benefit expenses	453,719	357,693
Cost of inventories	2,741,936	1,736,896
Other selling expenses (including transportation and advertising costs)	210,779	125,412
Operating lease payments in respect of land and buildings	4,974	4,509
Provision for impairment of trade receivables, net	3,846	8,044
Auditors' remuneration	4,269	3,366
Refunds of the overpaid export Value Added Tax ("VAT") (Note (a))	—	(89,644)
Direct operating expenses arising from investment property that generate rental income	913	900
Other expenses, net	816,542	677,116
Total cost of sales, selling and marketing costs and administrative expenses	4,580,350	3,087,537

Note (a): 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**

	2010	**2009**
Rental income	5,054	4,900
Anti-dumping duties refund	1,203	13,133
Government grants	67,172	2,543
Others	11,619	13,052
	85,048	33,628

6 Other (losses) / gains — net

	2010	2009
Losses on disposal of property, plant and equipment	(1,385)	(10,577)
Impairment loss of property, plant and equipment	—	(1,119)
Impairment charge of goodwill	(2,943)	—
Loss on disposal of a subsidiary	(12,163)	—
Fair value gains on financial assets at fair value through profit or loss	—	1,723
(Losses) / gains on disposal of financial assets at fair value through profit or loss	(539)	2,378
Fair value (losses) / gains on investment property	(143)	21,302
Fair value (losses) / gains on trading derivatives	(2,638)	147
Losses on disposal of trading derivatives	(497)	—
Other foreign exchange gains / (losses), net	10,832	(511)
	(9,476)	13,343

7 Finance income and costs

Finance income:

	2010	2009
Interest income on short-term bank deposits	2,797	5,282
Interest income on loan advanced to an associate	314	1,500
	3,111	6,782

Finance costs:

	2010	2009
Interest expense on bank borrowings	32,933	23,875
Less: interest expense capitalised on qualifying assets	(26,094)	(8,659)
	6,839	15,216

8 Income tax expense

	2010	2009
Current income tax		
— Hong Kong profits tax (Note (a))	14,462	1,289
— PRC corporate income tax (Note (b))	213,768	47,104
— Overseas income tax (Note (c))	1,172	8,613
— Under / (over)-provision in prior years	12,800	(4,864)
Deferred income tax		
— Origination and reversal of temporary differences	78,524	(4,750)
	320,726	47,392

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

(b) PRC corporate income tax ("CIT")

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

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 gradually increase to 25% in 5-year period from 2008 to 2012. The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu and Dongguan are 22% (2009: 20%), 11% (2009: Nil) and 12.5% to 25% (2009: Nil to 12.5%), respectively.

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

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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 (after taking into account the effect of the Bonus Issue as stated in the note below) during the year excluding ordinary shares purchased by the Company.

	2010	**2009** (restated)
Profit attributable to equity holders of the Company (HK$'000)	1,571,198	773,526
Weighted average number of ordinary shares in issue (thousands)	3,535,864	3,505,806
Basic earnings per share (HK$ per share)	0.4443	0.2206

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 and adjusting for the Bonus Issue in June 2010. 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.

	2010	**2009** (restated)
Profit attributable to equity holders of the Company (HK$'000)	1,571,198	773,526
Weighted average number of ordinary shares in issue (thousands)	3,535,864	3,505,806
Adjustments for share options (thousands)	34,328	8,834
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,570,192	3,514,640
Diluted earnings per share (HK$ per share)	0.4401	0.2201

Note: The Company alloted and issued 1,770,860,460 shares in June 2010 by way of bonus issue (the "Bonus Issue") on the basis of one new bonus share for every existing share held by the shareholders.

10 Dividends

The dividends paid in 2010 and 2009 were HK$548,967,000 (HK$0.16 per share (restated)) and HK$257,858,000 (HK$0.08 per share (restated)), respectively. A final dividend in respect of the financial year ended 31 December 2010 of HK$0.13 per share (2009: HK$0.08 per share (restated)), amounting to a total dividend of HK$457,222,000 (2009: HK$ HK$265,629,000), is to be proposed at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

	2010	**2009**
Interim dividend paid of HK$0.08 (2009: HK$0.03 (restated)) per share	283,338	106,383
Proposed final dividend of HK$0.13 (2009: HK$0.08 (restated)) per share	457,222	265,629
	740,560	372,012

11 Trade and other receivables

	Group	
	2010	**2009**
Trade receivables (note a)	714,827	535,018
Less: provision for impairment of trade receivables	(16,145)	(12,392)
	698,682	522,626
Bills receivable (note (b))	321,655	111,735
Trade and bills receivables — net	1,020,337	634,361
Prepayments, deposits and other receivables	513,503	209,167
	1,533,840	843,528

Notes:

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2010 and 2009, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	Group	
	2010	**2009**
0 - 90 days	594,318	436,440
91 - 180 days	68,729	51,434
181 - 365 days	32,150	19,839
1 - 2 years	12,321	18,364
Over 2 years	7,309	8,941
	714,827	535,018

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

	Group 2010	Group 2009
RMB	357,967	303,034
HKD	1,684	3,917
USD	320,923	195,623
Other currencies	34,253	32,444
	714,827	535,018

(b) The maturities of the bills receivable are within 6 months. (2009: 6 months)

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

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

	Group 2010	Group 2009
Trade payables (note (a))	377,043	220,402
Bills payable (note (b))	200,342	460,966
	577,385	681,368
Accruals and other payables (note (c))	930,273	680,411
	1,507,658	1,361,779

Notes:

(a) At 31 December 2010 and 2009, the ageing analysis of the trade payables based on invoice date was as follows:

	Group 2010	Group 2009
0 - 90 days	350,273	207,772
91-180 days	11,955	7,216
181-365 days	4,617	1,796
1-2 years	8,517	1,249
Over 2 years	1,681	2,369
	377,043	220,402

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

	Group 2010	Group 2009
RMB	327,735	169,356
HKD	40	20
USD	49,026	50,115
Other currencies	242	911
	377,043	220,402

(b) Bills payable have maturities ranging within 6 months. (2009: 6 months)

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

	Group 2010	Group 2009
Payables for property, plant and equipment	232,838	201,198
Accruals for employee benefits and welfare	115,927	91,603
Payables for value-added tax	62,409	69,467
Payables for utilities	73,638	33,588
Receipt in advance from customers	166,710	94,477
Trading derivatives - cross currency swap and foreign exchange forward contracts	3,776	1,138
Others	274,975	188,940
	930,273	680,411

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

13 Provision for legal claim

The movements of provision for legal claim are shown as follows:

	Group 2010	Group 2009
At beginning of the year	85,332	—
Transferred to other payables upon agreement of settlement amount	(48,516)	—
(Reversal of provision) / provision for legal claim	(36,816)	85,332
At end of the year	—	85,332

Xinyi Automobile Glass (Shenzhen) Company Limited and Saint-Gobain (as defined in the announcement dated 10 August 2010) reached a settlement agreement on proceedings in the United States and in China between different subsidiaries of both groups in August 2010. Under the settlement agreement, all proceedings were terminated in 2010 without admission of any infringement liability on either sides. As a result of the settlement agreement, there is a reversal of provision with amount of approximately HK$36,816,000 for the year ended 31 December 2010.

14 **Final dividend**

Subject to the approval by the Shareholders at the forthcoming annual general meeting, the final dividend of 13.0 HK cents per Share will be payable on or before Thursday, 30 June 2011 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 manufactures and sells a wide range of glass products, including automobile glass, energy-saving construction glass, high quality float glass, solar glass as well as other glass products for commercial applications. The Group has production facilities in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province and Tianjin City in China. In addition to the glass products, the Group also manufactures automobile rubber and plastic components.

The Group's glass products are sold to customers in more than 100 countries and territories, including China, Hong Kong, the United States, Canada, Australia and New Zealand, as well as the Middle East, Europe, Africa and Central and South America. The Group's customers include companies in the businesses of automobile glass manufacturing, automobile glass wholesale and distribution, automobile repair, motor vehicle manufacturing, construction and furniture glass manufacturing, float glass wholesale and distribution and solar module manufacturing.

Business review

The performance of the Group during 2010 was outstanding, principally because of the strong domestic demand in China and the modest economic recovery of overseas markets. The sales and the net profit attributable to equity holders of the Company reached approximately HK$6,364.3 million and HK$1,571.2 million, respectively, representing a year-on-year increase of approximately 60.8% and 103.1%, compared to approximately HK$3,958.0 million and HK$773.5 million, respectively for the financial year ended 31 December 2009. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 34.7% and 41.8%, respectively, during the five years ended 31 December 2010.

The high quality float glass and solar glass products were the Group's most popular lines with most significant growth rate in 2010. The high growth of the Group's float glass business in the PRC domestic market was due to the strong demand in the building industry and the automobile industry in 2010. The Group captured these business opportunities with two new float glass production lines with daily melting capacity of 700 and 900 tonnes respectively which commenced operation in the second quarter of 2010.

Sales of solar glass was another major growth driver for the year. The solar glass business rode on the global market's trend to locate green and renewable energy sources.

Operational review

Sales

The sales of the Group increased by approximately 60.8% for the financial year ended 31 December 2010. The rise was principally due to the high growth of the Group's different glass businesses in global markets, especially the float glass and the solar glass markets in China. The automobile glass business improved mainly due to the recovery of overseas markets while the increase of construction glass sales was mainly attributable to higher demand for energy saving low-e glass in the domestic PRC market.

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

	Financial year ended 31 December			
	2010		2009	
	HK$'000	%	*HK$'000*	%
Sales				
Automobile glass products *(Note (a))*	2,378,772	37.4	1,946,536	49.2
Construction glass products	926,016	14.6	721,540	18.2
Float glass products	1,981,759	31.1	1,082,022	27.3
Solar glass products	1,077,767	16.9	207,859	5.3
	6,364,314	100.0	3,957,957	100.0

Notes:

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

	Financial year ended 31 December			
	2010		**2009**	
	HK$'000	*%*	*HK$'000*	*%*
Sales				
Greater China *(Note (a))*	4,230,085	66.5	2,205,511	55.7
North America	747,489	11.7	580,446	14.7
Europe	451,816	7.1	377,238	9.5
Others *(Note (b))*	934,924	14.7	794,762	20.1
	6,364,314	100.0	3,957,957	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

By using cheaper and clean fuel "natural gas" for float glass and solar glass production, with improved production efficiency and better cost control, the cost of sales for the financial year ended 31 December 2010 was approximately HK$3,809.3 million, representing an increase of approximately 52.6%, lower than the percentage of increase in sales.

Gross profit

The Group's gross profit for the financial year ended 31 December 2010 was approximately HK$2,555.0 million, representing a surge of approximately 74.8%. The overall gross profit margin rose from approximately 36.9% to 40.1% as a result of the lower cost of sales and better combination of high value-added products, while the gross margins of float glass and solar glass improved significantly during the year of 2010.

Other losses

The Group's other losses were approximately HK$9.5 million for the financial year ended 31 December 2010, compared to the gains of approximately HK$13.3 million for the financial year ended 31 December 2009. The decrease was principally due to the loss from the disposal of a subsidiary which engaged in the curtain wall installation contracting business during the year.

Operational review

Selling and marketing costs

In line with the increase of sales with higher freight and advertising costs, the Group's selling and marketing costs climbed by around 36.2% to approximately HK$365.2 million for the financial year ended 31 December 2010.

Administrative expenses

The Group's administrative expenses rose by around 25.5% to approximately HK$405.9 million for the financial year ended 31 December 2010, principally attributable to the increase in staff and welfare costs.

Finance costs

The Group's finance costs dropped by around 55.1% to approximately HK$6.8 million for the financial year ended 31 December 2010. The Company actively replaced Renminbi bank borrowings with Hong Kong dollar long-term bank borrowings to benefit from the lower finance costs in 2010. Also, a portion of interest expense was capitalised in relation to the acquisition of plant and machinery at the production complexes in Jiangmen, Tianjin and Wuhu, but it will be depreciated together with the related property, plant and equipment when the new production lines commenced commercial operation. Interest expense of approximately HK$26.1 million was capitalised under construction-in-progress for the financial year ended 31 December 2010.

Taxation

The Group's income tax expense amounted to approximately HK$320.7 million for the financial year ended 31 December 2010. The effective tax rate increased from approximately 5.8% to 16.9% for the financial year ended 31 December 2010, which was mainly because most of our PRC subsidiaries were enjoying a tax holiday with a half exemption of the PRC's unified tax rate and there was a withholding tax amounting to approximately HK$83.4 million on the distributable profit of the Group's PRC subsidiaries and associates in 2010.

EBITDA and net profit for the year

During the financial year ended 31 December 2010, the Company's EBITDA (i e, earnings before interest, taxation, depreciation and amortisation) reached approximately HK$2,243.3 million, an increase of approximately 103.5% compared to HK$1,102.5 million for the financial year ended 31 December 2009. The Company's EBITDA margin, calculated based on turnover for the financial year ended 31 December 2010, was approximately 35.2% compared to approximately 27.9% for the financial year ended 31 December 2009.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2010 was approximately HK$1,571.2 million, an increase of approximately 103.1%, compared to HK$773.5 million for the financial year ended 31 December 2009. Net profit margin climbed to approximately 24.7% for the financial year ended 31 December 2010 as a result of better product combination, improved production efficiency and the use of cheaper and clean fuel "natural gas" for the new float glass and solar glass productions.

Settlement of patent infringement litigation

As disclosed in the Company's announcement dated 10 August 2010 (the "**Announcement**"), Xinyi Automobile Glass (Shenzhen) Company Limited and Saint Gobain (as defined in the Announcement) reached a settlement agreement on proceedings in the United States and in China between different subsidiaries of both groups in August 2010. Under the settlement agreement, all proceedings were terminated in 2010 without admission of any infringement liability on either side. As a result of the settlement agreement, there is a reversal of provision in the amount of approximately HK$36,816,000 for the year ended 31 December 2010.

Final dividend

At the meeting of the Board held on 28 February 2011, the Directors proposed to declare a final cash dividend of 13 HK cents per share of HK$0.1 each of the Company (the "**Share**") for the financial year ended 31 December 2010. Together with the interim cash dividend of approximately HK$283.3 million for 2010, the total dividend paid and payable represent a dividend pay-out ratio of approximately 47.1%. 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 2010.

Current ratio

The Group's current ratio for the financial year ended 31 December 2010 was approximately 1.41, compared to 1.03 in the previous year. The improvement was due to an increase in trade and other receivables and a reversal of provision for a legal claim for the year.

Net current assets

As at 31 December 2010, the Group had net current assets of approximately HK$871.3 million, compared to approximately HK$54.9 million as at 31 December 2009. The increase was a result of improved cash position and better management of bank borrowings.

Financial resources and liquidity

During the financial year ended 31 December 2010, 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$1,507.2 million (2009: HK$1,322.6 million) as a result of better working capital management generating a net cash surplus from operations. As at 31 December 2010, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$642.0 million (2009: HK$543.3 million).

As at 31 December 2010, the Group had bank loans totaling approximately HK$2,724.5 million, representing an increase of approximately 147.2% from balance as at 31 December 2009. The increase was principally due to the addition of the Group's second syndicated term loan with amount of HK$1.1 billion and other bilateral term loans.

The Group's net debt gearing ratio as at 31 December 2010 was approximately 31.8% (31 December 2009: 10.5%). This ratio is calculated by dividing the net bank debt, which is calculated as total borrowings less cash and cash equivalents (excluding pledged bank deposits), by the total equity of the Group as at 31 December 2010. The increase was principally due to new long-term bank debts obtained for capital expenditures in Jiangmen, Tianjin and Wuhu during the year.

Pledge of assets

As at 31 December 2010, bank balance of approximately HK$1.7 million was pledged as collateral mainly to United States Customs as a security of import duties and for the standby letter of credit issued by a PRC bank.

Employees and remuneration policy

As of 31 December 2010, the Group had 11,614 full-time employees of whom 11,505 were based in Greater China and 109 were based in other countries and territories. The Group maintains good relationship with all the employees. The Group provides 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 individual employee.

Employees and remuneration policy

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 of the date of this announcement, the 1st tranche of 17,040,000 options (restated) were granted to employees of the Group. The exercise price of these options was HK$1.08 (restated) per Share and all unexercised options under this tranche were expired on 27 January 2009.

The 2nd tranche of 24,230,000 options (restated) were granted to employees of the Group, of which 9,568,000 options (restated) have been exercised, 7,321,000 (restated) have lapsed and 1,200,000 options (restated) 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$3.49 (restated) per Share and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 30 June 2011 shall lapse.

The 3rd tranche of 48,517,200 options (restated) were granted to employees of the Group of which 10,223,000 options (restated) have lapsed and 1,620,000 options (restated) 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$2.34 (restated) per Share and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 19 April 2013 shall lapse. The 4th tranche of 22,288,000 options (restated) were granted to employees of the Group of which 2,314,000 options have lapsed and 888,000 options (restated) 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$1.72 (restated) per Share and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of subsidiaries the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2012 shall lapse.

The 5th tranche of 36,898,000 options were granted to employees of the Group of which 1,487,000 options have lapsed and 888,000 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$3.55 per Share and the option holders may exercise the options between 1 April 2013 and 31 March 2014, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2014 shall lapse.

STRONG ECONOMIC MOMENTUM IN CHINA — MODEST RECOVERY IN OVERSEAS MARKETS

During the year under review, our business segments reported remarkable growth. Domestic sales in the Peoples' Republic of China (PRC) achieved outstanding growth and represented about 66.5% of the Group's total turnover.

Revenue from the automobile glass business increased by about 22.2% to approximately HK$2,378.8 million, which accounted for about 37.4% of the Group's total turnover. This was mainly attributable to the stable growth in the sales of global automobile aftermarket glass products and our Company actively exploring overseas markets. Construction glass turnover grew by 28.3% to approximately HK$926.0 million, which accounted for about 14.6% of the Group's total turnover. This was mainly attributable to the fast growth of PRC building construction and strong demand for energy saving low-emission coating ("LOW-E") glass. The float glass business grew by about 83.2% to approximately HK$1,981.8 million, which accounted for around 31.1% of the Group's total turnover. This significant increase was largely driven by the high growth of the automobile glass and construction glass markets. Solar glass also grew by about 418.5% to approximately HK$1,077.8 million, which accounted for about 16.9% of the Group's total turnover. The outstanding growth resulted from the global market's focus on green and renewable energy sources leading to strong market demand. The Group's gross profit margin rose slightly to about 40.1% (2009: 36.9%) while the Group's net profit margin increased more strongly to about 24.7% (2009: 19.5%).

The year 2010 was full of opportunities and yet volatile. Although the PRC economy continued its fast growth, the industry faces changes in national policy, tougher competition, inflationary pressure, escalating fuel and raw material costs, etc. In the global setting, the US fiscal policy of quantitative easing, the European financial crisis and the unstable political environment in the Middle East have created a complicated economic situation. The Group nevertheless achieved remarkable results through a variety of measures. The most important measures were leveraging economies of scale, improving production techniques and workflow, implementing better cost control on raw materials and inventory, introducing high quality products with an optimised high value-added product mix, developing high technological and market driven glass products, and executing flexible global sales and operational management strategies to benefit from the different supportive policies in the PRC.

Volatile European economies and currency — exploration of different export sales channels and increase in proportion of China sales

During the year, the European economy and currency were seriously hit by the economic turmoil. Although the US economy enjoyed a modest recovery, the Group actively explored different overseas markets, such as Australia, South America, the Middle East and Africa to offset the decreased demand from Europe and to gain overseas market share.

Sales to North America increased by approximately 28.8% to approximately HK$747.5 million while sales to Europe rose by approximately 19.8% to approximately HK$451.8 million for the year under review. The Group's improved performance was attributable to the increase in overall demand with sales orders reaching a high level in the North America market.

Also, the Group has actively explored other overseas markets in 2010, revenue from these markets increased by approximately 17.6% to approximately HK$934.9 million. More significantly, through the business opportunities presented by the strong economic momentum in Greater China, the Group's sales here also increased by approximately 91.8% to approximately HK$4,230.1 million.

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

Since the end of 2009, the selling price of heavy oil, the fuel for the industrial production of float glass and solar glass, has kept increasing. Therefore, the Group plans to use clean natural gas, a fuel with lower and more stable cost, for its new float glass and solar glass production lines in Wuhu, Jiangmen and Tianjin. Also, the Group plans to convert the existing float glass and solar glass production lines in Dongguan to use natural gas by mid-2011 to improve our overall cost structure.

Through our strong experience in operations management combined with production process improvements, we have 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 3,100 daily melting tonnes at the end of 2009 to 4,700 daily melting tonnes by mid-2010. The two new float glass production lines in our Wuhu production complex have also provided the Group with an additional daily production capacity of 1,600 melting tonnes in the first half of 2010. The economies of scale have enhanced the Group's purchasing power and reduced the average fuel consumption rate and the fixed unit cost, thus mitigating the impact of any potential cost pressure on gross profit margins in the future.

Also, the Group plans to install the environmentally friendly low temperature recycling residual heat power cogeneration system in Dongguan and other new production complexes to enhance our overall production cost structure.

OPPORTUNITIES IN THE SOLAR GLASS BUSINESS

The Group's businesses in automobile glass, construction glass and float glass maintained a satisfactory gross margin level during the year. As fossil fuels gradually amortised and international crude oil prices kept rising, solar power related products benefited from the clean and renewal energy policies of different countries. It has led to a strong demand for solar power products since end of 2009 that has positively contributed to the outstanding revenue and profit performances of solar glass and the overall Group profitability in 2010.

OUTLOOK FOR 2011

In 2011, we continue to strengthen efficiency of our operational management in order to tackle the challenges and inflation pressure resulting from the post global financial tsunami period, including Governmental policy changes in the PRC, the policy to promote the building materials industry in rural areas in China, the new energy-saving standards for building construction, the low income housing scheme and the "Golden Sun" model home project.

We will strengthen our research and development capability to enhance the development of new products and product quality. Our new production complexes in the Yangtze River Delta, the Pearl River Delta and the Bohai region will commence operations before the end of 2011. Another new production complex at Yingkou, located in northeastern China, will commence operations by the end of 2012. We will focus on development of high quality float glass, new energy and 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, solar glass and ultra thin electronic products. We expect that second and third tier PRC cities will also have a strong demand for high quality float glass and Low-E glass in the future.

With the overwhelming global demand, the solar glass mainly used for solar module systems has achieved an outstanding revenue and profit results in 2010. The Group is building four new solar glass production lines in Wuhu and Tianjin to capture the continued growth in the demand on solar power systems.

The Group plans to build an ultra-thin electronic glass production line in Wuhu to capture demand from the growing market for high technology electronic products. We believe this new high technology glass products will be another future growth driver.

CONCLUSION

The Group has proactively and aggressively tackled challenges in a variety of business environments and has optimised our performance with the support of our staff and customers, consequently reaping benefits from opportunities that have arisen as the global economy revives. We remain optimistic about our future development and will continue to adhere to business strategies that have proven to be highly successful. Striving to maintain our leading position, we will continue our efforts to enable the Group to further expand its presence in the worldwide glass market.

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 2010.

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 2010.

Purchase, sale or redemption of the company's listed securities

During the year ended 31 December 2010, the Company repurchased a total of 36,386,000 Shares at an aggregate consideration of approximately HK$187.3 million on the Stock Exchange. These repurchased Shares were cancelled before 31 December 2010. Details of the repurchase of such Shares are as follows:

Month of repurchase	Number of repurchased Shares	Highest price per Share	Lowest price per Share	Aggregate consideration paid
				HK$'000
January 2010	2,190,000	6.69	6.54	14,436
September 2010	24,670,000	5.06	4.34	118,379
October 2010	6,000,000	6.08	5.41	34,067
November 2010	3,526,000	5.87	5.75	20,428
	36,386,000			187,310

In June 2010, the Company allotted and issued 1,770,860,460 Shares by way of bonus issue (the "**Bonus Issue**") on the basis of one new bonus Share for every existing Share held by the shareholders.

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 2010.

Significant events after the balance sheet date

On 28 February 2011, the Board considers the feasibility of a proposed spin-off of its solar glass business. In this connection, the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules on 28 February 2011. No final decision has been made by the Company as to whether and when the proposed spin-off will proceed. There is also no assurance that the Stock Exchange will approve the proposed spin-off to proceed.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the Listing Rules.

PUBLICATION OF FINAL RESULTS

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 2010 containing all the information required by appendix 16 to the Listing Rules and other applicable laws and regulations 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 Thursday, 30 June 2011. 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, 29 April 2011.

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

Hong Kong, 28 February 2011

As of 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; and 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.