
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other independent professional adviser.

If you have sold or transferred all your Shares, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is not for distribution, directly or indirectly, in or into the United States. This circular does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Shares and the Xinyi Solar Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States except pursuant to registration or an exemption from the registration requirements of the Securities Act. No public offering of the Shares and the Xinyi Solar Shares will be made in the United States.

Certain information contained in this circular is subject to amendment and finalisation and approval for publication of the Xinyi Solar Prospectus. In addition, unless the context requires otherwise, the historical financial information of Xinyi Solar set forth in this circular is unaudited and may differ from the audited financial information of Xinyi Solar which will be included in the Xinyi Solar Prospectus. Shareholders of, and prospective investors in, the securities of the Company should therefore exercise extreme caution in interpreting the information contained in this circular and when dealing in such securities.

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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)

MAJOR TRANSACTION

**Deemed Disposal of Certain Equity Interest in a Subsidiary
in relation to**

**the Proposed Spin-Off and the Listing of
Xinyi Solar Holdings Limited**

on the Main Board of The Stock Exchange of Hong Kong Limited

PROPOSED ADOPTION OF THE XINYI SOLAR SHARE OPTION SCHEME

**Independent financial adviser to
the Independent Board Committee and the Shareholders**



A letter from the Independent Board Committee containing its recommendation to the Shareholders is set forth on pages 35 to 36 of this circular.

A letter from the Independent Financial Adviser containing its opinion and advice to the Independent Board Committee and the Shareholders is set forth on pages 37 to 56 of this circular.

A notice convening the Extraordinary General Meeting to be held at 9:30 a.m. on Wednesday, 9 November 2011 at Chatham Room, Level 7, Conrad Hong Kong Hotel, 88 Queensway, Admiralty, Hong Kong is set forth on page 78 to 81 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjourned meeting. **Completion and return of the enclosed form of proxy will not preclude you from subsequently attending and voting in person at the Extraordinary General Meeting or any adjourned meeting should you so wish.**

21 October 2011

TIMETABLE FOR THE EXTRAORDINARY GENERAL MEETING AND THE PREFERENTIAL OFFERING

The timetable below is subject to the final timetable of the Proposed Spin-Off and the Global Offering. If there is any change to the timetable below, the Company will issue further announcements in full compliance with the requirements under the Listing Rules.

Extraordinary General Meeting

2011

Latest time for lodging transfers of the Shares
for the Extraordinary General Meeting 4:30 p.m. on Friday, 4 November

Register of members of the Company closes
(both days inclusive) Monday, 7 November to
Wednesday, 9 November

Latest time for return of proxy forms in respect
of the Extraordinary General Meeting 9:30 a.m. on Monday, 7 November

Record Date 9:30 a.m. on Wednesday, 9 November

Extraordinary General Meeting 9:30 a.m. on Wednesday, 9 November

Register of members of the Company re-opens Thursday, 10 November

All time referred herein is Hong Kong local time.

Preferential Offering

The timetable for the Preferential Offering will be announced by the Company at a later stage in accordance with Rule 13.66 of the Listing Rules.

Last day for dealing in the Shares on cum-entitlement
to the Preferential Offering The date which is four Business Days
prior to the Preferential Offering Record Date

First day for dealing in the Shares ex-entitlement
to the Preferential Offering The date which is three Business Days
prior to the Preferential Offering Record Date

Latest time for lodging transfers of the Shares
to the Preferential Offering 4:30 p.m. on the date which is two Business Days
prior to the Preferential Offering Record Date

**TIMETABLE FOR THE EXTRAORDINARY GENERAL MEETING
AND THE PREFERENTIAL OFFERING**

Register of members of the Company closes
(both days inclusive) From one Business Days prior to the
Preferential Offering Record Date
to the Preferential Offering Record Date

**Preferential Offering Record Date 4:30 p.m. on the
Preferential Offering Record Date**

Register of members of the Company re-opens The date which is one Business Day
after the Record Date

Despatch of Xinyi Solar Share certificates
to the Qualifying Shareholders pursuant
to the Preferential Offering The date which is one Business Day
before the Listing Date of
Xinyi Solar on the basis that the
Global Offering becomes unconditional

If for any reason the Proposed Spin-Off and the Global Offering cannot be completed before 31 December 2011 or there is any material change in the terms of the agreements relating to the Proposed Spin-Off and referred to in this circular or the Proposed Spin-Off may have different implications under the Listing Rules, the Company will seek further approval from the Shareholders and will provide further updated information to the Shareholders for consideration.

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DEFINITIONS USED IN THIS CIRCULAR

In this circular, unless the context otherwise requires, the capitalised terms used herein shall have the following meanings:-

“Articles”	the articles of association of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlement of the Qualifying Shareholders to apply for the Reserved Shares under the Preferential Offering
“ BLUE Application Form(s)”	the form of application for the Reserved Shares for use by the Qualifying Shareholders under the Preferential Offering
“Board”	the board of Directors
“Business Days”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or a public holiday in Hong Kong
“BVI”	British Virgin Islands
“Capitalisation Issue”	the proposed allotment and issue of the Xinyi Solar Shares by Xinyi Solar, credited as fully paid, to Xinyi Glass (Hong Kong) as part of and conditional upon the Global Offering
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“chief executive”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended from time to time
“Company”	Xinyi Glass Holdings Limited (信義玻璃控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 June 2004 whose Shares are listed on the Main Board (stock code: 00868) and one of the Xinyi Solar Controlling Shareholders
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Deed of Non-Competition”	a deed of non-competition proposed to be entered into by the Company prior to the date of the Xinyi Solar Prospectus in favour of Xinyi Solar Glass Group on non-competing the business activities currently conducted or proposed to be conducted by the Xinyi Solar Glass Group

DEFINITIONS USED IN THIS CIRCULAR

“Deed of Tax Indemnity”	a deed of tax indemnity proposed to be entered into by Xinyi Glass (Hong Kong) prior to the date of the Xinyi Solar Prospectus in favour of Xinyi Solar Glass Group pursuant to which Xinyi Glass (Hong Kong) will indemnify Xinyi Solar Glass Group against certain taxation
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 9:30 a.m. on Wednesday, 9 November 2011 at Chatham Room, Level 7, Conrad Hong Kong Hotel, 88 Queensway, Admiralty, Hong Kong or any adjournment thereof for the purpose of considering and, if thought fit, approving the Proposed Spin-Off, the Global Offering, the Preferential Offering, the adoption of the Xinyi Solar Share Option Scheme and other related arrangements
“Global Offering”	the Hong Kong Public Offering and the International Offering (which includes the Preferential Offering)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Public Offering”	the offering of the Xinyi Solar Shares for subscription by members of the public in Hong Kong upon and subject to the terms and conditions described in the Xinyi Solar Prospectus and the related application forms (including the BLUE Application Forms)
“Independent Board Committee”	the independent board committee formed by the independent non-executive Directors to advise the Shareholders on the Proposed Spin-Off and the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme
“Independent Financial Adviser”	Quam Capital Limited, a corporation licensed to carry out type 6 of the regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-Off and the Preferential Offering
“International Offering”	the conditional offering of the Xinyi Solar Shares to institutional, professional and/or other investors and the Preferential Offering

DEFINITIONS USED IN THIS CIRCULAR

“Latest Practicable Date”	19 October 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing”	the proposed listing of the Xinyi Solar Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date of commencement of dealing in the Xinyi Solar Shares on the Main Board
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the main board of the Stock Exchange
“Non-Solar Glass Group”	the Company and its subsidiaries (other than members of the Xinyi Solar Glass Group)
“Offer Price”	the final offer price per Xinyi Solar Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Xinyi Solar Shares are to be subscribed or purchased under the Global Offering
“Over-allotment Option”	the option expected to be granted by Xinyi Glass (Hong Kong) to the Underwriters, pursuant to which Xinyi Glass (Hong Kong) may be required to sell certain Xinyi Solar Shares at the Offer Price to cover over-allocations in the International Offering
“PRC”	The People’s Republic of China
“Preferential Offering”	the offering of the Reserved Shares to the Qualifying Shareholders at the Offer Price, which forms part of the Global Offering, upon and subject to the terms and conditions stated in the Xinyi Solar Prospectus and in the BLUE Application Form
“Preferential Offering Record Date”	any Business Day announced by the Company pursuant to Rule 13.66 of the Listing Rules, which shall be used in determining the Qualifying Shareholders

DEFINITIONS USED IN THIS CIRCULAR

“Proposed Spin-Off”	the proposed spin-off of the business conducted by Xinyi Solar Glass Group through the Global Offering and the Listing
“Qualifying Shareholders”	the Shareholders whose names appear on the principal or the branch registers of members of the Company (other than the Xinyi Glass Controlling Shareholders) as of 4:30 p.m. on the Preferential Offering Record Date (Hong Kong time) who shall be entitled to participate in the Preferential Offering
“Record Date”	9 November 2011, being the record date for ascertaining the Shareholders who shall be eligible to attend and vote at the Extraordinary General Meeting
“Registrar”	the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Reserved Shares”	Xinyi Solar Shares available for subscription by the Qualifying Shareholders under the Preferential Offering
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriters”	the underwriters of the Global Offering
“Xinyi EnergySmart (Wuhu)”	Xinyi EnergySmart (Wuhu) Co., Ltd. (信義節能玻璃(蕪湖)有限公司), a limited liability company established in the PRC on 6 March 2007 and a wholly-owned subsidiary of the Company

DEFINITIONS USED IN THIS CIRCULAR

“Xinyi Glass Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this circular, means Mr. LEE Yin Yee, M. H., Realbest Investment Limited, Mr. TUNG Ching Bor, High Park Technology Limited, Mr. TUNG Ching Sai, Copark Investment Limited, Mr. LEE Sing Din, Telerich Investment Limited, Mr. LI Ching Wai, Goldbo International Limited, Mr. NG Ngan Ho, Linkall Investment Limited, Mr. LI Man Yin, Perfect All Investments Limited, Mr. SZE Nang Sze, Goldpine Limited, Mr. LI Ching Leung and Herosmart Holdings Limited
“Xinyi Glass (BVI)”	Xinyi Automobile Glass (BVI) Company Limited, a company incorporated in the BVI on 13 June 2002 and a wholly-owned subsidiary of the Company and one of the Xinyi Solar Controlling Shareholders
“Xinyi Glass (Hong Kong)”	Xinyi Group (Glass) Company Limited (信義集團(玻璃)有限公司), a company incorporated in Hong Kong with limited liability on 2 June 1989 and a wholly-owned subsidiary of the Company and one of the Xinyi Solar Controlling Shareholders
“Xinyi Glass (Tianjin)”	Xinyi Glass (Tianjin) Co., Ltd. (信義玻璃(天津)有限公司), a limited liability company established in the PRC on 2 March 2004 and a wholly-owned subsidiary of the Company
“Xinyi Solar”	Xinyi Solar Holdings Limited (信義光能控股有限公司), a company incorporated on 11 January 2011 in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company as of the date of this circular
“Xinyi Solar Controlling Shareholders”	the controlling shareholders of Xinyi Solar upon completion of the Proposed Spin-Off, namely the Company, Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)
“Xinyi Solar (Dongguan Branch)”	Xinyi PV Products (Anhui) Holdings Ltd., Dongguan Branch Company* (信義光伏產業(安徽)控股有限公司東莞分公司), a branch company of Xinyi Solar (Wuhu) established on 19 January 2011
“Xinyi Solar Glass Group”	Xinyi Solar and Xinyi Solar (Wuhu) and its branch companies
“Xinyi Solar Prospectus”	the prospectus to be issued by Xinyi Solar for the Global Offering and the Listing
“Xinyi Solar Share Option Scheme”	the share option scheme proposed to be adopted by Xinyi Solar which will take effect subject to, among others, the Listing becoming unconditional

DEFINITIONS USED IN THIS CIRCULAR

“Xinyi Solar Shares”	ordinary shares of HK\$0.10 each in the share capital of Xinyi Solar
“Xinyi Solar (Tianjin Branch)”	Xinyi PV Products (Anhui) Holdings Ltd., Tianjin Branch Company* (信義光伏產業(安徽)控股有限公司天津分公司), a branch company of Xinyi Solar (Wuhu) established on 7 January 2011
“Xinyi Solar (Wuhu)”	Xinyi PV Products (Anhui) Holdings Ltd. (信義光伏產業(安徽)控股有限公司), a limited liability company established in the PRC on 6 March 2007 and a wholly-owned subsidiary of Xinyi Solar
“Xinyi Ultra-clear (Dongguan)”	Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Co. Ltd. (信義超白光伏玻璃(東莞)有限公司), a limited liability company established in the PRC on 13 July 2006 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

For ease of reference, the names of the PRC established companies described in this circular have been included in this circular in both Chinese and English. The English names of these companies are either English translation of their Chinese names or English business names used by these companies. In the event of any inconsistency between the English names and their Chinese names, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:-

Mr. LEE Yin Yee, M. H. (*Chairman*)
Mr. TUNG Ching Bor (*Vice Chairman*)
Mr. TUNG Ching Sai (*Chief Executive Officer*)
Mr. LEE Shing Kan
Mr. LEE Yau Ching
Mr. LI Man Yin

Registered office:-

P.O. Box 1350 GT
Clifton House
75 Fort Street
George Town
Grand Cayman
Cayman Islands

Non-executive Directors:-

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

*Head office and principal
place of business:-*

3rd Floor, Harbour View 2
16 Science Park East Avenue
HK Science Park Phase 2
Pak Shek Kok, Tai Po, N.T.
Hong Kong

Independent Non-executive Directors:-

Mr. LAM Kwong Siu, S.B.S.
Mr. WONG Chat Chor Samuel
Mr. WONG Ying Wai, Wilfred, S.B.S., JP

21 October 2011

To the Shareholders:—

Dear Sir or Madam,

MAJOR TRANSACTION

Deemed Disposal of Certain Equity Interest in a Subsidiary

in relation to

the Proposed Spin-Off and the Listing of

Xinyi Solar Holdings Limited

on the Main Board of The Stock Exchange of Hong Kong Limited

PROPOSED ADOPTION OF THE XINYI SOLAR SHARE OPTION SCHEME

LETTER FROM THE BOARD

INTRODUCTION

On 28 February 2011, the Company submitted a proposal to the Stock Exchange for the Proposed Spin-Off pursuant to Practice Note 15 of the Listing Rules. The Stock Exchange confirmed on 1 April 2011 that the Company may proceed with the application for a separate listing of Xinyi Solar on the Main Board. On 7 June 2011, the Board announced that Xinyi Solar submitted a listing application form (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the Xinyi Solar Shares in issue and to be issued under the Global Offering and the Capitalisation Issue and may be issued upon the exercise of any option that may be granted under Xinyi Solar Share Option Scheme. On 15 September 2011, the Listing Committee considered the listing application of Xinyi Solar, and the Company issued an announcement on 20 September 2011 informing the Shareholders of the hearing by the Listing Committee of the listing application.

In light of the foregoing, the Board would like to provide the Shareholders with further information on the Proposed Spin-Off and the Global Offering (including the Preferential Offering) and related arrangements and seek the approval from the Shareholders on all matters pertaining to the Proposed Spin-Off and the Global Offering (including the Preferential Offering) and the adoption of the Xinyi Solar Share Option Scheme. Hence, the purpose of this circular is to provide the Shareholders with the following:-

- (1) further information on the Proposed Spin-Off, the Global Offering and the Preferential Offering as required by the Listing Rules. The Proposed Spin-Off and the Global Offering, if implemented, will be a deemed disposal of certain equity interest in Xinyi Solar, which will constitute a major transaction (as such term is defined under the Listing Rules) for the Company;
- (2) the recommendation of the Independent Board Committee to the Shareholders as to whether the Proposed Spin-Off and the Preferential Offering are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote at the Extraordinary General Meeting in relation to the ordinary resolutions on the Proposed Spin-Off, the Global Offering and the Preferential Offering and the related arrangements and the adoption of the Xinyi Solar Share Option Scheme;
- (3) the letter of advice from the Independent Financial Adviser containing its opinion and advice to the Independent Board Committee and the Shareholders on the Proposed Spin-Off and the Preferential Offering and its recommendation to the Shareholders on voting the ordinary resolutions on the Proposed Spin-Off and the Preferential Offering at the Extraordinary General Meeting; and
- (4) a notice of the Extraordinary General Meeting at which the ordinary resolutions will be proposed to approve (a) the Proposed Spin-Off, the Global Offering and the Preferential Offering and the transactions related thereto and all documents necessary for or incidental thereto and (b) the adoption of the Xinyi Solar Share Option Scheme.

LETTER FROM THE BOARD

The information on the Proposed Spin-Off and certain information on the Xinyi Solar Glass Group contained in this circular is extracted from the Xinyi Solar Prospectus for ease of reference of the Shareholders in considering the resolutions to be tabled at the Extraordinary General Meeting on the Proposed Spin-Off and the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme.

Xinyi Solar has not received any approval from the Stock Exchange on the publication of the Xinyi Solar Prospectus and as such, the information in the Xinyi Solar Prospectus (as extracted to this circular) may change. Nevertheless, the Directors have taken all the necessary steps to ensure that information contained in this circular, including the information on the Proposed Spin-Off, the Global Offering and the Xinyi Solar Glass Group is accurate and not misleading as of the date of this circular.

As of the date of this circular, the Board and the board of directors have not made any final decision on the timetable for the Proposed Spin-Off. The Directors confirm that all of the information relating to the Proposed Spin-Off (and the arrangements relating thereto which include, but without limitation to, the terms of the agreements proposed to be entered into for the Proposed Spin-Off) contained in this circular is accurate. If for any reason the Proposed Spin-Off cannot be completed before 31 December 2011 or there is any material change in the terms of the agreements relating to the Proposed Spin-Off and referred to in this circular or the Proposed Spin-Off may have different implications under the Listing Rules, the Company will seek further approval from the Shareholders and will provide further updated information to the Shareholders for consideration.

Shareholders and potential investors should note that the Proposed Spin-Off is subject to, among others things, the final decision of the Board and the board of directors of Xinyi Solar, the approval from the Shareholders at the Extraordinary General Meeting and the approval from the Stock Exchange. Hence, the Proposed Spin-Off may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INFORMATION ON THE PROPOSED SPIN-OFF

Structure of the Proposed Spin-Off

The Proposed Spin-Off is expected to be implemented by way of the Global Offering which will consist of the Hong Kong Public Offering and the International Offering. A portion of the Xinyi Solar Shares allocated for subscription and purchase under the International Offering will be made available to the Qualifying Shareholders under the Preferential Offering. Further information on the Preferential Offering is set forth in the paragraphs under “Proposed Terms of the Preferential Offering” below.

The Xinyi Solar Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all the issued Xinyi Solar Shares prior to completion of the Global Offering. Immediately following completion of the Proposed Spin-Off, the Company (through Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)) will continue to hold 70.0% to 75.0% of the Xinyi Solar Shares in issue, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the

LETTER FROM THE BOARD

Company's shareholding in Xinyi Solar (through Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)) will be reduced to 65.5% to 71.25%. In any of these events, Xinyi Solar will continue to be a non-wholly owned subsidiary of the Company and the operating results of the Xinyi Solar Glass Group will continue to be consolidated into the consolidated financial statements of the Group.

On the basis of the above, immediately following completion of the Proposed Spin-Off (assuming the Over-allotment Option is not exercised and without taking into account any Xinyi Solar Shares which may be issued upon the exercise of any option that may be granted under the Xinyi Solar Share Option Scheme), Xinyi Solar will have a public float in the range between 25.0% and 30.0%.

It is currently expected that Xinyi Glass (Hong Kong) will grant to the Underwriters the Over-allotment Option to require Xinyi Glass (Hong Kong) to sell additional Xinyi Solar Shares at the Offer Price to, among other things, cover the over-allocations in the International Offering, if any.

In addition, Xinyi Glass (Hong Kong) may enter into a stock borrowing agreement with the stabilising manager of the Global Offering pursuant to which the stabilising manager or its agent may borrow Xinyi Solar Shares from Xinyi Glass (Hong Kong) in order to facilitate the settlement of over-allocations in connection with the International Offering. No payment will be made to Xinyi Glass (Hong Kong) by the stabilising manager or its agent in relation to the stock borrowing arrangement.

Subject to the approval of the listing of, and granting of permission to deal in, the Xinyi Solar Shares on the Main Board as well as compliance with the stock admission requirements of HKSCC, the Xinyi Solar Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

Further announcements will be made by the Company should there be any significant development relating to the Proposed Spin-Off (including the final structure and size, the indicative range of the Offer Price and the latest timetable) as and when appropriate.

Reasons for and benefits of the Proposed Spin-Off

The Directors consider that the reasons for and the benefits of the Proposed Spin-Off include the following:-

- (a) The Proposed Spin-Off will provide a platform for Xinyi Solar to raise funds from the capital markets to support its growth strategies.
- (b) The Proposed Spin-Off will allow Xinyi Solar to broaden its investor base and attract new investors seeking investments in the solar energy industry.

LETTER FROM THE BOARD

- (c) The Proposed Spin-Off will allow a dedicated management team to focus on the development of the Xinyi Solar Glass Group and provide more detailed disclosure for investors, which will increase the corporate profile and improve the corporate governance of the Xinyi Solar Glass Group as a whole.

The Directors (including all members of the Independent Board Committee) consider that the Proposed Spin-Off, the Global Offering and the Preferential Offering and the transactions contemplated thereunder will be conducted on normal commercial terms and in the interest of the Company and Shareholders as a whole.

Conditions of the Proposed Spin-Off

As of the Latest Practicable Date, the Board and the board of directors of Xinyi Solar have not made any final decision as to whether and when the Proposed Spin-Off and the Global Offering will be launched as well as the detailed terms and conditions of the Global Offering. Nevertheless, the Directors expect that, based on the current market sentiment and the discussions with relevant professional advisers, the Proposed Spin-Off and the Global Offering are expected to be completed before 31 December 2011. If for any reason the Proposed Spin-Off cannot be completed before 31 December 2011 or there is any material change in the terms of the agreements relating to the Proposed Spin-Off and referred to in this circular or the Proposed Spin-Off may have different implications under the Listing Rules, the Company will seek further approval from the Shareholders and will provide further updated information to the Shareholders for consideration.

As in other initial public offerings and spin-off transactions in Hong Kong, the Proposed Spin-Off is expected to be conditional upon, among other things, the following:-

- (1) the approval of the Proposed Spin-Off, the Global Offering and the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme by the Shareholders at the Extraordinary General Meeting;
- (2) the registration and the publication of the Xinyi Solar Prospectus with the approval of the Stock Exchange and in accordance with the applicable laws and regulations in Hong Kong;
- (3) the Listing Committee granting the approval for the listing of, and permission to deal in, all the Xinyi Solar Shares in issue and to be issued under the Global Offering and the Capitalisation Issue and may be issued upon the exercise of any option which may be granted under the Xinyi Solar Share Option Scheme; and
- (4) the underwriting agreements relating to the Global Offering (with further information to be set forth in the paragraphs under “Agreements to be entered into by the Non-Solar Glass Group for the purpose of the Proposed Spin-Off” below and the Xinyi Solar Prospectus) remaining unconditional and such underwriting agreements not being terminated in accordance with their respective terms on or before the dates and times therein contained.

LETTER FROM THE BOARD

If any of the above and other applicable conditions are not satisfied or waived as appropriate, the Proposed Spin-Off and the Global Offering will not proceed. Further announcements will be published by the Company as soon as practicable and in accordance with the applicable requirements under the Listing Rules.

Stabilisation

As part of the Global Offering, Xinyi Glass (Hong Kong), in its capacity as one of the Xinyi Solar Controlling Shareholders, is expected to grant the Over-allotment Option to the Underwriters, pursuant to which Xinyi Glass (Hong Kong) will be required to sell certain Xinyi Solar Shares. Xinyi Glass (Hong Kong) will also enter into a stock borrowing agreement with the stabilising manager of the Global Offering for the purpose of facilitating the settlement of any over-allocation in the International Offering, if any.

Hence, within a period of time following the Listing, the market price of the Xinyi Solar Shares may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Further information on any intended stabilisation and how it will be conducted and regulated will be contained in the Xinyi Solar Prospectus.

Proposed use of net proceeds from the Global Offering

The directors of Xinyi Solar expect that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses in relation to the Global Offering) will be applied as follows:-

- (1) 45.0% of the amount of the net proceeds from the Global Offering for the capital expenditure on the construction of ultra-clear photovoltaic raw glass production lines, ultra-clear photovoltaic processed glass processing lines, ultra-clear float glass production line and the ancillary facilities and related land and buildings;
- (2) 25.0% of the amount of the net proceeds from the Global Offering for the repayment of the capital expenditure funding made by the Non-Solar Glass Group since the inception of the business of Xinyi Solar Glass Group;
- (3) 20.0% of the amount of the net proceeds from the Global Offering for the payment of a special interim dividend declared by Xinyi Solar to Xinyi Glass (Hong Kong); and
- (4) 10.0% of the amount of the net proceeds from the Global Offering for the general working capital of Xinyi Solar.

The above intended use of net proceeds from the Global Offering is indicative only and is subject to change. Further information on the application of the net proceeds from the Global Offering will be set forth in the Xinyi Solar Prospectus.

LETTER FROM THE BOARD

If the Over-allotment Option is exercised in full, Xinyi Glass (Hong Kong) will sell additional Xinyi Solar Shares. Xinyi Glass (Hong Kong) will use the net proceeds, after deducting the proportion of the listing expenses and underwriting commission payable by it, as the general working capital of the Non-Solar Glass Group.

Preliminary timetable for the Proposed Spin-Off

The Directors are aware of the recent volatility in the global capital markets and the debt crisis amongst countries in Europe may have significant short-term and medium-term impact on the global economy. These factors may affect the investors' sentiment and the success of the Proposed Spin-Off and the Global Offering. The Directors and the directors of Xinyi Solar expect that the Proposed Spin-Off and the Global Offering can be completed before 31 December 2011, but this timetable is depending on the global capital market conditions. Factors that the Board and the board of directors of Xinyi Solar would consider include the global capital market conditions, the investors' interest in the industry in which the Xinyi Solar Glass Group operates and the market capitalisation of the Group and the likely valuation of Xinyi Solar immediately following completion of the Proposed Spin-Off and the Global Offering as accepted by the investors.

If for any reason the Proposed Spin-Off and the Global Offering cannot be completed before 31 December 2011 or there is any material change in the terms of the agreements relating to the Proposed Spin-Off and referred to in this circular or the Proposed Spin-Off may have different implications under the Listing Rules, the Company will seek further approval from the Shareholders and will provide further updated information to the Shareholders for consideration.

PROPOSED TERMS OF THE PREFERENTIAL OFFERING

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, all the Xinyi Solar Shares in issue and to be issued under the Global Offering and the Capitalisation Issue and may be issued upon the exercise of any option that may be granted under the Xinyi Solar Share Option Scheme, an aggregate of 10.0% of the Xinyi Solar Shares available under the International Offering, representing the Reserved Shares, will be available for subscription by the Qualifying Shareholders under the Preferential Offering. The Reserved Shares will be allocated from the Xinyi Solar Shares available under the International Offering. Qualifying Shareholders will be entitled to subscribe for the Reserved Shares on an assured basis. The final entitlement will depend on the number of Shares held by the Qualifying Shareholders at 4:30 p.m. on the Preferential Offering Record Date. The Company will publish an announcement pursuant to the requirements under Rule 13.66 of the Listing Rules on further information on the Preferential Offering and the Assured Entitlement.

LETTER FROM THE BOARD

Qualifying Shareholders should note that any decision to apply for the Reserved Shares under the Preferential Offering should be based solely on the information provided in the Xinyi Solar Prospectus.

With a view to increase the opportunity for the public Shareholders to participate in the Global Offering, no Reserved Shares will be offered to connected persons (as such term is defined under the Listing Rules) of Xinyi Solar or persons who will become connected persons of Xinyi Solar immediately following completion of the Global Offering to the extent that they are Qualifying Shareholders. As of the Latest Practicable Date, all the Xinyi Glass Controlling Shareholders were connected persons of Xinyi Solar and hence, they would not participate in the Preferential Offering. So far as the Directors are aware, no other Shareholder is or would become a connected person of Xinyi Solar as a result of applying for its Assured Entitlement.

The Qualifying Shareholders, even though their Shareholding is less than one board lot of 2,000 Shares, will be entitled to participate in the Preferential Offering by applying for such number of Reserved Shares which is less than, or equal to, their Assured Entitlements under the Preferential Offering. A valid application in respect of such number of Reserved Shares less than, or equal to, a Qualifying Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions mentioned in the **BLUE** Application Form which will be despatched to the Qualifying Shareholders together with the Xinyi Solar Prospectus if the Global Offering proceeds. Where a Qualifying Shareholder applies for such number of Reserved Shares which is more than his or her or its Assured Entitlement, his or her or its Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will not be met and the excess application money will be refunded. If an application is made for such number of Reserved Shares that is less than the Assured Entitlement, the applicant is recommended to apply for such number in one of the numbers of full board lots of the Reserved Shares that will be stated in the table of numbers and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each number of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for less than his or her or its Assured Entitlement, he or she or it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula which will be stated under the table of numbers and payments on the back page of the **BLUE** Application Form. Any application received in respect of the Preferential Offering that is not accompanied by the correct amount of application money will be treated as invalid in its entirety and no Reserved Shares will be allotted to such applicant. Each Qualifying Shareholder validly applying for the Reserved Shares on **BLUE** Application Form will be entitled to be allotted at least one board lot of Xinyi Solar Shares out of the total number of the Reserved Shares.

Qualifying Shareholders may, in addition to applying for the Reserved Shares, also apply for the Xinyi Solar Shares under the Hong Kong Public Offering.

LETTER FROM THE BOARD

Shareholders should note that the number of Xinyi Solar Shares allotted and issued under the Assured Entitlement may not represent a multiple of a full board lot of Xinyi Solar Shares (currently expected to be 1,000) or a whole number of Xinyi Solar Shares and will be rounded down to the closest whole number if required, and that dealings in odd lots of Xinyi Solar Shares may be at a price below the prevailing market price for full board lots of Xinyi Solar Shares.

The Assured Entitlement will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any Xinyi Solar Shares issued pursuant to the Preferential Offering will be fully paid and rank *pari passu* in all respects with other Xinyi Solar Shares then in issue and to be issued pursuant to the Global Offering.

Further announcement on the timing of the Preferential Offering and further information on the Assured Entitlement will be made by the Company separately.

INFORMATION ON THE XINYI SOLAR GLASS GROUP

Overview

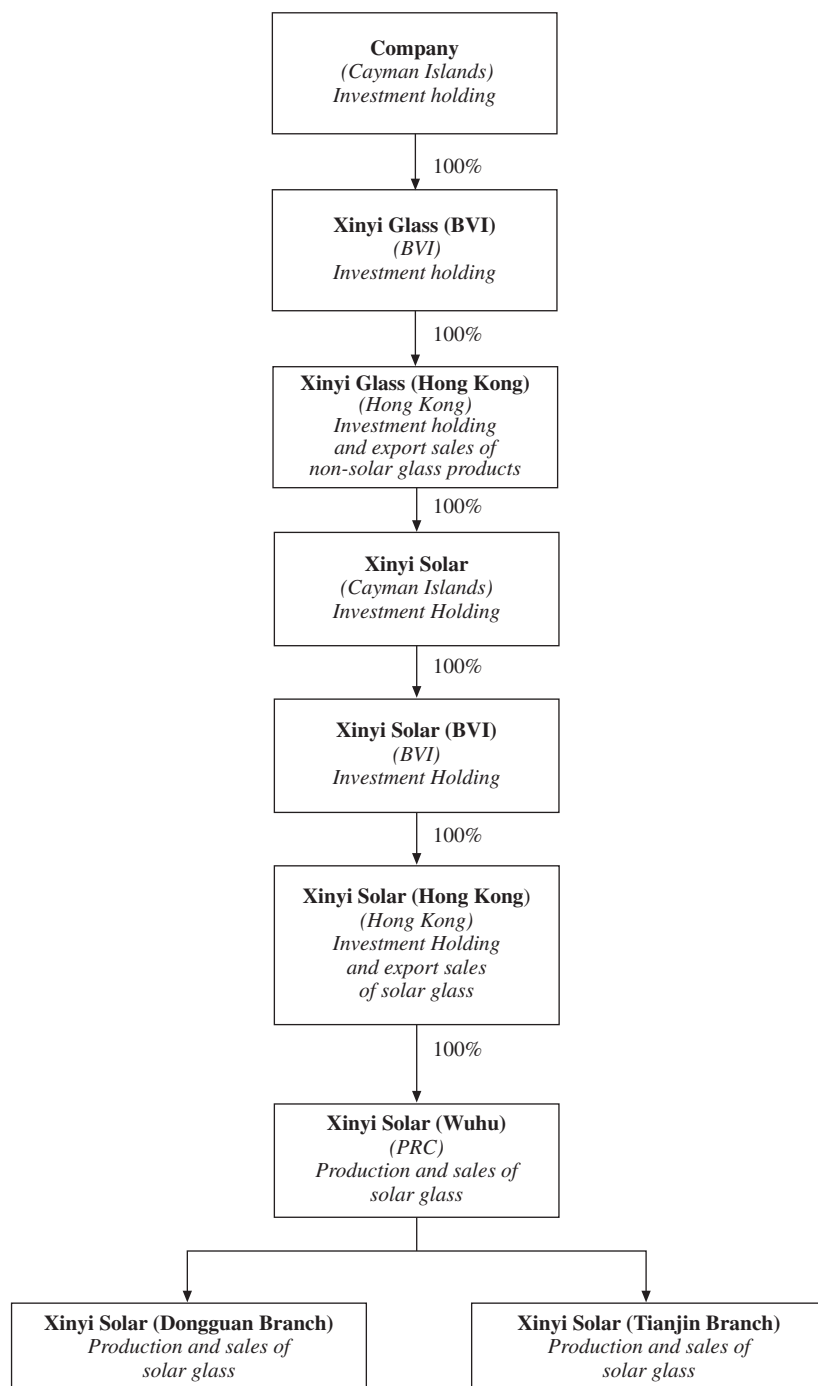
The Group has four business segments, namely automobile glass, construction glass, solar glass and float glass. Following completion of the Proposed Spin-Off, the Non-Solar Glass Group will continue to be engaged in three business segments, namely automobile glass, construction glass and float glass. The Xinyi Solar Glass Group is principally engaged in the production and sales of two principal types of solar glass: ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass. The solar glass business currently conducted by the Xinyi Solar Glass Group was previously conducted by the solar glass business division of Xinyi Ultra-clear (Dongguan), Xinyi Glass (Tianjin) and Xinyi Solar (Wuhu). For the purpose of the Proposed Spin-Off, through various reorganisation steps, the businesses and the related assets and liabilities of Xinyi Ultra-clear (Dongguan) and Xinyi Glass (Tianjin) have been transferred to Xinyi Solar (Dongguan Branch) and Xinyi Solar (Tianjin Branch). The non-solar glass related assets previously owned by Xinyi Solar (Wuhu) have been transferred to members of the Non-Solar Glass Group. The purpose of these reorganisation steps is to ensure a clear delineation of the business, assets and liabilities between the Non-Solar Glass Group and the Xinyi Solar Glass Group, and all amount between the two group of companies will also be settled out of the net proceeds from the Global Offering or bank borrowings.

Shareholding structure of the Xinyi Solar Glass Group before and after the Proposed Spin-Off and the Global Offering

Xinyi Solar was incorporated as an exempted company in the Cayman Islands on 11 January 2011 and is a wholly-owned subsidiary of the Company as of the date of this circular.

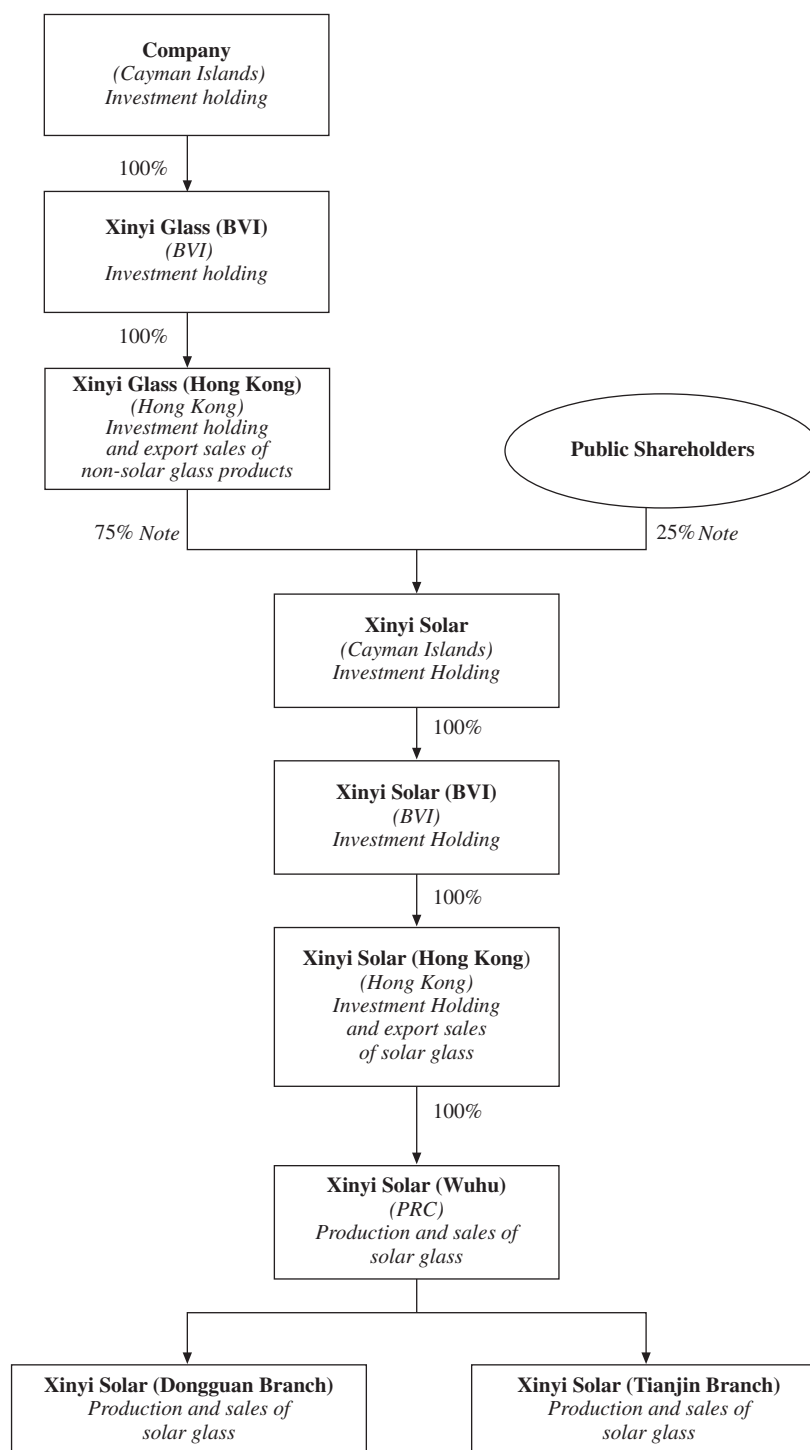
LETTER FROM THE BOARD

As of the Latest Practicable Date, members of the Xinyi Solar Glass Group were wholly-owned subsidiaries of Xinyi Glass (Hong Kong). The following diagram illustrates the shareholding and corporate structure of Xinyi Solar Glass Group before the Proposed Spin-Off:-



LETTER FROM THE BOARD

Immediately following completion of the Proposed Spin-Off and the Global Offering, the shareholding structure of the Xinyi Solar Glass Group is set forth below:-



Note:-

The exact percentage is subject to the number of Xinyi Solar Shares to be offered for subscription under the Global Offering and whether or not the Over-allotment Option is exercised. Assuming that the public float of Xinyi Solar is 25.0% and that the Over-allotment Option is exercised in full, the Company will hold 71.25% of the then Xinyi Solar Shares in issue immediately following completion of the Proposed Spin-Off and the Global Offering.

LETTER FROM THE BOARD

The following table sets forth the financials of the Xinyi Solar Glass Group which were included in the consolidated financial statements of the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011:-

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Net assets of the Group which includes:-	4,389,536	5,430,586	6,555,894	8,028,214
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net assets of the Xinyi Solar Glass Group	488,275	753,586	1,323,279	1,296,987

	Year ended 31 December			Six months ended 30 June 2011
	2008	2009	2010	2011
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Of the Group:-	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	3,894	3,958	6,364	3,881
Profit before tax	753	824	1,893	982
Profit after tax	711	777	1,572	842
Net profit attributable to Shareholders	709	774	1,571	842

which includes those of the
Xinyi Solar Glass Group as
follows:-

	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	277	209	1,077	654
Profit before tax	119	39	479	291
Profit after tax	117	37	407	244
Net profit attributable to Shareholders	117	37	407	244

LETTER FROM THE BOARD

Delineation of business between the Non-Solar Glass Group and the Xinyi Solar Glass Group

Before completion of the reorganisation steps for the purpose of the Proposed Spin-Off, the solar glass business was one of the business segments of the Non-Solar Glass Group. The following table illustrates the key differences between the Non-Solar Glass Group and the Xinyi Solar Glass Group in various aspects:-

	Non-Solar Glass Group	Xinyi Solar Glass Group
Principal products	Automobile glass, construction glass and float glass products.	Solar glass products, which include ultra-clear photovoltaic raw glass, ultra-clear photovoltaic processed glass, TCO and other glass used in solar module panels.
Principal raw materials	Float glass uses silica sand with less stringent requirement on iron content as the principal raw material. The float glass is principally used as the raw material of automobile glass and construction glass.	All products use low-iron silica sand to increase the solar transmittance and the energy conversion efficiency of the solar modules on which the solar glass is installed. Back glass uses common float glass as the principal raw material.
Principal suppliers	Silica sand with less stringent requirement on the iron content is principally sourced from Beihai, Guangxi Province.	Low-iron silica sand is principally sourced from Fengyang, Anhui Province and Heyuan, Guangdong Province.
Principal customers	Automobile glass: Car manufacturers, automobile repair companies and automobile glass manufacturers Construction glass: Curtain-wall contractors and property developers Float glass: Glass fabricators and glass traders.	Glass processing companies and solar module manufacturers.
Principal end users	Car owners and property owners.	Solar farm operators.

In addition, most of the customers of the Non-Solar Glass Group and the Xinyi Solar Glass Group do not overlap. During the three years ended 31 December 2010 and the six months ended 30 June 2011, the sales of the Xinyi Solar Glass Group to the overlapping customers only accounted for 1.5%, 1.5%, 2.6% and 2.1%, respectively, of the revenue of the Xinyi Solar Glass Group. Most of these customers are glass processing companies which purchased glass products from the Xinyi Solar Glass Group and the Non-Solar Glass Group for their production and re-sale purposes. The directors of Xinyi Solar expect that the customer base of the Xinyi Solar Glass Group will continue to expand and the revenue generated from the overlapping customers is expected to decrease.

LETTER FROM THE BOARD

All the overlapping customers of the Non-Solar Glass Group and the Xinyi Solar Glass Group have different business units and personnel responsible for the sourcing of different types of glass products. Accordingly, our sales department and that of the Xinyi Solar Glass Group liaise with separate business divisions and personnel of the overlapping customers. These existing arrangements can sufficiently ensure an independent access and management of customers between us and the Xinyi Solar Glass Group. These arrangements will continue following the Proposed Spin-Off.

Xinyi Solar Glass Group has its own dedicated production lines for the solar glass products. Xinyi Solar Glass Group does not share the production lines with any member of the Non-Solar Glass Group. The production facilities of the Xinyi Solar Glass Group are operated independently without any reliance on the production facilities of the Non-Solar Glass Group. All the production facilities of the Xinyi Solar Glass Group are located within the premises which are separately identifiable from the premises of the Non-Solar Glass Group.

Xinyi Solar Glass Group will commence the production of ultra-clear float glass in the second half of 2011. The ultra-clear float glass produced by the Xinyi Solar Glass Group will be used for the production of solar glass products with high solar transmittance. The float glass produced by the Non-Solar Glass Group is sold to glass fabricators and glass traders primarily for automobile and construction purposes. Therefore, it is expected that there will not be any direct competition between Xinyi Solar Glass Group and the Non-Solar Glass Group.

In addition, following completion of the reorganisation steps for the purpose of the Proposed Spin-Off, the Xinyi Solar Glass Group has its own production facilities, albeit that some of the production facilities are installed on the factory premises leased from the Non-Solar Glass Group. These lease agreements, which constitute non-exempt continuing connected transactions for Xinyi Solar, are negotiated on an arm's length basis with reference to the independent valuation of the market rental of the relevant properties. These lease agreements will not constitute connected transactions for the Company as Xinyi Solar will continue to be a non-wholly owned subsidiary of the Company after completion of the Proposed Spin-Off.

LETTER FROM THE BOARD

Independence between the Non-Solar Glass Group and the Xinyi Solar Glass Group

The Directors consider that the Xinyi Solar Glass Group is independent from the Non-Solar Glass Group because of the following reasons:-

Management independence

The following table sets forth the directorship of the Company and Xinyi Solar upon completion of the Proposed Spin-Off:-

	The Company	Xinyi Solar
Executive directors	Mr. LEE Yin Yee, M.H. Mr. TUNG Ching Bor Mr. TUNG Ching Sai Mr. LEE Shing Kan Mr. LI Man Yin	Mr. TUNG Ching Sai Mr. LEE Yau Ching Mr. ZHANG Ming
Non-executive directors	Mr. LI Ching Wai Mr. SZE Nang Sze Mr. LI Ching Leung Mr. NG Ngan Ho	Mr. LEE Yin Yee, M.H.
Independent non-executive directors	Mr. LAM Kwong Siu, S.B.S. Mr. WONG Chat Chor Samuel Mr. WONG Ying Wai, S.B.S., JP	Dr. LAI Wing Chueng (Raymond) Mr. SHI Ding Huan Ms. WANG Xiao Bin

Before completion of the reorganisation for the purpose of the Proposed Spin-Off, Mr. LEE Yau Ching was responsible for the overall management of the solar glass business of the Xinyi Glass Group. Mr. LEE Yau Ching will continue to manage the solar glass business following completion of the Proposed Spin-Off. Mr. LEE Yau Ching is an executive Director as of the date of this circular and he will resign from this directorship automatically upon completion of the Proposed Spin-Off.

Upon Listing, the Company and Xinyi Solar will only have two overlapping directors, namely Mr. LEE Yin Yee, M.H. and Mr. TUNG Ching Sai. Mr. LEE Yin Yee, M.H. is a non-executive director of Xinyi Solar and will not participate in the daily management and operation. Mr. TUNG Ching Sai will not involve in the day-to-day management of the business of Xinyi Solar Glass Group, and will discharge his duties as the vice chairman and an executive director of Xinyi Solar through his involvement in the formulation of our business strategies, participation in key decision-making process, together with other directors of Xinyi Solar, and attending regular meetings of the board of directors of Xinyi Solar and committees of the board of directors of Xinyi Solar.

LETTER FROM THE BOARD

If there is any potential or actual conflict of interest for Mr. LEE Yin Yee, M.H. and/or Mr. TUNG Ching Sai in their respective capacities as Directors and directors of Xinyi Solar, they will abstain from voting on the relevant resolutions. This arrangement will be included in the relevant appointment letter/service contract entered into with each of them.

Other than the two overlapping directors, the board of directors of Xinyi Solar will have two executive directors and three independent non-executive directors, all of whom are independent of the Board. These five directors can form the necessary quorum to consider the relevant resolutions presented to the board of directors of Xinyi Solar and have the necessary expertise and experience to ensure that decisions by the board of directors of Xinyi Solar will be properly made taking into consideration the interests of Xinyi Solar and shareholders of Xinyi Solar as a whole.

In addition, there will be no overlapping in senior management between the Non-Solar Glass Group and the Xinyi Solar Glass Group following completion of the Proposed Spin-Off.

Operational independence

The Xinyi Solar Glass Group operates independently from the Non-Solar Glass Group. The Xinyi Solar Glass Group has its own administrative functions which include sales and marketing, procurement, finance and human resources, with employees working at premises either owned or leased by us. The Xinyi Solar Glass Group also has its own information technology systems to control its production activities and business operations. All of these administrative functions are carried out independently without any reliance on the Non-Solar Glass Group.

The Xinyi Solar Glass Group sources soda ash and glauber's salt from the same suppliers as the float glass business of the Non-Solar Glass Group. This is primarily because of the fact that the Xinyi Glass Group has established business relationship with these suppliers which can satisfy the demand for the raw materials. In addition, the Xinyi Solar Glass Group sources heavy oil and natural gas from the same suppliers as the Non-Solar Glass Group because of the fact that the production facilities of the Xinyi Solar Glass Group are close to the production facilities of the Non-Solar Glass Group, and as these supplies are preferably sourced from a limited number of local suppliers for ease of quality control and production efficiency.

The Xinyi Solar Glass Group sources low-iron silica sand from various suppliers which include a company owned as to 20% by the Non-Solar Glass Group. The terms of the supply (including the price and the quality) of low-iron silica sand are negotiated on an arm's length basis between the Xinyi Solar Glass Group and all the suppliers independently without any reliance on the Non-Solar Glass Group.

Financial independence

The Xinyi Solar Glass Group has an independent financial control system and all financial decisions are made according to its own business needs. The Non-Solar Glass Group provided guarantees to certain trade financing facilities used by the Xinyi Solar Glass Group, but these guarantees have been released as of the date of this circular.

LETTER FROM THE BOARD

As of the Latest Practicable Date, the net amount due to the Non-Solar Glass Group amounted to HK\$896.7 million. Such amount represented the net amount of funding contributed by the Non-Solar Glass Group principally for capital expenditure since the inception of the business. The amount will be payable out of the designated portion of the net proceeds from the Global Offering and if the relevant amount of the net proceeds is not enough, from the bank borrowings of the Xinyi Solar Glass Group. The amount outstanding will be settled when Xinyi Solar receives the net proceeds from the Global Offering.

FINANCIAL IMPACT OF THE PROPOSED SPIN-OFF

Following completion of the Proposed Spin-Off, members of the Xinyi Solar Glass Group will continue to be non-wholly owned subsidiaries of the Company. The operating results of the Xinyi Solar Glass Group will therefore be consolidated into the financial statements of the Company. The Directors estimate that the market capitalisation of Xinyi Solar immediately following completion of the Proposed Spin-Off, assuming that the Over-allotment Option is not exercised, would be not more than HK\$12,098.2 million. Based on the structure of the Proposed Spin-Off and the Global Offering, the Directors are not able to determine the market capitalisation of the Xinyi Solar Glass Group. The Directors confirm that the market capitalisation of the Xinyi Solar Glass Group immediately following the Proposed Spin-Off and the Global Offering will be more than HK\$200.0 million as required under Rule 8.09(2) of the Listing Rules.

The following sets forth the financial impact of the Proposed Spin-Off on the Group on the basis that the public float of Xinyi Solar immediately following completion of the Proposed Spin-Off will be no more than 30.0% of the Xinyi Solar Shares then in issue and that the Over-allotment is not exercised.

Net asset value of Group

The Directors expect that the net asset value of the Group will be increased by an amount equivalent to 70.0% to 75.0% (depending on the percentage of the Xinyi Solar Shares in public hands immediately following completion of the Proposed Spin-Off and the Global Offering) of the net asset value of the Xinyi Solar Glass Group less the net asset value of the Xinyi Solar Glass Group immediately before the Proposed Spin-Off. In addition, the amount of the non-controlling interests will also be increased by 25.0% to 30.0% (depending on the percentage of the Xinyi Solar Shares in public hands immediately following completion of the Global Offering) of the net asset value of Xinyi Solar Glass Group immediately following the Proposed Spin-Off.

Effects on the assets and liabilities of the Group

The cash balance of the Group will be increased by the net proceeds from the Global Offering. The amount of the non-controlling interests will be increased by 25.0% to 30.0% of the net asset value of the Xinyi Solar Glass Group immediately following completion of the Global Offering. The amount of reserve of the Group will also be increased correspondingly by the increase in the net asset value of the Group.

LETTER FROM THE BOARD

Earnings and earnings per Share

As members of the Xinyi Solar Glass Group will continue to be non-wholly owned subsidiaries of the Company, there will be no impact on the earnings and earnings per Share immediately following completion of the Proposed Spin-Off. As Xinyi Solar will continue to be a non-wholly owned subsidiary of the Company, completion of the Proposed Spin-Off will not result in any gain on disposal received by the Company.

Cash flow

There is an increase of cash inflow from financing activities by the amount of the net proceeds from the Global Offering.

If the Over-allotment Option is exercised in full, Xinyi Glass (Hong Kong) will receive the amount of net proceeds from the sale of Shares under the Over-allotment Option. The cash balance of the Group will increase. As the shareholding of Xinyi Glass (Hong Kong) in Xinyi Solar will decrease following the exercise of the Over-allotment Option, the amount of the non-controlling interests will increase. There will be no impact on the earnings of the Group and the earnings per Share.

AGREEMENTS TO BE ENTERED INTO BY THE NON-SOLAR GLASS GROUP FOR THE PURPOSE OF THE PROPOSED SPIN-OFF

For the purpose of the Proposed Spin-Off, members of the Non-Solar Glass Group will enter into the Deed of Tax Indemnity, the Deed of Non-Competition, the non-disposal undertakings in respect of the Xinyi Solar Shares, the stock borrowing agreement and the underwriting agreements prior to the date of the Xinyi Solar Prospectus. The following sets forth a summary of each of these agreements:-

Deed of Tax Indemnity

In connection with the Proposed Spin-Off, Xinyi Glass (Hong Kong) will enter into the Deed of Tax Indemnity prior to the date of the Xinyi Solar Prospectus, pursuant to which Xinyi Glass (Hong Kong) shall indemnify members of the Xinyi Solar Glass Group as of the Listing Date (the “**Beneficiaries**”) of:-

- (1) taxation falling on any of the Beneficiaries resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Deed of Tax Indemnity becomes unconditional or any transactions, matters, things, event, act or omission occurring or deemed to occur on or before such date; and
- (2) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any of the Beneficiaries may properly incur in connection with:
 - (a) the investigation, assessment or the contesting of any claim for taxation referred to in paragraph (1) above (“**Taxation Claim**”);

LETTER FROM THE BOARD

- (b) the settlement of any Taxation Claim;
- (c) any legal proceedings in which any of the Beneficiaries claim under or in respect of the Deed of Tax Indemnity, and in which judgment is given for any of the Beneficiaries; or
- (d) the enforcement of any settlement or judgment given for any of the Beneficiaries in respect of any claim under or in respect of the Deed of Tax Indemnity.

Xinyi Glass (Hong Kong) shall not be liable under the Deed of Tax Indemnity in respect of taxation:-

- (1) to the extent that provision has been made for such taxation in the audited accounts of the Beneficiaries or any of them for an accounting period ended on or before 30 June 2011;
- (2) falling on any of the Beneficiaries in respect of any accounting period commencing on or after 1 July 2011 unless liability for such taxation would not have arisen but for some act or omission of, or transaction entered into by, the Indemnifiers, the Beneficiaries or any of them (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the date on which the Deed of Tax Indemnity becomes unconditional;
- (3) to the extent that such taxation arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other statutory or governmental authority in Hong Kong or any other part of the world having retrospective effect coming into force after the date on which the Deed of Tax Indemnity becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Tax Indemnity with retrospective effect;
- (4) to the extent that such taxation is discharged by another person who is not one of the Beneficiaries and none of the Beneficiaries is required to reimburse such person in respect of the discharge of the taxation;
- (5) to the extent of any provision or reserve made for taxation in the audited accounts referred to in (a) above which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of taxation shall not be available in respect of any other taxation for which the Indemnifiers are also liable under the Deed of Tax Indemnity;
- (6) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out by any of the Beneficiaries after the date on which the Deed of Tax Indemnity becomes unconditional;

LETTER FROM THE BOARD

- (7) which arises as a result of any Beneficiary failing to act in accordance with the reasonable request of the Indemnifiers or any of them in avoiding, resisting, compromising or settling such taxation or any Taxation Claim after the date on which the Deed of Tax Indemnity becomes unconditional; or
- (8) to the extent that any claim is made by Xinyi Solar after the expiry of the period of six years following the date on which the Deed of Tax Indemnity becomes unconditional.

The obligations of Xinyi Glass (Hong Kong) under the Deed of Tax Indemnity will be conditional upon, among other things, the commencement of dealings in the Xinyi Solar Shares on the Main Board.

Deed of Non-competition

Prior to the date of the Xinyi Solar Prospectus, the Xinyi Solar Controlling Shareholders will enter into the Deed of Non-competition whereby each of the Xinyi Solar Controlling Shareholders jointly and severally, irrevocably and unconditionally, undertakes with Xinyi Solar that with effect from the Listing Date (as defined in the Xinyi Solar Prospectus) and for as long as the Xinyi Solar Shares remain listed on the Main Board and the Xinyi Solar Controlling Shareholders, individually or collectively with their associates, are, directly or indirectly, interested in not less than 30% of the Xinyi Solar Shares in issue, or are otherwise regarded as controlling shareholders, each of the Xinyi Solar Controlling Shareholders shall not, and shall procure that none of their respective associates shall:-

- (1) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of the Xinyi Solar Glass Group or be in competition with the Xinyi Solar Glass Group in any business activities which the Xinyi Solar Glass Group may undertake in the future save for the holding of not more than 5.0% shareholding interests (individually or any of the Xinyi Solar Controlling Shareholders with their associates collectively) in any company listed on the Stock Exchange or any other stock exchange; and
- (2) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Xinyi Solar Glass Group including, but not limited to, solicitation of customers, suppliers and staff of the Xinyi Solar Glass Group.

In addition, each of the Xinyi Solar Controlling Shareholders, jointly and severally, undertakes that if any new business opportunity relating to any products and/or services of the Xinyi Solar Glass Group (the “**Business Opportunity**”) is made available to any of the Xinyi Solar Controlling Shareholders or their respective associates (other than Xinyi Solar), it or he or she will direct or procure the relevant associate to direct such Business Opportunity to the Xinyi Solar Glass Group with such required information to enable the Xinyi Solar Glass Group to evaluate the merits of the Business Opportunity. The relevant Xinyi Solar Controlling Shareholders shall provide or procure the relevant associate to provide all such reasonable assistance to enable the Xinyi Solar Glass Group to secure the Business Opportunity.

LETTER FROM THE BOARD

Each of the Xinyi Solar Controlling Shareholders further jointly and severally, irrevocably and unconditionally, undertakes that it will (a) provide to the Xinyi Solar Glass Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-competition and (b) confirm to Xinyi Solar on an annual basis as to whether it or he or she has complied with such undertakings.

Stock borrowing agreement

Prior to the date of the Xinyi Solar Prospectus, Xinyi Glass (Hong Kong) may enter into a stock borrowing agreement with the stabilising manager of the Global Offering pursuant to which the stabilising manager or its agent may borrow Xinyi Solar Shares from Xinyi Glass (Hong Kong) in order to facilitate the settlement of over-allocations in connection with the International Offering. No payment will be made to Xinyi Glass (Hong Kong) by the stabilising manager or its agent in relation to the stock borrowing arrangement.

Non-disposal undertaking

Following completion of the Proposed Spin-Off, the Xinyi Solar Controlling Shareholders shall not:-

- (a) in the period commencing on the date as specified in the Xinyi Solar Prospectus and ending on the date which is six months from the Listing Date, (as defined in the Xinyi Solar Prospectus), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Xinyi Solar Shares which are shown by the Xinyi Solar Prospectus to be beneficially owned by them; and
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Xinyi Solar Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Xinyi Solar Controlling Shareholders would collectively cease to be entitled to exercise or control the exercise of 30% of the voting power at general meetings of Xinyi Solar.

Underwriting agreements

In addition to the above agreements, the Xinyi Solar Controlling Shareholders will enter into underwriting agreements for the purpose of the Global Offering. There will be separate underwriting agreements for the Hong Kong Public Offering and the International Offering, respectively. The underwriting agreement for the Hong Kong Public Offering will be entered into immediately prior to the date of the Xinyi Solar Prospectus, and the underwriting agreement for the International Offering will only be entered into following the determination of the Offer Price. The purposes of entering into the underwriting agreements are two fold. First, the Xinyi Solar Controlling Shareholders will be required to provide certain representations and warranties, on a several basis with Xinyi Solar and the directors of Xinyi Solar, on certain aspects of the business, assets and liabilities of the Xinyi Solar Glass Group as of the Listing Date in their capacity as the sole owners of the Xinyi Solar Glass Group prior to completion of the Proposed Spin-Off. The second purpose of entering into the underwriting

LETTER FROM THE BOARD

agreements is for the sales of Xinyi Solar Shares by Xinyi Glass (Hong Kong) pursuant to the Over-allotment Option. Xinyi Glass (Hong Kong) will need to give such representations and warranties on the ownership and status of the Xinyi Solar Shares to the underwriters of the Global Offering. The detailed terms and conditions of the underwriting agreements have yet to be finalised, but the Directors expect that such terms and conditions would be broadly consistent with the terms and conditions of the underwriting arrangements in other comparable global offerings and listings on the Main Board. The Directors therefore consider that such representations and warranties are appropriate in light of the Global Offering.

THE XINYI SOLAR SHARE OPTION SCHEME

In connection with the Proposed Spin-Off, it is proposed that the Xinyi Solar Share Option Scheme be adopted by Xinyi Solar. The purpose of the Xinyi Solar Share Option Scheme is to enable Xinyi Solar to grant options to directors and employees of the Xinyi Solar Glass Group and other selected participants as reward for their contributions to the Xinyi Solar Glass Group and to provide an incentive to them to continue to further develop the Xinyi Solar Glass Group.

The Xinyi Solar Share Option Scheme shall take effect subject to:-

- (a) the passing of a resolution by the sole shareholder of Xinyi Solar to approve and adopt the Xinyi Solar Share Option Scheme and to authorise the board of directors of Xinyi Solar to grant options and to allot and issue the Xinyi Solar Shares pursuant to the exercise of any option that may be granted under the Xinyi Solar Share Option Scheme;
- (b) the passing of a resolution by the Shareholders to approve the adoption of the Xinyi Solar Share Option Scheme;
- (c) the Listing Committee granting approval for the listing of, and permission to deal in, the Xinyi Solar Shares to be allotted and issued pursuant to the exercise of any option that may be under the granted Xinyi Solar Share Option Scheme (subject to an initial limit of 10.0% of the aggregate number of Xinyi Solar Shares in issue on the Listing Date); and
- (d) the commencement of trading of the Xinyi Solar Shares on the Main Board.

None of the Directors are trustees of the Xinyi Solar Share Option Scheme or have any direct or indirect interests in such trustees.

Pursuant to Note (1) to rule 17.03(3) of the Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes must not in aggregate exceed 10.0% (the “**General Scheme Limit**”) of the relevant class of securities of the listed issuer (or the subsidiary) in issue as of the date of approval of the scheme.

Taking into consideration the fact that (i) the Xinyi Solar Share Option Scheme does not become effective until, among other things, commencement of dealings in the Xinyi Solar Shares on the Main Board and (ii) the significant difference in the number of Xinyi Solar Shares in issue as of the date of the Extraordinary General Meeting and the number of Xinyi Solar Shares that will be in issue as

LETTER FROM THE BOARD

of the Listing Date, it is impracticable to set the General Scheme Limit of the Xinyi Solar Share Option Scheme by reference to the number of Xinyi Solar Shares in issue as of the date of the Extraordinary General Meeting. The Company has therefore applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Note (1) to rule 17.03(3) of the Listing Rules so that the General Scheme Limit in respect of the Xinyi Solar Share Option Scheme can be based on the total number of Xinyi Solar Shares in issue at the time when dealings in the Xinyi Solar Shares first commence on the Stock Exchange.

The subscription price in respect of each Xinyi Solar Share under the Xinyi Solar Share Option Scheme shall, subject to any adjustments as specified in the Xinyi Solar Share Option Scheme, be a price determined by the Xinyi Solar Board and notified to the Eligible Participant and shall be no less than the highest of:-

- (i) the nominal value of a Xinyi Solar Share;
- (ii) the closing price of each Xinyi Solar Share as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Eligible Participant (as defined in the Xinyi Solar Share Option Scheme), which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "**Trading Day**"); and
- (iii) the average closing price of each Xinyi Solar Share as stated in the Stock Exchange's daily quotations sheets for the five (5) consecutive Trading Days immediately preceding the date of offer to the Eligible Participant.

There is no minimum period for which an option must be held before it can be exercised.

Unless the board of Xinyi Solar otherwise determines in the offer of grant of options to the grantee, a grantee is not required to achieve any performance target before any options granted under the Xinyi Solar Share Option Scheme can be exercised.

A summary of the principal terms of the Xinyi Solar Share Option Scheme is set forth in Appendix II to this circular.

The Directors consider it inappropriate to disclose the value of the options which may be granted under the Xinyi Solar Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing models or other methodology that depend on various assumptions, including the exercise price, the exercise period, interest rates, expected volatility and other variables. As no options have been granted as of the Latest Practicable Date, certain variables are not available for calculating the value of options that can be granted under the Xinyi Solar Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors and the directors of Xinyi Solar believe that any calculation of the value of options as of the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders and other investors.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Proposed Spin-Off

Under the current structure of the Proposed Spin-Off and taking no account of any Xinyi Solar Shares which may be issued upon the exercise of any option which may be granted under the Xinyi Solar Share Option Scheme, the Company's interest in Xinyi Solar will be reduced from 100.0% to the range between 70.0% and 75.0% immediately following completion of the Proposed Spin-Off, and will be further reduced to approximately 65.5% to 71.25% if the Over-allotment Option is exercised in full. The Proposed Spin-Off constitutes a deemed disposal of certain equity interest in Xinyi Solar held by Xinyi Glass (Hong Kong) under Rule 14.29 of the Listing Rules.

As of the date of this circular, the Board is not able to ascertain the likely market capitalisation of Xinyi Solar immediately following completion of the Proposed Spin-Off as such amount depends on the level of the Offer Price which is in turn affected by a number of factors outside the control of the Board. The Directors estimate that the market capitalisation of Xinyi Solar immediately following completion of the Proposed Spin-Off, assuming that the Over-allotment Option is not exercised, would be not more than HK\$12,098.2 million. Based on this amount, the Proposed Spin-Off, which will constitute a deemed disposal of certain equity interest in Xinyi Solar, would constitute a major transaction (as such term is defined under the Listing Rules) for the Company as one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Proposed Spin-Off are more than 25.0% but less than 75.0%. The Proposed Spin-Off is therefore subject to the announcement and Shareholders' approval requirements of Chapter 14 of the Listing Rules. Approval from Shareholders for the Proposed Spin-Off is also required under Practice Note 15 of the Listing Rules.

As the Offer Price cannot be determined at the present stage, the Company will make further announcements as and when the indicative range of the Offer Price is determined.

Xinyi Solar Share Option Scheme

The Xinyi Solar Share Option Scheme is also subject to the approval of Shareholders pursuant to Chapter 17 of the Listing Rules.

Grant of options to connected persons or their associates

Any grant of options under the Xinyi Solar Share Option Scheme to any director, chief executive or substantial shareholder of Xinyi Solar or any of their respective associate must be approved by the independent non-executive directors of Xinyi Solar (excluding any independent non-executive director of Xinyi Solar who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of Xinyi Solar or any of their respective

LETTER FROM THE BOARD

associates would result in the Xinyi Solar Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Xinyi Solar Share Option Scheme and any other schemes of Xinyi Solar in the 12-month period up to and including the date of such grant:-

- (i) representing in aggregate of more than 0.1% of the total number of Xinyi Solar Shares in issue as of the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Xinyi Solar Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant of option, in excess of HK\$5.0 million, such further grant of options must be approved by the shareholders of Xinyi Solar. For the purpose of seeking approval of the shareholders of Xinyi Solar, Xinyi Solar shall send to its shareholders a circular containing the information required under the Listing Rules and the vote by the shareholders of Xinyi Solar at general meeting convened to obtain the requisite approval shall be taken on a poll during which those persons required under the Listing Rules to abstain from voting, will not vote.

EXTRAORDINARY GENERAL MEETING AND VOTING BY POLL

None of the Xinyi Glass Controlling Shareholders is expected to have a material interest different from the other Shareholders in the Proposed Spin-Off, the Global Offering and the Preferential Offering and the Xinyi Solar Share Option Scheme. Hence, no Shareholders will be required to abstain from voting on the ordinary resolutions to be tabled at the Extraordinary General Meeting.

The Extraordinary General Meeting will be convened for the purpose of allowing the Shareholders to consider and, if thought fit, to approve the Proposed Spin-Off, the Global Offering, the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme.

A notice convening the Extraordinary General Meeting is set forth on pages 78 to 81 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong Computershare Hong Kong Investor Services Limited at 17M, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting (or any adjournment thereof). **Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting (or any adjournment thereof) should you so wish.**

Pursuant to the Listing Rules, voting at the Extraordinary General Meeting shall be taken by way of a poll. After the conclusion of the Extraordinary General Meeting, the Company will publish the poll results on the respective websites of the Stock Exchange and the Company.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the three independent non-executive Directors Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP, has been formed to consider and make its recommendation to the Shareholders in respect of the ordinary resolutions to approve the Proposed Spin-Off, the Global Offering and the Preferential Offering and whether the Proposed Spin-Off, the Global Offering and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will also advise the Shareholders on the adoption of the Xinyi Solar Share Option Scheme.

Your attention is also drawn to the letter from the Independent Board Committee set forth on pages 35 to 36 of this circular which contains its recommendation to the Shareholders as to voting at the Extraordinary General Meeting in respect of the Proposed Spin-Off, the Global Offering and the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme.

INDEPENDENT FINANCIAL ADVISER

Quam Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Shareholders on whether the Proposed Spin-Off and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Your attention is also drawn to the letter from the Independent Financial Adviser set forth on pages 37 to 56 of this circular which contains its advice to the Independent Board Committee and the Shareholders as to voting at the Extraordinary General Meeting in respect of the Proposed Spin-Off, the Global Offering and the Preferential Offering.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Proposed Spin-Off, the Global Offering and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and, accordingly, recommend the Shareholders to vote in favour of the ordinary resolution to approve the Proposed Spin-Off, the Global Offering and the Preferential Offering as set forth in the notice of the Extraordinary General Meeting.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Xinyi Solar Share Option Scheme are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the ordinary resolution to approve the Xinyi Solar Share Option Scheme as set forth in the notice of the Extraordinary General Meeting.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the Proposed Spin-Off, the Global Offering and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms and conditions of the Xinyi Solar Share Option Scheme, which are consistent with the requirements under Chapter 17 of the Listing Rules, are fair and reasonable. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolutions to approve the Proposed Spin-Off, the Global Offering and the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme as set forth in the notice of Extraordinary General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 November 2011 to Wednesday, 9 November 2011 (both days inclusive) for the purpose of determining the eligibility of the Shareholders to vote at the Extraordinary General Meeting. During the closure of the register of members of the Company, no transfer of Shares will be effected. In order to qualify for the voting at the Extraordinary General Meeting, all transfers of the Shares accompanied by the relevant certificates and all documents for the exercise of any share options under the share option scheme of the Company accompanied by the relevant exercise notices, must be lodged with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, no later than 4:30 p.m. on Friday, 4 November 2011.

The Company will announce the detailed timetable for the Preferential Offering in accordance with Rule 13.66 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all the reasonable enquiries, the investors entitled to subscribe for Xinyi Solar Shares will be third parties independent from the Xinyi Glass Controlling Shareholders and its connected persons except that all Qualifying Shareholders will be entitled to participate in the Global Offering.

GENERAL INFORMATION

There is no assurance that the Proposed Spin-Off and the Global Offering will take place or as to when it will take place. As of the Latest Practicable Date, the Board and the board of directors of Xinyi Solar have not made any final decision as to whether and when the Global Offering will be launched. The decisions of the Board and the board of directors of Xinyi Solar to proceed with the Global Offering are also dependent on a number of factors including, but without limitation to, the approval of Shareholders and the Listing Committee and the global capital market conditions.

Shareholders and potential investors should note that the Proposed Spin-Off is subject to, among others things, the final decision of the Board and the board of directors of Xinyi Solar, the approval from the Shareholders at the Extraordinary General Meeting and the approval from Stock Exchange. Hence, the Proposed Spin-Off may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set forth in the appendices to this circular.

By order of the Board
Xinyi Glass Holdings Limited
LEE Yin Yee, M. H.
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

21 October 2011

To the Shareholders:

Dear Sir or Madam,

MAJOR TRANSACTION
Deemed Disposal of Certain Equity Interest in a Subsidiary
in relation to
the Proposed Spin-Off and the Listing of
Xinyi Solar Holdings Limited
on the Main Board of The Stock Exchange of Hong Kong Limited

PROPOSED ADOPTION OF THE XINYI SOLAR SHARE OPTION SCHEME

We refer to the circular dated 21 October 2011 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Unless the context requires otherwise, the capitalised terms used herein shall have the same meanings as defined in the Circular.

We understand that the Proposed Spin-Off will be a deemed disposal by the Company of certain equity interest in Xinyi Solar and will constitute a major transaction (as such term is defined under the Listing Rules) for the Company. Pursuant to Chapter 14 of the Listing Rules and Practice Note 15 of the Listing Rules, approval from the Shareholders will be required.

We have been appointed as members of the Independent Board Committee to advise the Shareholders as to whether the Proposed Spin-Off and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Quam Capital Limited has been appointed as the independent financial adviser to advise us and the Shareholders in this respect. Further information of its opinion and advice is set forth on pages 37 to 56 of the Circular. Your attention is also drawn to the letter from the Board set forth on pages 7 to 34 of the Circular.

Having considered the advice and recommendation of Quam Capital Limited, we are of the opinion that the Proposed Spin-Off and the Preferential Offering are fair and reasonable so far as Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have received the terms and conditions of the Xinyi Solar Share Option Scheme, which are consistent with the requirements under Chapter 17 of the Listing Rules, and confirm that the terms and conditions thereof are fair and reasonable.

Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the Proposed Spin-Off and the Preferential Offering and the adoption of the Xinyi Solar Share Option Scheme.

Yours faithfully,

For and on behalf of the Independent Board Committee

LAM Kwong Siu, S.B.S.

WONG Chat Chor Samuel
Independent non-executive Directors

WONG Ying Wai, S.B.S., JP

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-Off and the Preferential Offering.



To the Independent Board Committee and
the Shareholders
3rd Floor, Harbour View 2, 16 Science Park East Avenue
HK Science Park Phase 2, Pak Shek Kok
Tai Po, New Territories
Hong Kong

21 October 2011

Dear Sir or Madam,

MAJOR TRANSACTION
Deemed Disposal of Certain Equity Interest in a Subsidiary
in relation to the Proposed Spin-Off and the Listing of
Xinyi Solar Holdings Limited
on the Main Board of The Stock Exchange of Hong Kong Limited

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-Off and the Preferential Offering. Details of the Proposed Spin-Off and the Preferential Offering are set out in the “Letter from the Board” contained in the circular of the Company dated 21 October 2011 (“Circular”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 28 February 2011, the Company submitted a proposal to the Stock Exchange for the Proposed Spin-Off pursuant to Practice Note 15 of the Listing Rules (“PN15”). The Stock Exchange confirmed on 1 April 2011 that the Company may proceed with the application for a separate listing of Xinyi Solar on the Main Board. On 7 June 2011, the Board announced that Xinyi Solar submitted a listing application form (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the Xinyi Solar Shares in issue and to be issued under the Global Offering and the Capitalisation Issue and may be issued upon the exercise of any option that may be granted under Xinyi Solar Share Option Scheme. On 15 September 2011, the Listing Committee considered the listing application of Xinyi Solar, and the Company issued an announcement on 20 September 2011 informing the Shareholders of the hearing by the Listing Committee of the listing application.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Currently, the Group is principally engaged in the production and sales of high quality float glass products, solar glass products, automobile glass products and energy-saving construction and related glass products in the PRC and overseas markets. Xinyi Solar Glass Group, which is the subject of the Proposed Spin-Off, is principally engaged in the production and sales of two principal solar glass products: ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass.

The Company will spin-off its glass business under Xinyi Solar by way of Global Offering, which will be accompanied by the separate listing of Xinyi Solar Shares on the Main Board. Upon listing of Xinyi Solar on the Main Board, Xinyi Solar will continue to be a subsidiary of the Company.

Under the current structure of the Proposed Spin-Off and immediately following completion of the Proposed Spin-Off, the Company (through Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)) will continue to hold 70.0% to 75.0% of the Xinyi Solar Shares in issue, assuming that the Over-allotment Option is not exercised and without taking into account any Xinyi Solar Shares which may be issued upon the exercise of any option that may be granted under the Xinyi Solar Share Option Scheme. If the Over-allotment Option is exercised in full, the Company's interest in Xinyi Solar (through Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)) will be reduced to 65.5% to 71.25%. In any of these events, Xinyi Solar will continue to be a non-wholly owned subsidiary of the Company and its operating results will continue to be consolidated into the consolidated financial statements of the Group. As stated in the "Letter from the Board", the Proposed Spin-Off, if implemented, will constitute a deemed disposal of the Company's certain equity interest in Xinyi Solar under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Proposed Spin-Off are more than 25% but less than 75%, the Proposed Spin-Off, if implemented as described in the Circular, constitutes a major transaction (as such term is defined under the Listing Rules) for the Company and is subject to the announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules. Approval from Shareholders for the Proposed Spin-Off is also required under PN15.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, Wilfred, S.B.S., JP., has been established to consider and make its recommendation to the Shareholders in respect of the resolutions to approve the Proposed Spin-Off and the Preferential Offering and whether the Proposed Spin-Off and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee will also advise the Shareholders on the proposed adoption of the Xinyi Solar Share Option Scheme.

As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to whether the Proposed Spin-Off and the Preferential Offering are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Quam Capital Limited is independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and is accordingly qualified to give an independent advice in respect of the Proposed Spin-Off and the Preferential Offering.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular, the information supplied by the Group and its advisers, the opinions expressed by and the representations of the Directors and the management of the Group, and our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular misleading and that all information or representations regarding the Group and the Proposed Spin-Off and the Preferential Offering provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Extraordinary General Meeting.

We consider that we have reviewed the relevant information currently available to reach an informed view regarding the Proposed Spin-Off and the Preferential Offering and to justify our reliance on the accuracy of the information provided to us and those contained in the Circular so as to provide a

reasonable

verification of the information provided, representations made or opinions expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Xinyi Solar or any of their respective subsidiaries or associates.

THE PROPOSED SPIN-OFF

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Proposed Spin-Off, we have taken into consideration the following principal factors:

1. Background information of the Group

i. Principal business

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the PRC. In addition to the glass products, the Group also manufactures automobile rubber and plastic components. The Xinyi Solar Glass Group, which is the subject of the Proposed Spin-Off, is principally engaged in the production and sales of two principal solar glass products: ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass.

ii. Historical financial information

The following table shows the audited financial results of the Group for each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010 as extracted from the Group's annual reports.

	Year ended 31 December		
	2010	2009	2008
	HK\$'000	HK\$'000	HK\$'000
Revenue	6,364,314	3,957,957	3,894,283
Gross profit	2,555,047	1,461,910	1,210,880
Profit before income tax	1,893,138	823,997	753,054
Income tax expense	(320,726)	(47,392)	(42,256)
Profit for the year	1,572,412	776,605	710,798
	As at 31 December		
	2010	2009	2008
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	640,259	531,895	435,712
Current assets	2,999,298	2,106,428	1,764,803
Total assets	11,016,498	8,009,699	6,497,938
Current liabilities	2,127,992	2,051,505	1,623,279
Total liabilities	4,460,604	2,579,113	2,108,402
Net assets	6,555,894	5,430,586	4,389,536

For the year ended 31 December 2009

Based on the Company's annual report for the year ended 31 December 2009 (the "2009 Annual Report"), the Group recorded consolidated revenue of approximately HK\$3,958.0 million representing an increase of approximately 1.6% from approximately HK\$3,894.3 million for the year ended 31 December 2008. Profit for the year amounted to approximately HK\$776.6 million for the year ended 31 December 2009 as compared to the profit for the year of approximately HK\$710.8 million for the year ended 31 December 2008. As stated in the 2009 Annual Report, the Group's performance during the first half of 2009 was weak, principally because of the global economic downturn which was then followed by 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.

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The Group's cash and bank balances were approximately HK\$531.9 million as at 31 December 2009 and HK\$435.7 million as at 31 December 2008. The net assets of the Group increased, by approximately HK\$1,041.1 million, from HK\$4,389.5 million as of 31 December 2008 to HK\$5,430.6 million as of 31 December 2009. The gearing ratios of the Group (calculated by dividing the net bank debt by the total equity of the Group) were 10.5% and 17.6% as at 31 December 2009 and 2008 respectively. Net bank debt is calculated as total bank borrowings less cash and cash equivalents (excluding pledged bank deposits). The decrease in gearing ratio was as a result of issuance of share capital of company for the year ended 2009.

For the year ended 31 December 2010

Based on the Company's annual report for the year ended 31 December 2010 (the "2010 Annual Report"), the Group recorded consolidated revenue of approximately HK\$6,364.3 million, representing an increase of approximately 60.8% from approximately HK\$3,958.0 million for the year ended 31 December 2009. Profit for the year amounted to approximately HK\$1,572.4 million for the year ended 31 December 2010 as compared to the profit for the year of approximately HK\$776.6 million for the year ended 31 December 2009. According to the 2010 Annual Report, the growth in revenue and profit was mainly attributable to the strong domestic demand in the PRC and the modest economic recovery of overseas markets. The high quality float glass and solar glass products were the Group's most popular product 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. Sales of solar glass were also the major growth drivers for the year. The solar glass business rode on the global market's trend to locate green and renewable energy sources.

According to the 2010 Annual Report, the Group's gearing ratios were approximately 10.5% and 31.8% respectively for the two years ended 31 December 2010. The increase was principally due to new long term bank debts obtained for capital expenditures in the production complexes in Jiangmen, Tianjin and Wuhu during the year ended 2010. The Group's cash and bank deposits were approximately HK\$640.3 million as at 31 December 2010 and HK\$531.9 million as at 31 December 2009. The net assets of the Group increased, by approximately HK\$1,125.3 million, from HK\$5,430.6 million as of 31 December 2009 to HK\$6,555.9 million as of 31 December 2010.

iii. Future prospects of the Non-Solar Glass Group

Following completion of the Proposed Spin-Off, the Non-Solar Glass Group will continue to be engaged in three business segments, namely automobile glass, construction glass and high quality float glass. In addition, the production of new ultra-thin electronic glass plan to commence in the second half of 2012. Based on the information provided by the Company, the prospects of each of the business segments are detailed below:

Automobile glass segment

The Non-Solar Glass Group is the largest supplier and exporter of automobile glass in aftermarket sector in the PRC. Given that the sales of vehicles have been growing in the global market in 2011, the Non-Solar Glass Group further expanded its sales in the PRC and overseas

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market. The automobile glass manufacturing capacity of original equipment manufacturing (“OEM”) and aftermarket automobile glass products has grown by approximately 5% and 143% in 2010. A new production line for aftermarket automobile glass products in Shenzhen has commenced operation in the first half of 2011 and a new production line for OEM automobile glass products in Wuhu will commence operation in the fourth quarter of 2011.

Construction glass segment

The Non-Solar Glass Group is one of the top three producers of the energy saving low-emission construction glass market in the PRC. In the first half of 2011, the Non-Solar Glass Group benefited from the robust sales of construction glass driven by the PRC government’s promotion on energy saving construction materials. In light of the steady growth in property construction in the PRC, the PRC government’s plan of affordable housing and the high growth potential of the energy saving low-emission construction glass demand, the fifth and the sixth energy saving low-emission construction glass production lines will commence operation in the second half of 2011 in Wuhu and first half of 2012 in Tianjin in order to increase production capacity.

Float glass segment

The Non-Solar Glass Group is one of the major suppliers to high quality float glass in China. The PRC government’s plan to promote affordable housing and energy saving building materials boosts demand for double-glazing glass and energy saving low-emission construction glass which in turn stimulates high quality float glass sales. Three new float glass production lines have commenced operation in Jiangmen in the first half of 2011 and three other new float glass production lines will commence operation in Tianjin in the second half of 2011 and first half of 2012.

Electronic glass segment

The production of new ultra-thin electronic glass plans to commence in the second half of 2012 which is mainly used in the touch screen products including liquid crystal display and mobile screens. The Directors consider the ultra-thin clear electronic glass market highly promising due to high growth potential in the global market.

2. Background information of Xinyi Solar Glass Group

i. Principal business

Xinyi Solar Glass Group, which is the subject of the Proposed Spin-Off, is principally engaged in the production and sales of two principal solar glass products: ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass. The solar glass business currently conducted by Xinyi Solar Glass Group was previously conducted by the solar glass business division of Xinyi Ultra-clear (Dongguan), Xinyi Glass (Tianjin) and Xinyi Solar (Wuhu). For the purpose of the Proposed Spin-Off, through various reorganisation, the businesses and certain related assets and liabilities of Xinyi Ultra-clear (Dongguan) and Xinyi Glass (Tianjin) have been transferred to Xinyi Solar (Dongguan Branch) and Xinyi Solar (Tianjin Branch), respectively. Certain

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In considering whether there is delineation between the Non-Solar Glass Group and the Xinyi Solar Glass Group following the Proposed Spin-Off, we have considered the following factors:

a. Delineation of businesses

The businesses of the Non-Solar Glass Group are different from the business of Xinyi Solar Glass Group. The Non-Solar Glass Group will engage in four business segments, namely automobile glass, construction glass, float glass and ultra thin electronic glass. Xinyi Solar Glass Group will engage in the business segment of solar glass, which includes ultra-clear photovoltaic raw glass, ultra-clear photovoltaic processed glass, TCO and other glass used in solar module panels. The other key differences in business operations between the Non-Solar Glass Group and Xinyi Solar Glass Group are set out below:

	Non-Solar Glass Group	Xinyi Solar Glass Group
Principal raw materials	Float glass uses silica sand with less stringent requirement on iron content as the principal raw material. Float glass is principally used as the raw material of automobile glass and construction glass.	All products use low-iron silica sand to increase the solar transmittance and the energy conversion efficiency of the solar modules on which the solar glass is installed on. Back glass uses common float glass as the principal raw material.
Principal suppliers	Silica sand with less stringent requirement on the iron content is principally sourced from Beihai, Guangxi Province.	Low-iron silica sand is principally sourced from Fengyang, Anhui Province and Heyuan, Guangdong Province.
Principal customers	Automobile glass: Car manufacturers, automobile repair companies and automobile glass manufacturers. Construction glass: Curtain-wall contractors and property developers. Float glass: Glass fabricators and glass traders.	Glass processing companies and solar module manufacturers.
Principal end users	Car owners and property owners.	Solar farm operators.

As stated in the “Letter from the Board”, most of the customers of the Non-Solar Glass Group and Xinyi Solar Glass Group do not overlap. During the three years ended 31 December 2010 and the six months ended 30 June 2011, the sales of Xinyi Solar Glass Group to the overlapping customers only accounted for 1.5%, 1.5%, 2.6% and 2.1%, respectively, of the revenue of Xinyi Solar Glass Group. All the overlapping customers of the Non-Solar Glass Group and Xinyi Solar Glass Group have different business units and personnel responsible for the sourcing of different types of glass products.

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Accordingly, the sales department of the Non-Solar Glass Group and that of Xinyi Solar Glass Group liaise with separate business divisions and personnel of the overlapping customers. These existing arrangements can sufficiently ensure an independent access and management of customers between the Non-Solar Glass Group and Xinyi Solar Glass Group. These arrangements will continue following the Proposed Spin-Off.

Xinyi Solar Glass Group has its own dedicated production lines for the solar glass products. Xinyi Solar Glass Group does not share the production lines with any member of the Non-Solar Glass Group. The production facilities of Xinyi Solar Glass Group are operated independently without any reliance on the production facilities of the Non-Solar Glass Group. All the production facilities of Xinyi Solar Glass Group are located within the premises which are separately identifiable from the premises of the Non-Solar Glass Group.

Xinyi Solar Glass Group will commence the production of ultra-clear float glass in the second half of 2011. The ultra-clear float glass produced by Xinyi Solar Glass Group will be used for the production of solar glass products with high solar transmittance. The float glass produced by the Non-Solar Glass Group is sold to glass fabricators and glass traders primarily for automobile and construction purposes. Therefore, the Directors expect that there will not be any direct competition between Xinyi Solar Glass Group and the Non-Solar Glass Group.

In addition, following completion of the reorganization for the purpose of the Proposed Spin-Off, Xinyi Solar Glass Group has its own production facilities, albeit that some of the production facilities are installed on the factory premises leased from the Non-Solar Glass Group.

b. Deed of non-competition

As stated in the “Letter from the Board”, after completion of the Proposed Spin-Off, the solar glass business will continue to be conducted through the Xinyi Solar Glass Group. In order to clearly separate the respective businesses of the Non-Solar Glass Group and Xinyi Solar Glass Group after the Proposed Spin-Off, the Xinyi Solar Controlling Shareholders have entered into a deed of non-competition with Xinyi Solar pursuant to which the Xinyi Solar Controlling Shareholders will not, and will procure that their respective associates will not, directly or indirectly engage, participate or hold any right or interest (subject to certain exceptions) in any business which competes or may compete with the existing business activity of the Xinyi Solar Glass Group whilst the Xinyi Solar Controlling Shareholders are the controlling shareholders of Xinyi Solar.

We note that the controlling shareholder of a new listing applicant gives a non-competition undertaking in favour of the listing applicant to facilitate its listing is a common practice for new listings in Hong Kong. We consider that the terms of the non-competition undertaking entered into by the Xinyi Solar Controlling Shareholders are generally similar to other such undertakings. As mentioned in the paragraph headed “Delineation of business”, the businesses of the Non-Solar Glass Group are different from the businesses of the Xinyi Solar Glass Group, therefore, the undertaking of not competing with the Xinyi Solar Glass Group will not have adverse impact to the Non-Solar Glass Group after the Proposed Spin-Off.

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c. Independence of directorship and management

We understand from the Company that following completion of the Proposed Spin-Off, the Company and Xinyi Solar will have boards of directors and senior management that function independently of each other save that Xinyi Solar will have two common directors with the Company, one of them being executive director (Mr. TUNG Ching Sai, “Mr. TUNG”) and the other is a non-executive director (Mr. LEE Yin Yee, M.H. “Mr. LEE”) of Xinyi Solar. It is expected that upon Listing, Mr. LEE will not participate in the daily management and operation. Mr. TUNG will not involve in the day-to-day management of the business of Xinyi Solar Glass Group, and will discharge his duties as the vice chairman and an executive director of Xinyi Solar through his involvement in the formulation of Xinyi Solar Glass Group’s business strategies, participation in key decision-making process, together with other directors of Xinyi Solar, and attending regular meetings of the board of directors of Xinyi Solar and committees of the board of directors of Xinyi Solar.

If there is any potential or actual conflict of interest for Mr. LEE and/or Mr. TUNG in their respective capacities as Directors and directors of Xinyi Solar, they will abstain from voting on the relevant resolutions. Other than the two common directors, the board of directors of Xinyi Solar will have two executive directors and three independent non-executive directors, all of whom are independent of the Board. In addition, there will be no overlapping in senior management between the Non-Solar Glass Group and the Xinyi Solar Glass Group following completion of the Proposed Spin-Off and the Global Offering. As such, the Company does not expect the Proposed Spin-Off to have any material adverse impact on the operation of the Non-Solar Glass Group as there will not be any overlap in the operation focus of the Non-Solar Glass Group and the Xinyi Solar Glass Group as the two groups are already managed by separate management teams.

d. Financial independence

The Non-Solar Glass Group and Xinyi Solar Glass Group have independent financial control systems and all financial decisions are made according to their respective business needs. No cross guarantee is used by Xinyi Solar Glass Group as at the Latest Practicable Date.

As of the Latest Practicable Date, the net amount due to the Non-Solar Glass Group amounted to HK\$896.7 million. Such amount represented the net amount of funding contributed by the Non-Solar Glass Group principally for capital expenditure since the inception of the business. The amount will be payable out of the designated portion of the net proceeds from the Global Offering and if the amount is not enough, the bank borrowings of the Xinyi Solar Glass Group. The amount outstanding will be settled when Xinyi Solar receives the net proceeds from the Global Offering.

e. Operational independence

Xinyi Solar Glass Group operates independently from the Non-Solar Glass Group. Xinyi Solar Glass Group has its own administrative functions which include sales and marketing, procurement, finance and human resources, with employees working at premises either owned or leased by Xinyi Solar Glass Group. Xinyi Solar Glass Group also has its own information technology systems to control its production activities and business operations. All of these administrative functions are carried out independently without any reliance on the Non-Solar Glass Group.

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Based on the above factors, we consider that the Xinyi Solar Glass Group can operate independently of the Non-Solar Glass Group and the Company complies with PN15 in relation to the delineation of management.

We are of the view that with Xinyi Solar Glass Group separately raising equity funds to finance its business expansion, the Non-Solar Glass Group would have more flexibility to deploy its financial resources to fund its other core businesses and/or any other suitable investment opportunities in future. Taking into account the aforesaid reasons and benefits of the Proposed Spin-Off, we are of the view that it is appropriate to consider the Proposed Spin-Off as a viable option to finance and implement the longer-term expansion of the businesses of Xinyi Solar Glass Group.

4. The Non-Solar Glass Group

In considering whether the Non-Solar Glass Group will retain a sufficient level of operations and sufficient assets to support the separate listing status, the following factors are considered:

- i. the financial results of the Non-Solar Glass Group meets the minimum profits requirements under Rule 8.05 of the Listing Rules based on the profit attributable to shareholders of the Non-Solar Glass Group of approximately HK\$589.5 million, HK\$741.6 million and HK\$1,164.6 million for each of the financial years ended 31 December 2008, 31 December 2009, 31 December 2010 according to the segmental profit generated from the business operations of the Non-Solar Glass Group;
- ii. the total assets of the Non-Solar Glass Group amounted to approximately HK\$5,995.0 million, HK\$7,220.3 million and HK\$9,520.6 million as of 31 December 2008, 31 December 2009 and 31 December 2010 respectively which represents approximately 92.3%, 90.1% and 86.4% of the total assets of the Group according to the segment information of the Non-Solar Glass Group;
- iii. the management of the Non-Solar Glass Group remained substantially the same after the Proposed Spin-Off;
- iv. the Non-Solar Glass Group has been operated under the same ownership and control for the three financial years ended 31 December 2010;
- v. after the Proposed Spin-Off, the Non-Solar Glass Group will continue to operate its principal businesses, which comprise three business segments, namely automobile glass, construction glass and float glass;
- vi. our analysis under paragraph 3(i) above regarding to the delineation between the Non-Solar Glass Group and Xinyi Solar Glass Group in which we consider the Xinyi Solar Glass Group operates independently of the Non-Solar Glass Group; and
- vii. the future prospects of the Non-Solar Glass Group as illustrated in paragraph 1(iii) above.

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Taking into account the above factors, we are of the view that the Non-Solar Glass Group would retain sufficient level of operations and assets as well as a viable business to support its listing status.

5. Principal Terms of the Proposed Spin-Off

Structure of the Proposed Spin-Off

As set out in the “Letter from the Board”, the Proposed Spin-Off is expected to be effected by way of the Global Offering which will consist of the Hong Kong Public Offering and the International Offering. Immediately following completion of the Proposed Spin-Off, the Company (through Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)) will continue to hold 70.0 to 75.0% of the Xinyi Solar Shares in issue, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Company’s interest in Xinyi Solar (through Xinyi Glass (BVI) and Xinyi Glass (Hong Kong)) will be reduced to 65.5% to 71.25%. In any of these events, Xinyi Solar will continue to be non-wholly owned subsidiary of the Company and their operating results will continue to be consolidated into the consolidated financial statements of the Group.

On the basis of the above, upon completion of the Proposed Spin-Off (assuming the Over-allotment Option is not exercised and without taking into account any Xinyi Solar Shares which may be issued upon the exercise of any option that may be granted under the Xinyi Solar Share Option Scheme), Xinyi Solar will have a public float in the range between 25.0% to 30.0%.

As part of the Global Offering, a proportion of the Xinyi Solar Shares allocated for subscription under the International Offering will be made available to the Qualifying Shareholders under the Preferential Offering. Further information on the Preferential Offering is set forth in the paragraphs under “Principal Terms of the Preferential Offering” below.

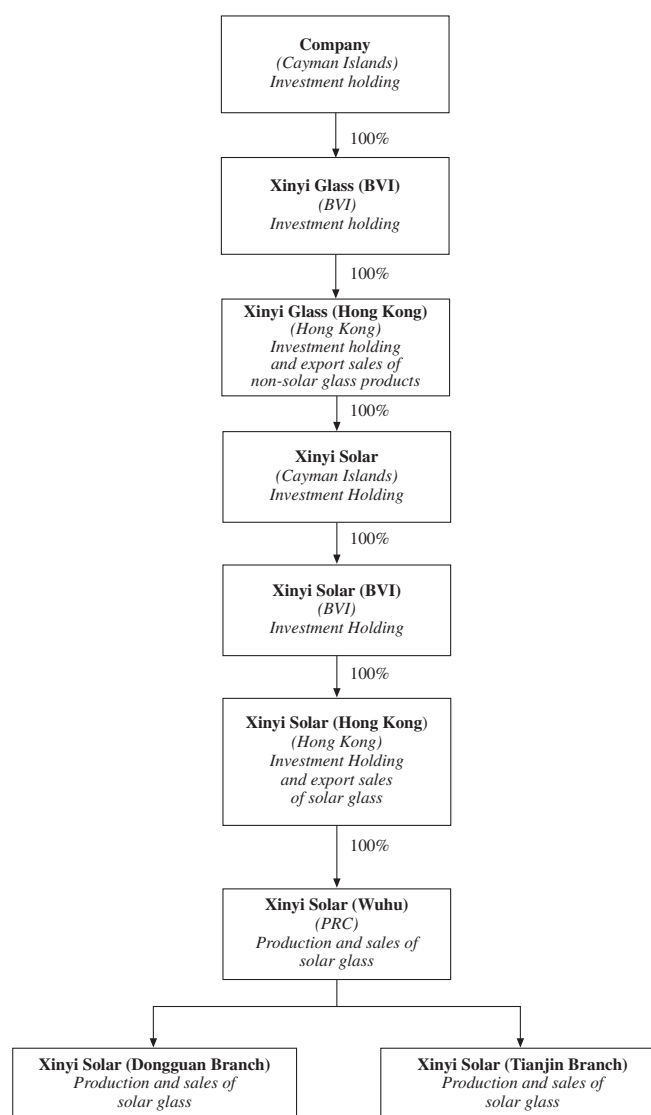
The Xinyi Solar Shares to be issued pursuant to the Global Offering will rank pari passu in all respects with all other Xinyi Solar Shares in issue immediately prior to completion of the Global Offering.

Subject to the approval of the listing of, and granting of permission to deal in, the Xinyi Solar Shares on the Main Board as well as compliance with the stock admission requirements of HKSCC, the Xinyi Solar Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of the Listing or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

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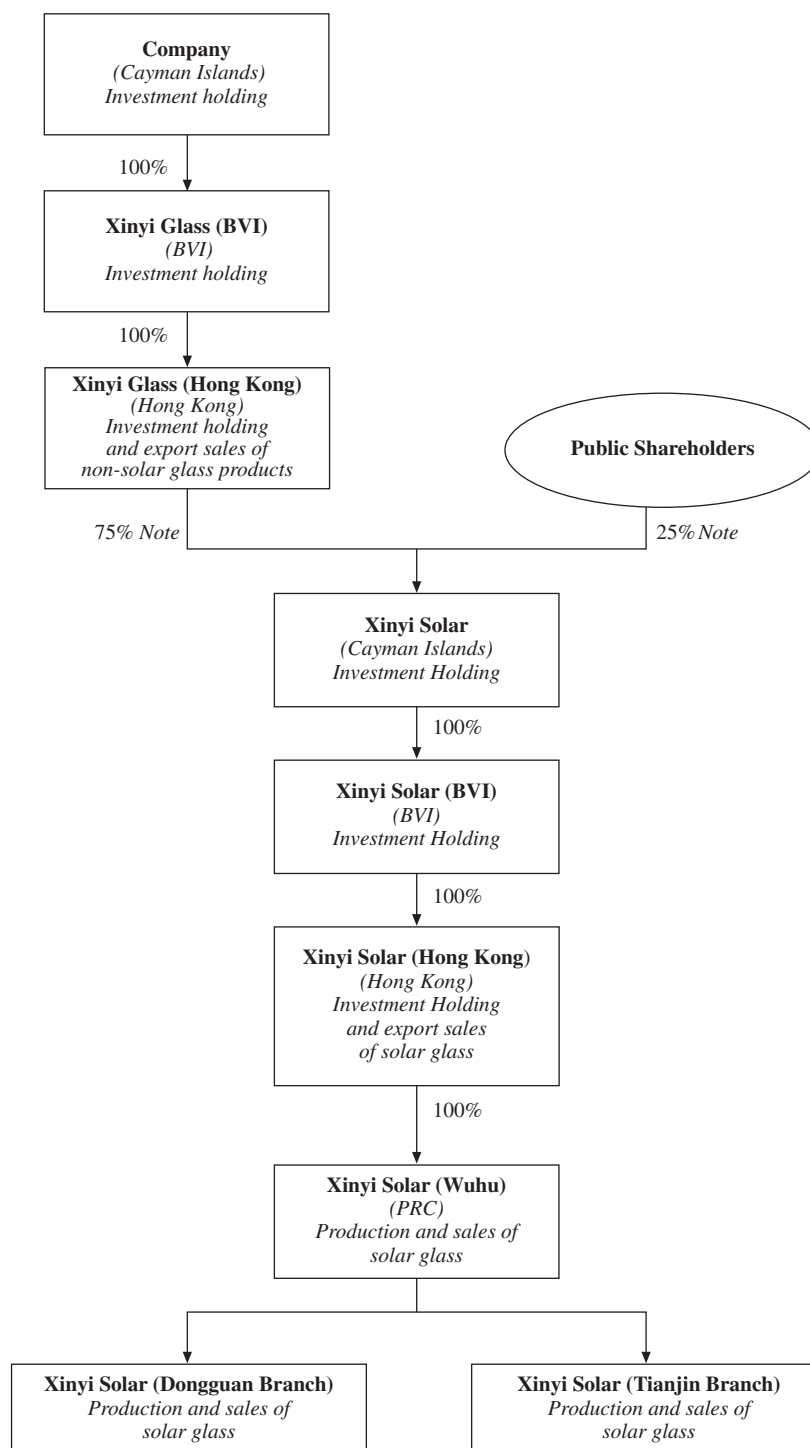
The final structure of the Proposed Spin-Off, including the size of the Global Offering and the exact apportionment between the Hong Kong Public Offering and the International Offering, is to be finalized. As of the Latest Practicable Date, members of the Xinyi Solar Glass Group were wholly-owned subsidiaries of Xinyi Glass (Hong Kong). The following diagrams illustrate the shareholding and corporate structure of Xinyi Solar Glass Group before and after the Proposed Spin-Off:

Shareholding structure as at the Latest Practicable Date:



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Immediately following completion of the Proposed Spin-Off and the Global Offering:



Note:-

The exact percentage is subject to the number of Xinyi Solar Shares to be offered for subscription under the Global Offering and whether or not the Over-allotment Option is exercised. Assuming that the public float of Xinyi Solar is 25.0% and that the Over-allotment Option is exercised in full, the Company will hold 71.25% of the then Xinyi Solar Shares in issue immediately following completion of the Proposed Spin-Off and the Global Offering.

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Stabilisation

As part of the Global Offering, Xinyi Glass (Hong Kong), in its capacity as one of the Xinyi Solar Controlling Shareholders, is expected to grant the Over-allotment Option to the Underwriters, pursuant to which, Xinyi Glass (Hong Kong) will be required to sell certain Xinyi Solar Shares. Xinyi Glass (Hong Kong) will also enter into a stock borrowing agreement with the stabilising manager of the Global Offering for the purpose of facilitating the settlement of any over-allocation in the International Offering, if any. No payment will be made to Xinyi Glass (Hong Kong) by the stabilising manager or its agent in relation to the stock borrowing arrangement.

Hence, within a period of time following the Listing, the price of the Xinyi Solar Shares may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong).

Non-disposal undertaking

As stated in the “Letter from the Board”, in compliance with the Listing Rules, for a period of six months following completion of the Proposed Spin-Off, the Xinyi Solar Controlling Shareholders will be prohibited from disposing of any Xinyi Solar Shares in which it is interested as at the date of listing of Xinyi Solar. Thereafter, for a further period of six months, Xinyi Solar Controlling Shareholders will be restricted from disposing of any of its Xinyi Solar Shares such that it ceases to hold a controlling interest in Xinyi Solar.

Intended use of proceeds by Xinyi Solar Glass Group

As set out in the “Letter from the Board” in the Circular, the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses in relation to the Global Offering) are intended to be utilised as follows:

- a) 45.0% of the net proceeds from the Global Offering for the capital expenditure on the construction of ultra-clear photovoltaic raw glass production lines, ultra-clear photovoltaic processed glass processing lines, ultra-clear float glass production line and the ancillary facilities and related land and buildings;
- b) 25.0% of the net proceeds from the Global Offering for the repayment of the capital expenditure funding made by Non-Solar Glass Group since the inception of the business of Xinyi Solar Glass Group;
- c) 20.0% of the net proceeds from the Global Offering for the payment of a special interim dividend declared by Xinyi Solar to Xinyi Glass (Hong Kong); and
- d) 10.0% of the net proceeds from the Global Offering for the general working capital of Xinyi Solar.

The above intended use of proceeds from the Global Offering is indicative only and the application of the net proceeds of the Global Offering by Xinyi Solar will be published in the Xinyi Solar Prospectus.

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Indicative Offer Price

Based on our discussion with the Directors, the Offer Price is intended to be determined with reference to the price-to-earnings ratio (the “PER”) and the price-to-book ratio (the “PBR”) of the Company.

In order to assess the fairness and reasonableness of the Offer Price, we have attempted to compare the PER and the PBR of the Company with the PER and the PBR of other Hong Kong listed companies with principal business activities similar to that of the Xinyi Solar Glass Group. Based on our discussion with the Company and the information available from the website of the Stock Exchange, we have identified three comparable companies (the “Comparable Companies”) and their PER and the PBR are set out below:

Comparable Companies (Stock code)	Principal activities	Current market capitalisation (Note 1) (HK\$ million)	PER (Note 2) (times)	PBR (Note 3) (times)
China Glass Holdings Limited (Stock Code: 3300)	Production, marketing and distribution of glass and glass products, and the development of glass production technology	2,077	2.47	0.67
GCL-Poly Energy Holdings Limited (Stock Code: 3800)	Manufacture of polysilicon and related products to companies operating in the solar industry as well as the development, management and operation of power generation plant and trading of coal in the PRC	33,261	8.27	1.61
Trony Solar Holdings Company Limited (Stock Code: 2468)	Produce of thin film solar modules	2,393	3.65	0.64
Average			4.80	0.97
High			8.27	1.61
Low			2.47	0.64
The Company			9.42	1.91

Sources: Website of the Stock Exchange (<http://www.hkex.com.hk>)

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Notes:

1. The market capitalisation of each of the Company and the Comparable Companies is calculated by multiplying the total outstanding number of issued shares listed on the Stock Exchange with the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date.
2. The PER of each of the Company and the Comparable Companies is calculated as the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date divided by the respective earnings per share based on the respective latest published annual reports. The earnings per share of China Glass Holdings Limited and Trony Solar Holdings Company Limited were dominated in RMB which are converted to HK\$ as HK\$1=RMB0.83.
3. The PBR of each of the Company and the Comparable Companies is calculated as the closing share price as quoted on the Stock Exchange as at the Latest Practicable Date divided by the respective net asset value per share based on the respective latest published annual or interim reports. The net asset values per share of China Glass Holdings Limited and Trony Solar Holdings Company Limited were dominated in RMB which are converted to HK\$ as HK\$1=RMB0.83.

Given that the historical PER and PBR of the Company were approximately 9.42 and 1.91 respectively as at the Latest Practicable Date, which were higher than those of the Comparable Companies, we are of the view that the Offer Price, which will be made reference to the Company's PER and PBR, is acceptable and reasonable to the Company and the Shareholders.

6. Principal terms of the Preferential Offering

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, all the Xinyi Solar Shares in issue and to be issued under the Global Offering and the Capitalisation Issue and may be issued upon the exercise of any option that may be granted under the Xinyi Solar Share Option Scheme, an aggregate of 10% of the Xinyi Solar Shares available under the International Offering, representing the Reserved Shares, will be available for subscription by the Qualifying Shareholders under the Preferential Offering. The Reserved Shares will be allocated from the Xinyi Solar Shares available under the International Offering. Qualifying Shareholders will be entitled to subscribe for the Reserved Shares on an assured basis. The final entitlement will depend on the number of Shares held by the Qualifying Shareholders at 4:30 p.m. on the Preferential Offering Record Date.

The Qualifying Shareholders even though their Shareholding is less than 2,000 Shares (one board lot of Shares) will be entitled to participate in the Preferential Offering by applying for such number of the Reserved Shares which is less than, or equal to, their Assured Entitlements under the Preferential Offering. Each Qualifying Shareholder validly applying for the Reserved Shares will be entitled to be allotted at least one board lot of Xinyi Solar Shares out of the total number of the Reserved Shares.

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We have considered the spin-off arrangement in Hong Kong successfully completed over the past 18 months up to and including the Latest Practicable Date to assess the reasonableness of the assured entitlement of the Reserved Shares to be offered to the Shareholders as follows:

Date of listing	Company	Assured entitlement as a percentage of the shares offered under the listing (without taking into account the effect of over-allotment option)
		<i>Approximate %</i>
25 July 2011	1010 Printing Group Limited (Stock Code: 1127)	10.00
4 July 2011	Newton Resources Ltd (Stock Code: 1231)	5.00
20 December 2010	PAX Global Technology Limited (Stock Code: 327) (<i>Note</i>)	0.55
18 November 2010	CITIC Dameng Holdings Limited (Stock Code: 1091)	10.00
11 October 2010	Kosmopolito Hotels International Limited (Stock Code: 2266)	5.30
5 October 2010	Ford Glory Group Holdings Limited (Stock Code: 1682)	18.04
24 September 2010	Magic Holdings International Limited (Stock Code: 1633)	4.00

Note: We have excluded the spin-off arrangement of PAX Global Technology Limited from our analysis as we consider it is an outlier given the low assured entitlement as a percentage of the shares offered under the listing, which deviate markedly from other spin-off arrangements.

The assured entitlement as a percentage of the shares offered under the listing of the above spin-off exercises ranged from approximately 4% to 18.04%. The assured entitlement as a percentage of the Xinyi Solar Shares available under the International Offering will be approximately 10%. Given that the assured entitlement percentage offered by Xinyi Solar is within the range of other spin-off exercises, we consider the size of the assured entitlement under the Preferential Offering is acceptable.

7. Possible financial effects of the Proposed Spin-Off

The following sets forth the financial impact of the Proposed Spin-Off on the Group on the basis that the public float of Xinyi Solar immediately following completion of the Proposed Spin-Off will be no more than 30.0% of the Xinyi Solar Shares then in issue and that the Over-allotment is not exercised.

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Net asset value of the Group

According to the unaudited combined financial information of the Xinyi Solar Glass Group, the net assets of the Xinyi Solar Glass Group was HK\$1,297.0 million as at 30 June 2011.

The Directors estimate that the market capitalisation of Xinyi Solar immediately following completion of the Proposed Spin-Off, assuming that the Over-allotment Option is not exercised, would be not more than HK\$12,098.2 million. Based on the structure of the Proposed Spin-Off and the Global Offering, the Directors are not able to determine market capitalisation of the Xinyi Solar Glass Group. The Directors confirm that the market capitalisation of the Xinyi Solar Glass Group immediately following the Proposed Spin-Off and the Global Offering will be more than HK\$200.0 million under Rule 8.09(2) of the Listing Rules.

The Directors expect that the net asset value of the Group will be increased by an amount equivalent to ranging from 70.0% to 75.0% of the net asset value of the Xinyi Solar Glass Group (depending on the percentage of the Xinyi Solar Shares in public hands immediately following completion of the Proposed Spin-Off) less the net asset value of the Xinyi Solar Glass Group immediately before the Proposed Spin-off. In addition, the amount of the non-controlling interests will also be increased by 25.0% to 30.0% of the net asset value of Xinyi Solar Glass Group (depending on the percentage of the Xinyi Solar Shares in public hands immediately following completion of the Proposed Spin-Off).

Effects on the assets and liabilities of the Group

The cash balance of the Group will be increased by the net proceeds from the Global Offering. The amount of the non-controlling interests will be increased by 25.0% to 30.0% of the net asset value of the Xinyi Solar Glass Group (depending on the percentage of the Xinyi Solar Shares in public hands immediately following completion of the Proposed Spin-Off) immediately following completion of the Global Offering. The amount of reserve of the Group will also be increased by the increase in the net asset value of the Group.

Gearing and working capital position of the Group

There is an increase of cash inflow from financing activities by the net proceeds from the Global Offering. As the current asset position of the Group will be increased by the net proceeds from the Global Offering, the gearing and the working capital position of the Group will be improved as a result of Proposed Spin-Off.

If the Over-allotment Option is exercised in full, Xinyi Glass (Hong Kong) will receive the amount of net proceeds from the sale of Shares under the Over-allotment Option. The cash balance of the Group will increased. As the shareholding of Xinyi Glass (Hong Kong) in Xinyi Solar will decrease following the exercise of the Over-allotment Option, the amount of the non-controlling interests will increase. There will be no impact on the earnings of the Group and the earnings per Share.

Earnings and earnings per Share

As the members of the Xinyi Solar Glass Group will continue to be non-wholly owned subsidiaries of the Company, there will not be any gain on the deemed disposal as a result of the Proposed Spin-Off. There will be no impact on the earnings and earnings per Share immediately after completion of the Proposed Spin-Off.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed above, we consider the Proposed Spin-Off will be financially favourable to the Group given the improvement on net asset value, assets and liabilities positions and the gearing and working capital position of the Group to be contributed by the Proposed Spin-Off.

RECOMMENDATION

After taking into account the principal factors and reasons mentioned in this letter, and in particular the following (which should be read in conjunction with and interpreted in full context of this letter):

- the background to the Proposed Spin-Off, the background information of the Group and the future prospect of the Non-Solar Glass Group;
- the background information of the Xinyi Solar Glass Group;
- the reasons for and the benefits of the Proposed Spin-Off;
- the principal terms of the Proposed Spin-Off;
- the principal terms of the Preferential Offering; and
- the possible financial effects of the Proposed Spin-Off,

we consider that the terms of the Proposed Spin-Off and the Preferential Offering are fair and reasonable so far as the Company and Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Shareholders to vote in favour of the resolution to be proposed at the Extraordinary General Meeting to consider and, if thought fit, to approve the Proposed Spin-Off and the Preferential Offering.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Executive Director

1. INDEBTEDNESS**Borrowings**

As of 30 September 2011, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had outstanding bank borrowings of HK\$4,439.5 million, which comprised:-

- long-term bank borrowings of HK\$3,540.1 million; and
- short-term bank borrowings of HK\$899.4 million

All the above bank borrowings are secured by the corporate guarantee of the Company and corporate guarantees provided by certain subsidiaries of the Company.

Contingent liabilities

As of 30 September 2011, the Group did not have any material contingent liability.

Capital commitments

As of 30 September 2011, the Group had the following capital commitments:-

Contracted but not provided for:	HK\$734.2 million
Authorised but not contracted for:	<u>HK\$4,773.5 million</u>
Total	<u><u>HK\$5,507.7 million</u></u>

Disclaimer

Save as aforesaid or as otherwise mentioned herein and the litigation as set forth in the section headed “3. Litigation” in Appendix III to this circular, and apart from the intra-group liabilities and normal trade payables, the Group did not at the close of business on 30 September 2011, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans, debt securities or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors of the Company are of the opinion that, after taking into account the expected completion of the transaction and financial resources available to the Group, including the internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

3. NO MATERIAL ADVERSE CHANGES

The Directors confirm that there has not been any material adverse changes in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE NON-SOLAR GLASS GROUP

Following completion of the Proposed Spin-Off, the Directors believe the Group will continue to enjoy its comparative advantages in the following business segments:-

Automobile glass segment

The Non-Solar Glass Group is the largest supplier and exporter of automobile glass in aftermarket sector in the PRC. Given that the sales of vehicles was growing in the global market in 2011, the Non-Solar Glass Group further expanded its sales of automobile glass in the PRC and selected overseas market. The automobile glass manufacturing capacity of original equipment manufacturing (“OEM”) and aftermarket automobile glass products has grown by approximately 5% and 143% in 2010. A new production line for aftermarket automobile glass products in Shenzhen has commenced operation in the first half of 2011 and a new production line for OEM automobile glass products in Wuhu will commence operation in the fourth quarter of 2011.

Construction glass segment

The Non-Solar Glass Group is one of the top three producers of the energy saving low-emission construction glass market in the PRC. In the first half of 2011, the Non-Solar Glass Group benefited from the robust sales of construction glass driven by the PRC government’s promotion on energy saving construction materials. In light of the steady growth in property construction in the PRC, the PRC government’s plan of affordable housing and the high growth potential of the energy saving low-emission construction glass demand, the fifth and the sixth energy saving low-emission construction glass production line will commence operation in the second half of 2011 in Wuhu and first half of 2012 in Tianjin in order to increase production capacity.

Float glass segment

The Non-Solar Glass Group is one of the major suppliers to high quality float glass in China. The PRC government’s plan to promote affordable housing and energy saving building materials boosts demand for double-glazing glass and energy saving low-emission construction glass which in turn stimulates high quality float glass sales. Three new float glass production lines have commenced operation in Jiangmen in the first half of 2011 and three other new float glass production lines will commence operation in Tianjin in the second half of 2011 and first half of 2012.

Electronic glass segment

The production of new ultra-thin electronic glass plans to commence in the second half of 2012 which is mainly used in the gauge products including liquid crystal display and mobile screens. The Directors consider the ultra-thin clear electronic glass market highly promising due to high growth potential in the global market.

(b) *Subscription price of the Xinyi Solar Shares*

The subscription price in respect of each Xinyi Solar Share under the Xinyi Solar Share Option Scheme shall, subject to any adjustments made as described in paragraph (1) below, be a price determined by the Xinyi Solar Board and notified to the Eligible Participant and shall be no less than the highest of:

- (i) the nominal value of a Xinyi Solar Share;
- (ii) the closing price of each Xinyi Solar Share as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Eligible Participant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "**Trading Day**"); and
- (iii) the average closing price of each Xinyi Solar Share as stated in the Stock Exchange's daily quotations sheets for the five (5) consecutive Trading Days immediately preceding the date of offer to the Eligible Participant.

(c) *Grant of options*

A grant of options may not be made after a price sensitive event in relation to the Xinyi Solar Glass Group has occurred or a price sensitive matter has been the subject of a decision until an announcement of such price sensitive information has been published by Xinyi Solar in accordance with the Listing Rules. In particular, during the period commencing one (1) month immediately preceding the earlier of (1) the date of a Xinyi Solar Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of Xinyi Solar's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for Xinyi Solar to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted.

(d) *Maximum number of Xinyi Solar Shares available for subscription*

- (i) Subject to paragraphs (d)(ii), (iii) and (iv) below, the maximum number of Xinyi Solar Shares in respect of which options may be granted under the Xinyi Solar Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Xinyi Solar Shares or other securities by Xinyi Solar (excluding those options that have already been granted by Xinyi Solar prior to the date of approval of the Xinyi Solar Share Option Scheme) (the "**Scheme Mandate Limit**") shall not, in aggregate, exceed 10.0% of the Xinyi Solar Shares in issue on the Listing Date.

- (ii) Subject to paragraphs (d)(iii) and (iv) below, the Scheme Mandate Limit may be refreshed by Xinyi Solar Shareholders in general meeting from time to time, provided always that the Scheme Mandate Limit so refreshed must not exceed 10% of the Xinyi Solar Shares in issue as of the date of approval of such refreshment by Xinyi Solar Shareholders in general meeting. Upon such refreshment, all options granted under the Xinyi Solar Share Option Scheme and any other share options schemes of Xinyi Solar (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Xinyi Solar Share Option Scheme or any other share option schemes of Xinyi Solar) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. In such a case, Xinyi Solar shall send to Xinyi Solar Shareholders a circular containing such information from time to time as required under the Listing Rules.
- (iii) Subject to paragraph (d)(iv) below, the Xinyi Solar Board may seek separate Xinyi Solar Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit (whether or not refreshed), provided that the options in excess of the Scheme Mandate Limit (whether or not refreshed) are granted only to the Eligible Participants specified by Xinyi Solar before such approval is sought and we shall send to Xinyi Solar Shareholders a circular containing such information from time to time required under the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (iv) The maximum number of Xinyi Solar Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Xinyi Solar Share Option Scheme and any other share option schemes of Xinyi Solar must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. Options may not be granted under any schemes of Xinyi Solar (including the Xinyi Solar Share Option Scheme) if this will result in the said 30% limit being exceeded.

(e) ***Maximum entitlement of each Eligible Participant***

Unless approved by Xinyi Solar Shareholders, no option may be granted to any Eligible Participants which if exercised in full would result in the total number of Xinyi Solar Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Participant (including exercised, cancelled and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1.0% of the total number of Xinyi Solar Shares in issue as of the date of such new grant.

(f) ***Grant of options to connected persons or their associates***

Any grant of options under the Xinyi Solar Share Option Scheme to any director, chief executive or substantial shareholder of Xinyi Solar or any of their respective associate must be approved by the independent non-executive directors of Xinyi Solar (excluding any independent non-executive director of Xinyi Solar who is the grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of Xinyi Solar or any of their respective

associates would result in the Xinyi Solar Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Xinyi Solar Share Option Scheme and any other schemes of Xinyi Solar in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate more than 0.1% of the total number of Xinyi Solar Shares in issue as of the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Xinyi Solar Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant of option, in excess of HK\$5.0 million,

such further grant of options must be approved by Xinyi Solar Shareholders. For the purpose of seeking approval of Xinyi Solar Shareholders under paragraphs (d), (e) and (f) above, Xinyi Solar shall send to its shareholders a circular containing the information required under the Listing Rules and the vote at Xinyi Solar Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll during which those persons required under the Listing Rules to abstain from voting, will not vote.

(g) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Xinyi Solar Share Option Scheme at any time during the period to be notified by the Xinyi Solar Board to the grantee save that such period shall not be more than 10 years from the business day on which the option is deemed to have been granted in accordance with the terms of the Xinyi Solar Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised. If a grantee is a PRC resident, he shall not be entitled to exercise any option until any restriction or condition imposed by the relevant PRC laws and regulations in relation to the subscription for, holding of, or dealing in, shares of overseas listed companies by PRC residents or any laws, regulations or notices with similar effect have been abolished, removed or ceased to be applicable to the grantee or the grantee has obtained approval, exemption or waiver from the relevant PRC regulatory authorities, or complied with the laws, regulations and notices, for the subscription for, holding of or dealing in the Xinyi Solar Shares. By exercising the options, he has given, and is deemed to have given, representations and warranties to us that he has satisfied all the relevant laws, regulations, notices and other PRC foreign exchange control requirements in exercising the options, and Xinyi Solar shall not be liable for any loss suffered by the grantee arising from his failure to do so. Xinyi Solar is entitled to not issuing any Xinyi Solar Share(s) to a grantee unless and until he can provide evidence satisfactory to us that he has obtained all relevant approvals, exemptions or waivers from the relevant PRC regulatory authorities for the subscription for, holding of or dealing in the Xinyi Solar Shares.

(h) *Performance target*

Unless the Xinyi Solar Board otherwise determined and stated in the offer of grant of options to the grantee, a grantee is not required to achieve any performance target before any options granted under the Xinyi Solar Share Option Scheme can be exercised.

(i) ***Rights are personal to grantee***

An option shall be personal to the grantee and shall not be assignable or transferable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option, failing which the option (to the extent it has not already been exercised) shall lapse.

(j) ***Rights on death***

In the event of the grantee who is an Employee ceasing to be a participant of the Xinyi Solar Share Option Scheme by reason of his or her death before exercising his or her option in full and none of the events which would be a ground for termination of his or her employment as specified in the Xinyi Solar Share Option Scheme having arisen, his or her legal personal representative(s) may exercise the Option up to the Grantee's entitlement as of the date of death (to the extent not already exercised) within 12 months following his or her death.

(k) ***Rights on ceasing employment***

- (i) In the event of the grantee who is an Employee ceasing to be a participant of Xinyi Solar Share Option Scheme by reason of the termination of his or her employment or directorship on one or more of the grounds specified in the Xinyi Solar Share Option Scheme, his or her option (to the extent not already exercised) shall lapse automatically and immediately and shall not be exercisable on or after the date of termination of his or her employment and to the extent the grantee has exercised the option in whole or in part pursuant to the Xinyi Solar Share Option Scheme, but Xinyi Solar Shares have not been allotted to him or her, the grantee shall be deemed not to have so exercised such option and we shall return to the grantee the amount of the subscription price for the Shares received by Xinyi Solar in respect of the purported exercise of such option.
- (ii) In the event of the grantee who is an Employee ceasing to be a participant of the Xinyi Solar Share Option Scheme for any reason other than his or her death or the termination of his or her employment or directorship on one or more of the grounds specified in the Xinyi Solar Share Option Scheme, the option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment (which date shall be the grantee's last actual working day with Xinyi Solar or its relevant subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable.
- (iii) In the event of the grantee who is not an Employee ceasing to be a participant of the Xinyi Solar Share Option Scheme as and when determined by the Xinyi Solar Board by resolution for any reason other than his or her death, the Xinyi Solar Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(l) *Reorganisation of capital structure*

In the event of any alteration in the capital structure of Xinyi Solar which arises from a capitalisation issue, bonus issue, rights issue, open offer, sub-division or consolidation of the Shares or reduction of capital of Xinyi Solar (excluding any alteration in the capital structure of Xinyi Solar as a result of an issue of securities as consideration in respect of a transaction to which Xinyi Solar is a party) at any time after the Listing Date, such corresponding alterations (if any) certified in writing by an independent financial adviser appointed by Xinyi Solar or the auditors for the time being of Xinyi Solar as fair and reasonable will be made to the subscription price at which the offeror gives notice to acquire the remaining Xinyi Solar Shares and/or the number or nominal amount of Xinyi Solar Shares subject to the option so far as unexercised, provided that (i) any such alterations shall give a grantee as nearly as possible the same proportion of the issued share capital of Xinyi Solar as that to the option he or she was previously entitled; (ii) no such alteration shall be made to the effect that Xinyi Solar Share would be issued at less than its nominal value; and (iii) any such alterations shall be in compliance with the requirements set forth in Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange from time to time, including those set forth in the letter from the Stock Exchange dated 5 September 2005.

(m) *Rights on a general offer*

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Xinyi Solar Shares (or, in the case of takeover offer, all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code) prior to the expiry date of the relevant option or such scheme has been approved by the necessary number of Xinyi Solar Shareholders at the requisite meetings, the grantee shall be entitled to exercise the option in full (to the extent not exercised) or to the extent notified by Xinyi Solar at any time within such period as shall be notified by Xinyi Solar.

(n) *Rights on winding-up*

If notice is duly given by Xinyi Solar to Xinyi Solar Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up Xinyi Solar, Xinyi Solar shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter exercise the relevant option to its full extent or to the extent specified in such notice or in part and Xinyi Solar shall, as soon as possible and in any event no later than three (3) business days immediately prior to the date of the proposed meeting, allot and issue such number of Xinyi Solar Shares to the grantee which fall to be issued on such exercise, credited as fully paid and registered the grantee as holder thereof. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon lapse and not be exercisable.

(o) *Rights on a compromise or arrangement*

In the event of a compromise or arrangement between Xinyi Solar and its shareholders or its creditors being proposed in connection with a scheme for the reconstruction or amalgamation of Xinyi Solar

(other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), Xinyi Solar shall give notice thereof to all grantees on the same date as it dispatches notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and thereupon any grantees may at any time thereafter exercise the relevant option in full or to the extent notified by Xinyi Solar and Xinyi Solar shall, as soon as possible and in any event no later than three business days, allot and issue such number of Xinyi Solar Shares to the grantee which fall to be issued on such exercise, credited as fully paid and registered the grantee as holder thereof. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as exercised under this paragraph.

(p) *Ranking of the Xinyi Solar Shares*

The Xinyi Solar Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the articles of association of Xinyi Solar in force as of the date of allotment and shall rank *pari passu* in all respects with the existing fully paid Xinyi Solar Shares in issue on such date of allotment and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after such date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date of allotment. A Xinyi Solar Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of Xinyi Solar as the holder thereof.

(q) *Period of the Xinyi Solar Share Option Scheme*

The Xinyi Solar Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

(r) *Alteration*

The Xinyi Solar Directors may from time to time amend the rules of the Xinyi Solar Share Option Scheme by resolution of the Xinyi Solar Board save and except the following which shall be approved by Xinyi Solar Shareholders in general meeting:

- (i) the provisions of the Xinyi Solar Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Eligible Participant;
- (ii) any alterations to the terms and conditions of the Xinyi Solar Share Option Scheme which are of a material nature, except where such alterations take effect automatically under the existing terms of the Xinyi Solar Share Option Scheme; and
- (iii) any change to the authority of the Xinyi Solar Board as scheme administrator in relation to any alteration to the terms of the Xinyi Solar Share Option Scheme, provided always that the amended terms of the Xinyi Solar Share Option Scheme must continue to comply with the relevant provisions of the Listing Rules as may be amended from time to time.

(s) *Lapse of option*

An option (to the extent such option has not already been exercised) will lapse and not be exercisable on the earliest of:

- (i) the expiry of the exercise period of the options;
- (ii) the expiry of any of the periods referred to in paragraphs (j), (k), (m), (n) and (o) above;
- (iii) subject to any competent court in any jurisdiction making an order prohibiting the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph (m) above;
- (iv) the date of the commencement of the winding-up of Xinyi Solar ;
- (v) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (o) above;
- (vi) the date on which the grantee who is an Employee of any member of the Xinyi Solar Glass Group ceases to be an Employee of any member of the Xinyi Solar Glass Group by reason of the termination of his employment on the grounds set forth in the Xinyi Solar Share Option Scheme;
- (vii) the date on which a situation as contemplated in paragraph (i) arises;
- (viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Xinyi Solar Board; or
- (ix) the date on which the Xinyi Solar Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to the Xinyi Solar Share Option Scheme.

(t) *Cancellation of options*

The Xinyi Solar Board shall have the absolute discretion to cancel any option granted at any time if so agreed by the grantee, provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made within the limits referred to in paragraph (d) above (excluding the cancelled options).

(u) *Termination of the Xinyi Solar Share Option Scheme*

Xinyi Solar may by resolution in general meeting or the Xinyi Solar Board may at any time terminate the Xinyi Solar Share Option Scheme and in such event, no further option shall be granted but the provisions of the Xinyi Solar Share Option Scheme shall remain in force in respect of all options granted during the life of the Xinyi Solar Share Option Scheme and which remains unexpired immediately prior to the termination of the Xinyi Solar Share Option Scheme.

(v) *Conditions of the Xinyi Solar Share Option Scheme*

The Xinyi Solar Share Option Scheme is conditional on:

- (a) the passing of a resolution by the Shareholders at the Extraordinary General Meeting to approve the Xinyi Solar Share Option Scheme;
- (b) the passing of a resolution by Xinyi Solar Shareholders to approve and adopt the Xinyi Solar Share Option Scheme and to authorize the Xinyi Solar Board to grant options under the Xinyi Solar Share Option Scheme and to allot and issue Xinyi Solar Shares pursuant to the exercise of any option under the Xinyi Solar Share Option Scheme;
- (c) the Listing Committee granting the approval of the listing of, and permission to deal in, the Xinyi Solar Shares which may be issued pursuant to the exercise of any option which may be granted under the Xinyi Solar Share Option Scheme; and
- (d) the commencement of dealings in the Xinyi Solar Shares on the Main Board.

(w) *Disclosure in annual and interim reports*

Xinyi Solar shall disclose details of the Xinyi Solar Share Option Scheme in its annual and interim reports in accordance with the Listing Rules in force from time to time.

(x) *Administration of the Xinyi Solar Share Option Scheme*

The Xinyi Solar Share Option Scheme shall be administered by the Xinyi Solar Board whose decision shall be final and binding on all parties.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) are as follows:-

The Company

Long position in the Shares

Name of Directors	Nature of interest	Number of Shares held	Percentage of the Shares in issue
Mr. LEE Yin Yee, M. H.	Interest of a controlled corporation (<i>Note a</i>)	725,177,593	19.69%
	Interest of a controlled corporation (<i>Note n</i>)	39,478,000	1.07%
	Personal interest (<i>Note b</i>)	28,552,000	0.78%
Mr. TUNG Ching Bor	Interest of a controlled corporation (<i>Note c</i>)	266,729,654	7.24%
	Interest of a controlled corporation (<i>Note n</i>)	39,478,000	1.07%
	Personal interest (<i>Note d</i>)	18,900,000	0.51%

Name of Directors	Nature of interest	Number of Shares held	Percentage of the Shares in issue
Mr. TUNG Ching Sai	Interest of a controlled corporation (Note e)	245,863,116	6.68%
	Interest of a controlled corporation (Note n)	39,478,000	1.07%
	Personal interest	1,044,164	0.03%
	Personal interest (Note f)	51,788,000	1.41%
Mr. LI Ching Wai	Interest of a controlled corporation (Note g)	118,557,486	3.22%
	Interest of a controlled corporation (Note n)	39,478,000	1.07%
Mr. SZE Nang Sze	Interest of a controlled corporation (Note h)	108,800,781	2.95%
	Interest of a controlled corporation (Note n)	39,478,000	1.07%
Mr. NG Ngan Ho	Interest of a controlled corporation (Note i)	79,036,192	2.15%
	Interest of a controlled corporation (Note n)	39,478,000	1.07%
	Personal interest	2,200,000	0.06%
Mr. LI Man Yin	Interest of a controlled corporation (Note i)	79,029,407	2.15%
	Interest of a controlled corporation (Note n)	39,478,000	1.07%
	Personal interest (Note k)	1,540,000	0.04%
Mr. LI Ching Leung	Interest of a controlled corporation (Note l)	79,029,407	2.15%
	Interest of a controlled corporation (Note n)	39,478,000	1.07%
	Personal interest	1,000,000	0.03%
	Personal interest (Note m)	200,000	0.01%
Mr. WONG Chat Chor Samuel	Personal interest	1,280,000	0.03%

Notes:-

- (a) Mr. LEE Yin Yee, M.H.'s interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LEE Yin Yee.
- (b) Mr. LEE Yin Yee, M.H.'s interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.
- (c) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.

- (d) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (e) Mr. TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("Copark"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. TUNG Ching Sai.
- (f) Mr. TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tang Hung.
- (g) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("Goldbo"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.
- (h) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("Linkall"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.
- (i) Mr. LI Man Yin's interests in the Shares are held through Perfect All Investments Limited ("Perfect All"), a company incorporated in the BVI with limited liability on 28 June 2004 and wholly-owned by Mr. LI Man Yin.
- (j) Mr. LI Man Yin's interests in the Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (k) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("Goldpine"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.
- (l) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited ("Herosmart"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.
- (m) Mr. LI Ching Leung's interests in the Shares are held through a joint account with his spouse, Madam DY Maria Lumin.
- (n) The interest in the Shares are held through Full Guang Holdings Limited ("Full Guang"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Mr. LEE Yin Yee as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Associated corporations

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Shareholding percentage
Realbest (<i>Note o</i>)	Mr. LEE Yin Yee, M.H.	2 ordinary shares	100%
High Park (<i>Note p</i>)	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark (<i>Note q</i>)	Mr. TUNG Ching Sai	2 ordinary shares	100%
Telerich Investment Limited ("Telerich") (<i>Note r</i>)	Mr. LEE Yau Ching	2 ordinary shares	100%
Goldbo (<i>Note s</i>)	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall (<i>Note t</i>)	Mr. NG Ngan Ho	2 ordinary shares	100%
Perfect All (<i>Note u</i>)	Mr. LI Man Yin	2 ordinary shares	100%
Goldpine (<i>Note v</i>)	Mr. SZE Nang Sze	2 ordinary shares	100%

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Shareholding percentage
Herosmart (<i>Note w</i>)	Mr. LI Ching Leung	2 ordinary shares	100%
Full Guang (<i>Note x</i>)	Mr. LEE Yin Yee	734,000 ordinary shares	33.98%
	Mr. TUNG Ching Bor	270,000 ordinary shares	12.50%
	Mr. TUNG Ching Sai	430,000 ordinary shares	19.91%
	Mr. LEE Yau Ching	256,000 ordinary shares	11.85%
	Mr. LI Ching Wai	120,000 ordinary shares	5.56%
	Mr. NG Ngan Ho	80,000 ordinary shares	3.70%
	Mr. LI Man Yin	80,000 ordinary shares	3.70%
	Mr. SZE Nang Sze	110,000 ordinary shares	5.09%
	Mr. LI Ching Leung	80,000 ordinary shares	3.70%

Notes:-

- (o) Realbest is wholly-owned by Mr. LEE Yin Yee, M.H.
- (p) High Park is wholly-owned by Mr. TUNG Ching Bor.
- (q) Copark is wholly-owned by Mr. TUNG Ching Sai.
- (r) Telerich is wholly-owned by Mr. LEE Sing Din, father of Mr. LEE Yau Ching.
- (s) Goldbo is wholly-owned by Mr. LI Ching Wai.
- (t) Linkall is wholly-owned by Mr. NG Ngan Ho.
- (u) Perfect All is wholly-owned by Mr. LI Man Yin.
- (v) Goldpine is wholly-owned by Mr. SZE Nang Sze.
- (w) Herosmart is wholly-owned by Mr. LI Ching Leung.
- (x) Full Guang is owned by Mr. LEE Yin Yee as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Notes:

- (a) Mr. LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited ("Realbest"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LEE Yin Yee.
- (b) Mr. LEE Yin Yee's interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

- (c) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.
- (d) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.
- (e) Mr. TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. TUNG Ching Sai.
- (f) Mr. TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tang Hung.
- (g) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("**Goldbo**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.
- (h) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("**Goldpine**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.
- (i) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.
- (j) Mr. LI Man Yin's interests in the Shares are held through Perfect All Investments Limited ("**Perfect All**"), a company incorporated in the BVI with limited liability on 28 June 2004 and wholly-owned by Mr. LI Man Yin.
- (k) Mr. LI Man Yin's interests in the Shares are held through a joint account with his spouse, Madam LI Sau Suet.
- (l) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings ("**Herosmart**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.
- (m) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.
- (n) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Mr. LEE Yin Yee as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors has any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Disclosure of interests of substantial Shareholders

As of the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, and so far as is known to the Directors, the persons or entities who had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital are as follows:-

The Company*Long position in the Shares*

Name of Shareholders	Number of Shares held	Capacity	Percentage of the Shares in issue
Realbest	725,177,593	Registered and beneficial owner	19.69%
High Park	266,729,654	Registered and beneficial owner	7.24%
Copark	245,863,116	Registered and beneficial owner	6.68%
Telerich (<i>Note</i>)	251,345,545	Registered and beneficial owner	6.82%

Note:-

These Shares are registered in the name of Telerich, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching who is an executive Director.

Save as disclosed herein and so far as is known to the Directors, as of the Latest Practicable Date, no person had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and no person was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital.

(c) Directors' service contracts

As of the Latest Practicable Date, none of our Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(d) Interest in contracts and arrangements

None of the Directors had material interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(e) Interest in competing business

To the best of the knowledge of the Directors, none of the Directors or their respective associates has any interest in a business, which competes or may compete with the business of the Group.

(f) Interest in assets

As of the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. LITIGATION

As of the Latest Practicable Date, so far as is known to the Directors, neither the Company nor any of its subsidiaries are/is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company, that would have a material adverse effect on its results of operations or financial condition.

4. INTEREST IN ASSETS

As of the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any asset which has since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. EXPERT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:-

Name	Qualification
Quam Capital Limited	a corporation licensed to carry out type 6 of the regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-Off

As of the Latest Practicable Date, Quam Capital Limited did not have any beneficial interest in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any asset which has since 31 December 2010, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

Quam Capital Limited has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

6. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Group within two years immediately preceding the date of this circular and are or may be material:-

- (1) a facility agreement dated 31 August 2010 in respect of HK\$1,100,000,000 syndicated term loan facility for Xinyi Glass (Hong Kong) as borrower, the Company as guarantor, and arranged by Citigroup Global Markets Asia Limited, Cathay United Bank Company Limited, Hong Kong Branch and Fubon Bank (Hong Kong) Limited, with Citicorp International Limited as agent and the financial institutions (as named therein) as lenders;
- (2) a placing agreement dated 20 May 2011 relating to Shares in the share capital of the Company entered into between the Company, the Vendors (as defined therein), the Guarantors (as defined therein), Citigroup Global Markets Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited and Kingsway Financial Services Group Limited; and
- (3) a facility agreement dated 11 July 2011 in respect of HK\$1,000,000,000 syndicated term loan facility for Xinyi Glass (Hong Kong) as borrower, the Company as guarantor, and arranged by Citigroup Global Markets Asia Limited and Fubon Bank (Hong Kong) Limited, with Citicorp International Limited as agent and the financial institutions (as named therein) as lenders.

7. MISCELLANEOUS

- (a) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The secretary of the Company is Mr. LAU Sik Yuen who is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.
- (c) All references to times and dates in this circular refer to Hong Kong times and dates.

- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at 3rd Floor, Harbour View 2, 16 Science Park East Avenue, HK Science Park Phase 2, Pak Shek Kok, Tai Po, New Territories, Hong Kong for the period of 14 days from the date of this circular:

- (a) the memorandum of association of the Company and the Articles;
- (b) the annual reports of the Company for each of the three years ended 31 December 2010;
- (c) the letter from the Independent Board Committee, the text of which is set forth on pages 35 to 36 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set forth on pages 37 to 56 of this circular;
- (e) material contracts as referred to in the section headed “6. Material Contracts” above;
- (f) service contracts as referred to in the section headed “2. Disclosure of Interests - (a) Disclosure of interests of Directors” above;
- (g) the written consent from the Independent Financial Adviser referred to in the section headed “5. Expert” above; and
- (h) the rules of the Xinyi Solar Share Option Scheme.



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Extraordinary General Meeting**”) of Xinyi Glass Holdings Limited (the “**Company**”) will be held at 9:30 a.m., on Wednesday, 9 November 2011 at Chatham Room, Level 7, Conrad Hong Kong Hotel, 88 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought appropriate, approving the following ordinary resolutions:-

(1) “**THAT:**

- (a) the Proposed Spin-Off (as defined below), the Global Offering (as defined below) and the Preferential Offering (as defined below) and the terms and conditions of all documents or agreements in connection therewith or contemplated thereunder or for the purpose of giving effect thereto (including, but without limitation to, the relevant deed of tax indemnity, deed of non-competition, stock borrowing agreement, non-disposal undertaking and underwriting agreements) be and are hereby approved;
- (b) the directors (the “**Directors**”) of the Company be and are hereby authorised on behalf of the Company to approve and implement the Proposed Spin-Off, the Global Offering and the Preferential Offering and all matters incidental thereto and to take all actions in connection therewith or arising therefrom relating to the Proposed Spin-Off, the Global Offering and the Preferential Offering as they shall think fit (including, but without limitation to, (i) sign, seal, execute, perfect and deliver any documents, instruments and agreements for and on behalf of the Company in connection with or pursuant to the Proposed Spin-Off, the Global Offering and the Preferential Offering and (ii) exercise all such powers and do all such acts as they consider necessary, desirable or expedient to give effect to the Proposed Spin-Off, the Global Offering and the Preferential Offering);

APPENDIX IV NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (c) the Company be and is hereby authorised to sell or approve the issue of such number of Xinyi Solar Shares (as defined below), such that the percentage of shareholding of the Company in Xinyi Solar will be no less than 50%, provided that (i) the actual or deemed disposal by the Company of its interests in Xinyi Solar Shares will not result in any of the Company's "percentage ratios" under Rule 14.07 of The Rules Governing the Listing of Securities of Hong Kong Limited (the "**Listing Rules**") to exceed 75.0%, (ii) an independent financial adviser and a committee of independent non-executive Directors both recommend that the Company proceed with the Proposed Spin-Off and the Global Offering and (iii) the Company complies with the relevant disclosure requirements under the Listing Rules;" and

The capitalised terms used in the above resolutions shall have the following meanings:-

"Global Offering" means (a) the offering of the Xinyi Solar Shares to member of the public in Hong Kong and (b) the offering of the Xinyi Solar Shares to institutional, professional and other investors (including the Preferential Offering) subject to the terms and conditions as set forth in (i) the Xinyi Solar Prospectus and (ii) the application forms to be issued in relation to the Global Offering;

"Listing" means the listing of Xinyi Solar Shares on the main board of The Stock Exchange of Hong Kong Limited;

"Preferential Offering" means the offering of Xinyi Solar Shares to certain shareholders of the Company whose addresses on the register of members of the Company are in Hong Kong or such other jurisdictions as shall be required under the Listing Rules on a preferential basis as part of the Global Offering;

"Proposed Spin-Off" means the proposed spin-off of Xinyi Solar by way of the Global Offering and the Listing; and

"Xinyi Solar" means Xinyi Solar Holdings Limited;

"Xinyi Solar Prospectus" means the prospectus expected to be issued by Xinyi Solar for the purpose of the Global Offering; and

"Xinyi Solar Shares" means the ordinary shares of HK\$0.10 each in the share capital of Xinyi Solar.

APPENDIX IV NOTICE OF THE EXTRAORDINARY GENERAL MEETING

(2) “THAT:

the rules of the share option scheme of Xinyi Solar (the “**Xinyi Solar Share Option Scheme**”), a copy of which having been produced to the meeting marked “A” and for the purpose of identification signed by the chairman of the board of Directors, a summary of which is set forth in the circular of the Company dated 21 October 2011, be and are hereby approved and adopted to be the share option scheme of Xinyi Solar and the Directors be and are hereby authorised to approve any amendments to the rules of the Xinyi Solar Share Option Scheme as may be acceptable or not objected to by The Stock Exchange of Hong Kong Limited and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Xinyi Solar Share Option Scheme.”

By order of the Board
Xinyi Glass Holdings Limited
LAU Sik Yuen
Company Secretary

Hong Kong, 21 October 2011

Notes:-

- (1) Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint another person as his or her or its proxy to attend and vote instead of him or her or it. A member may appoint a proxy in respect of only part of his or her or its holding of Shares. A proxy need not be a shareholder (the “**Shareholder**”) of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
- (3) The instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the Extraordinary General Meeting or adjourned Extraordinary General Meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
- (4) Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the Extraordinary General Meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint holders of any share (the “**Share**”) of the Company any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Extraordinary General Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

APPENDIX IV NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (6) The register of members will be closed from Monday, 7 November 2011 to Wednesday, 9 November 2011 (both days inclusive), during such period no transfer of the Shares will be registered. In order to qualify for attending the Extraordinary General Meeting, all transfer of the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 4 November 2011.
- (7) As of the date of this notice, 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 were the executive Directors; Mr. LI Ching Wai, Mr. LI Ching Leung, Mr. SZE Nang Sze and Mr. NG Ngan Ho were the non-executive Directors; and Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, Wilfred, S.B.S., JP were the independent non-executive Directors.