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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 00868)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Our sales in 2011 reached HK$8,226.7 million, representing an increase of 29.3% as compared with 2010.
- Our net profit attributable to the equity holders of the Company for 2011 reached HK$1,264.9 million, representing a decrease of 19.5% as compared with 2010.
- Basic earnings per Share for 2011 was 35.15 HK cents.
- The Directors propose to declare a final dividend of 5.0 HK cents per Share for 2011.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The board of directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2011, together with comparative figures for the financial year ended 31 December 2010, as follows:-

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

CONSOLIDATED INCOME STATEMENT

	Note	**2011**	**2010**
Revenue	3	8,226,651	6,364,314
Cost of sales	4	(5,873,001)	(3,809,267)
Gross profit		2,353,650	2,555,047
Other income	5	99,345	85,048
Other gains/(losses) - net	6	60,399	(9,476)
Selling and marketing costs	4	(422,985)	(365,186)
Administrative expenses	4	(542,275)	(405,897)
Reversal of provision for legal claim	13	—	36,816
Operating profit		1,548,134	1,896,352
Finance income	7	7,344	3,111
Finance costs	7	(32,468)	(6,839)
Share of profits of associates		3,489	514
Profit before income tax		1,526,499	1,893,138
Income tax expense	8	(262,621)	(320,726)
Profit for the year		1,263,878	1,572,412
Profit attributable to:			
Equity holders of the Company		1,264,853	1,571,198
Non-controlling interests		(975)	1,214
		1,263,878	1,572,412
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
- Basic	9	35.15	44.43
- Diluted	9	34.75	44.01
Dividends	10	584,069	740,560

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
Profit for the year	1,263,878	1,572,412
Other comprehensive income, net of tax:		
Currency translation differences	460,081	240,533
Total comprehensive income for the year	1,723,959	1,812,945
Total comprehensive income attributable to:		
Equity holders of the Company	1,723,939	1,810,915
Non-controlling interests	20	2,030
Total comprehensive income for the year	1,723,959	1,812,945

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2011

	Note	**2011**	**2010**
ASSETS			
Non-current assets			
Leasehold land and land use rights		1,330,825	894,157
Property, plant and equipment		9,621,579	6,485,962
Investment property		35,223	32,086
Prepayments for property, plant and equipment and land use rights		129,970	449,227
Intangible assets		99,806	98,796
Available-for-sale financial assets		617	588
Investments in associates		51,948	16,212
Loan to an associate		35,679	36,353
Deferred income tax assets		5,397	3,819
		11,311,044	8,017,200
Current assets			
Inventories		1,246,127	820,345
Loans to associates		2,469	3,129
Trade and other receivables	11	2,073,100	1,533,840
Pledged bank deposits		784	1,725
Cash and bank balances		712,964	640,259
		4,035,444	2,999,298
Total assets		15,346,488	11,016,498
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		368,332	351,709
Share premium		3,088,388	2,016,842
Other reserves		1,787,208	1,198,142
Retained earnings			
- Proposed final dividend		184,166	457,222
- Others		3,079,455	2,512,352
		8,507,549	6,536,267
Non-controlling interests		17,708	19,627
Total equity		8,525,257	6,555,894

	Note	**2011**	**2010**
LIABILITIES			
Non-current liabilities			
Bank borrowings		3,214,096	2,253,975
Deferred income tax liabilities		105,754	78,637
Deferred government grants		83,259	—
		3,403,109	2,332,612
Current liabilities			
Amount due to an associate		33	2,910
Trade payables, accruals and other payables	12	2,166,281	1,507,658
Current income tax liabilities		147,094	146,901
Bank borrowings		1,104,714	470,523
		3,418,122	2,127,992
Total liabilities		6,821,231	4,460,604
Total equity and liabilities		15,346,488	11,016,498
Net current assets		617,322	871,306
Total assets less current liabilities		11,928,366	8,888,506

NOTES

1 **Summary of significant accounting policies**

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

2 **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets and financial liabilities through profit or loss.

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

Changes in accounting policy and disclosures

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

(i) The following new amendments to standards are mandatory for accounting periods beginning on or after 1 January 2011. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2011
HKAS 24 (Revised)	Related party transactions	1 January 2011
HKAS 27 (Amendment)	Consolidated and separate financial statements	1 July 2010
HKAS 34 (Amendment)	Interim financial reporting	1 January 2011
HKFRS 3 (Amendment)	Business combinations	1 July 2010

(ii) The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HK (IFRIC) - Int 13 (Amendment)	Customer loyalty programmes	1 January 2011
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) - Int 19 (Amendment)	Extinguishing financial liabilities with equity instruments	1 July 2010

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

3 Segment information

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

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

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

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

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

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	2,902,780	1,132,918	3,695,948	1,233,151	—	8,964,797
Inter-segment revenue	—	—	(738,146)	—	—	(738,146)
Revenue from external customers	2,902,780	1,132,918	2,957,802	1,233,151	—	8,226,651
Cost of sales	(1,734,760)	(719,059)	(2,626,240)	(792,942)	—	(5,873,001)
Gross profit	1,168,020	413,859	331,562	440,209	—	2,353,650
Depreciation charge of property, plant and equipment	97,202	78,099	203,868	44,125	2,230	425,524
Amortisation charge						
— leasehold land and land use rights	3,326	2,000	8,006	1,563	1,831	16,726
— intangible assets	2,211	—	622	—	—	2,833
Impairment charge of goodwill	2,943	—	—	—	—	2,943
Provision/(reversal of provision) for impairment of trade receivables, net	1,172	921	—	(2,836)	—	(743)
Share of profits of associates	—	—	—	—	3,489	3,489
Total assets	2,575,013	1,382,484	7,615,849	3,115,125	658,017	15,346,488
Total assets included:						
Investments in associates	—	—	—	—	51,948	51,948
Loans to associates	—	—	—	—	38,148	38,148
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	171,589	130,183	1,800,881	986,509	302,483	3,391,645
Total liabilities	572,469	250,111	1,004,450	518,374	4,475,827	6,821,231

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

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	2,378,772	926,016	2,820,584	1,077,767	—	7,203,139
Inter-segment revenue	—	—	(838,825)	—	—	(838,825)
Revenue from external customers	2,378,772	926,016	1,981,759	1,077,767	—	6,364,314
Cost of sales	(1,440,561)	(574,378)	(1,275,842)	(518,486)	—	(3,809,267)
Gross profit	938,211	351,638	705,917	559,281	—	2,555,047
Depreciation charge of property, plant and equipment	87,934	61,766	138,240	32,233	4,381	324,554
Amortisation charge						
— leasehold land and land use rights	2,977	761	7,631	852	74	12,295
— intangible assets	1,706	—	406	—	—	2,112
Impairment charge of goodwill	2,943	—	—	—	—	2,943
(Reversal of provision)/provision for impairment of trade receivables, net	(121)	(37)	—	4,004	—	3,846
Reversal of provision for legal claim	(36,816)	—	—	—	—	(36,816)
Share of profits of associates	—	—	—	—	514	514
Total assets	2,531,211	1,567,418	5,051,788	1,649,398	216,683	11,016,498
Total assets included:						
Investments in associates	—	—	—	—	16,212	16,212
Loans to associates	—	—	—	—	39,482	39,482
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	114,815	179,822	1,451,973	506,475	16,984	2,270,069
Total liabilities	469,942	154,911	919,706	161,245	2,754,800	4,460,604

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

	2011	2010
Segment gross profit	2,353,650	2,555,047
Unallocated:		
Other income	99,345	85,048
Other gains/(losses) — net	60,399	(9,476)
Selling and marketing costs	(422,985)	(365,186)
Administrative expenses	(542,275)	(405,897)
Reversal of provision for legal claim	—	36,816
Finance income	7,344	3,111
Finance costs	(32,468)	(6,839)
Share of profits of associates	3,489	514
Profit before income tax	1,526,499	1,893,138

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

	Assets		Liabilities	
	2011	2010	2011	2010
Segment assets/(liabilities)	14,688,471	10,799,815	(2,345,404)	(1,705,804)
Unallocated:				
Leasehold land and land use rights	230,834	—	—	—
Property, plant and equipment	108,546	76,141	—	—
Prepayments for property, plant and equipment and land use rights	33,903	—	—	—
Investments in associates	51,948	16,212	—	—
Balances with associates	38,148	39,482	(33)	(2,910)
Available-for-sale financial assets	617	588	—	—
Deferred income tax assets	5,397	3,819	—	—
Prepayments, deposits and other receivables	11,907	4,664	—	—
Cash and bank balances	176,717	75,777		—
Accruals and other payables	—	—	(120,238)	(15,409)
Current income tax liabilities	—	—	(10,291)	(111)
Deferred income tax liabilities	—	—	(105,754)	(78,637)
Current bank borrowings	—	—	(1,025,415)	(403,758)
Non-current bank borrowings	—	—	(3,214,096)	(2,253,975)
Total assets/(liabilities)	15,346,488	11,016,498	(6,821,231)	(4,460,604)

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

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

	2011	2010
Sales of automobile glass	2,902,780	2,378,772
Sales of construction glass	1,132,918	926,016
Sales of float glass	2,957,802	1,981,759
Sales of solar glass	1,233,151	1,077,767
Total	8,226,651	6,364,314

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

	2011	2010
Greater China	5,367,526	4,230,085
North America	1,000,195	747,489
Europe	533,647	451,816
Other countries	1,325,283	934,924
	8,226,651	6,364,314

An analysis of the Group's non-current assets other than available-for-sale assets, loan to an associate and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) by geographical area in which the assets are located is as follows:

	2011	2010
Greater China	11,259,032	7,965,216
North America	9,849	10,774
Other countries	470	450
	11,269,351	7,976,440

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2011 (2010: None).

4 **Expenses by nature**

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

	2011	**2010**
Amortisation charge of leasehold land and land use rights	16,726	12,295
Depreciation charge of property, plant and equipment	425,524	324,554
Amortisation charge of intangible assets	2,833	2,112
Employee benefit expenses	618,710	453,719
Cost of inventories	4,420,272	2,741,936
Other selling expenses (including transportation and advertising costs)	233,213	210,779
Operating lease payments in respect of land and buildings	5,582	4,974
(Reversal of provision)/provision for impairment of trade receivables, net	(743)	3,846
Auditors' remuneration	3,652	4,269
Direct operating expenses arising from investment property that generate rental income	844	913
Research and development costs	141,258	75,574
Other expenses, net	970,390	745,379
Total cost of sales, selling and marketing costs and administrative expenses	6,838,261	4,580,350

5 **Other income**

	2011	**2010**
Rental income	5,721	5,054
Anti-dumping duties refund	—	1,203
Government grants (Note (a))	85,695	67,172
Others	7,929	11,619
	99,345	85,048

Note (a):

Government grants mainly represent grants obtained from the PRC government in relation to value-added tax, income tax and land use tax and other operating costs of certain PRC subsidiaries.

6 **Other gains/(losses) — net**

	2011	2010
Losses on disposal of property, plant and equipment	(1,235)	(1,385)
Impairment charge of goodwill	(2,943)	(2,943)
Loss on disposal of a subsidiary	—	(12,163)
Loss on disposal of an associate	(2,195)	—
Losses on disposal of financial assets at fair value through profit or loss	—	(539)
Fair value gains/(losses) on investment property	3,137	(143)
Fair value losses on trading derivatives	(202)	(2,638)
Losses on disposal of trading derivatives	—	(497)
Other foreign exchange gains, net	63,837	10,832
	60,399	(9,476)

7 **Finance income and costs**

	2011	2010
Finance income:		
Interest income on short-term bank deposits	7,344	2,797
Interest income on loan advanced to an associate	—	314
	7,344	3,111

	2011	2010
Finance costs:		
Interest expense on bank borrowings	65,105	32,933
Less: interest expense capitalised on qualifying assets	(32,637)	(26,094)
	32,468	6,839

8 Income tax expense

	2011	2010
Current income tax		
— Hong Kong profits tax (Note (a))	31,260	14,462
— PRC corporate income tax (Note (b))	204,915	213,768
— Overseas income tax (Note (c))	907	1,172
— Under-provision in prior years	—	12,800
Deferred income tax		
— Origination and reversal of temporary differences	25,539	78,524
	262,621	320,726

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

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

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

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. Certain PRC subsidiaries are entitled to tax holiday and the profits are fully exempted from CIT for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in CIT in next three years.

Under the new CIT Law, entities currently enjoying tax holidays will continue to enjoy them until they expire. The CIT rate applicable to the PRC subsidiaries under tax holiday and applying reduced CIT rate will gradually increase to 25% in 5-year period from 2008 to 2012. The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu, Dongguan, Tianjin and Jiangmen are 24% (2010: 22%), 12% (2010: 11%), 12.5% to 25% (2010: 12.5% to 25%), 12.5% (2010: 12.5%) and 12.5% (2010: 12.5%), respectively.

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

(c) Overseas income tax

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

9 **Earnings per share**

Basic:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (after taking into account the effect of the Scrip Dividend Scheme and Bonus Issue) during 2011 and 2010 excluding ordinary shares purchased by the Company.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	1,264,853	1,571,198
Weighted average number of ordinary shares in issue (thousands)	3,598,422	3,535,864
Basic earnings per share (HK cents per share)	35.15	44.43

Diluted:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares and adjusting for the Scrip Dividend Scheme and Bonus Issue. The dilutive potential share of the Company is share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	1,264,853	1,571,198
Weighted average number of ordinary shares in issue (thousands)	3,598,422	3,535,864
Adjustments for share options (thousands)	41,401	34,328
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,639,823	3,570,192
Diluted earnings per share (HK cents per share)	34.75	44.01

10 Dividends

The dividends paid in 2011 and 2010 were HK$858,549,000 (HK$0.24 per share) and HK$548,967,000 (HK$0.16 per share), respectively. The directors have recommended an interim dividend of HK$0.11 per share (2010: HK$0.08 per share) to be payable to shareholders whose names appear on the Register of Members of the Company on 1 August 2011, in cash in HKD, with a scrip dividend alternative.

A final dividend in respect of the financial year ended 31 December 2011 of HK$0.05 per share (2010: HK$0.13 per share), amounting to a total dividend of HK$184,166,000 (2010: HK$ HK$457,222,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2011 proposed final dividend is based on 3,683,324,000 shares in issue as at 31 December 2011 (2010: 3,517,093,000) shares in issue as at 31 December 2010). These financial statements do not reflect this dividend payable.

Shareholder will be given the option to receive the final dividend in cash or in lieu of cash by scrip dividend (the "**Scrip Dividend Arrangement**"). The Scrip Dividend Arrangement is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Shares to be allotted and issued under Scrip Dividend Arrangement.

	2011	**2010**
Interim dividend paid of HK$0.11 (2010: HK$0.08) per share	399,903	283,338
Proposed final dividend of HK$0.05 (2010: HK$0.13) per share	184,166	457,222
	584,069	740,560

11 Trade and other receivables

	2011	**2010**
Trade receivables (note (a))	752,234	714,827
Less: provision for impairment of trade receivables	(14,109)	(16,145)
	738,125	698,682
Bills receivables (note (b))	596,417	321,655
Trade and bills receivables — net	1,334,542	1,020,337
Prepayments, deposits and other receivables	738,558	513,503
	2,073,100	1,533,840

Notes:

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2011 and 2010, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2011	**2010**
0 - 90 days	619,524	594,318
91 - 180 days	85,919	68,729
181 - 365 days	28,960	32,150
1 - 2 years	10,699	12,321
Over 2 years	7,132	7,309
	752,234	714,827

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

	2011	**2010**
RMB	468,295	357,967
HKD	5,070	1,684
USD	264,508	320,923
Other currencies	14,361	34,253
	752,234	714,827

(b) The maturities of the bills receivables are within 6 months (2010: 6 months).

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

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

	2011	2010
Trade payables (note (a))	557,023	377,043
Bills payable (note (b))	341,106	200,342
	898,129	577,385
Accruals and other payables (note (c))	1,268,152	930,273
	2,166,281	1,507,658

Notes:

(a) At 31 December 2011 and 2010, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	2011	2010
0 - 90 days	522,970	350,273
91-180 days	21,237	11,955
181-365 days	7,487	4,617
1-2 years	4,182	8,517
Over 2 years	1,147	1,681
	557,023	377,043

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

	2011	2010
RMB	503,005	327,735
HKD	20	40
USD	53,853	49,026
Other currencies	145	242
	557,023	377,043

(b) Bills payable have maturities ranging within 6 months (2010: 6 months).

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

	2011	**2010**
Payables for property, plant and equipment	562,889	232,838
Accruals for employee benefits and welfare	163,672	115,927
Payables for value-added tax	109,767	62,409
Payables for utilities	52,978	73,638
Receipt in advance from customers	184,366	166,710
Trading derivatives - cross currency swap and foreign exchange forward contracts	24	3,776
Deferred government grants	55,434	130,588
Others	139,022	144,387
	1,268,152	930,273

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

13 Provision for legal claim

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

	2011	**2010**
At beginning of the year	—	85,332
Transferred to other payables upon agreement of settlement amount	—	(48,516)
Reversal of provision for legal claim	—	(36,816)
At end of the year	—	—

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

14 Final dividend

Subject to the approval by the Shareholders at the forthcoming annual general meeting, the final dividend of 5.0 HK cents per Share will be payable on or before Monday, 9 July 2012 to the Shareholders whose names appear on the register of members of the Company at the closure day of register of members. The closure day for cash dividend will be disclosed in the notice of Annual General Meeting.

BUSINESS REVIEW

A COMBINATION OF OPPORTUNITES AND CHALLENGES IN 2011

In 2011, the business segments of the Group grew at different pace and overseas sales as well as PRC domestic sales of the Group recorded satisfactory growth. The high quality float glass and the solar glass businesses enjoyed a satisfactory increase in sales bolstered by the newly added production capacity in the Jiangmen, Wuhu and Tianjin production complexes. The Group's sales of aftermarket automobile glass to overseas markets increased significantly with the new production capacity added in its Shenzhen production complex, which increase the market share of the Group in selected countries. With the increased demand for energy saving Low-E glass in the PRC, the Group's construction glass business also recorded satisfactory growth with the additional production capacity of its Wuhu production complex. All of these factors to enable the Group to achieve a remarkable increase in its sales by 29.3% to HK$8,226.7 million in 2011.

In 2011, even though the economy in the PRC continued to grow rapidly, the float glass market was volatile with price competition intensified. The inflation in the PRC, along with additional float glass production capacity launched by other glass manufacturers in the PRC, presented escalating cost pressure in raw materials and production. Moreover, the tightening monetary policies in the PRC have slowed down the demand for float glass while increasing gross margin pressures by varying magnitudes and resulted in the fluctuations in the selling price of float glass.

Nevertheless, the Group managed to be a leader in the global glass industry by boosting its economies of scale. This was accomplished through strategic planning to expand the production capacity and accelerating the strategic construction of production complexes with improving production technique and workflow. The Group also implemented better controls on raw materials consumption and the inventory levels. On increasing the sales, the Group has developed a wide range of high value-added glass products and adopted flexible pricing strategies to take advantage of the industry supportive measures implemented by the PRC government.

FLEXIBLE SALES STRATEGIES TO INCREASE MARKET SHARE IN THE GLOBAL ECONOMY

By the conclusion of the second round of quantitative easing policy, the US is facing the risk of heavy national debt level. The European financial and debt crisis and the unstable geopolitical environment in the Middle East have led to a totally different global economic landscape. The Group proactively implements flexible sales and production strategies to explore new overseas markets and expands its market share. As a result, the Group's overseas sales increased by 34.0%, as compared with the same in 2010, to approximately HK$2,859.2 million.

ENHANCED PRODUCTIVITY AND ECONOMIES OF SCALE TO MITIGATE THE COST PRESSURE

By the end of 2011, all of the Group's high quality float glass and solar glass production lines were using cleaner and more cost effective natural gas as fuel.

The Group's strong experience in operations management combined with the improvements in production procedures enhance its productivity and yield rates to reduce the overall production and energy costs. The Group's daily production capacity of high quality float glass increased from 4,700 daily melting tonnes at the end of 2010 to 8,100 daily melting tonnes by the end of 2011. The economies of scale have enhanced the Group's purchasing power, and reduced the average fuel consumption rate and the fixed cost, thus reducing the impact of any potential cost pressure on the gross profit margin in the future.

Furthermore, the Group has installed an environmentally friendly low temperature recycling residual heat power co-generation system at its Dongguan, Jiangmen and Wuhu production complexes. The Group is also installing this system at the new production complexes to reduce carbon emissions and production cost structure.

SUSPENSION OF THE PROPOSED SPIN-OFF OF THE SOLAR GLASS BUSINESS

Due to the volatility in the global capital markets and the prolonged adverse impact of the financial debt crisis in Europe on the global solar energy industry, including the global solar glass segment, uncertainties remained in the fourth quarter of 2011. The Group therefore decided to postpone the proposed spin-off to a later date. The Board believes that this decision was in the interest of the shareholders.

The commercial operation of a solar glass production line in Dongguan and another solar glass production line in Wuhu with an aggregate 800 daily melting tonnes has ceased operations for maintenance purpose pending improvement in the market condition.

DIVERSIFIED AND HIGH VALUE-ADDED PRODUCT MIX ENHANCED THE OVERALL COMPETITIVENESS

In 2011, the revenue generated from the Group's automobile glass, construction glass, high quality float glass and solar glass businesses achieved satisfactory growth. This performance demonstrates that the Group's diversified business and high value-added product mix can mitigate the impact of myriad risks on revenue and profit. Also, the Group's strategic plan for its production complexes in the three major advanced economic zones in China - the Pearl River Delta, the Yangtze River Delta and the Bohai Economic Rim, is in progress. This strategy is expected to further enhance the Group's overall competitiveness in response to the challenges ahead.

OPERATIONAL OUTLOOK

The Group will continue to strengthen its operational efficiency in order toremain competitive agmonst the world's leading glass manufacturers in light of the unfavourable global economic condition.

Demand and price volatility is expected to continue in the float glass market in the near future. Nevertheless, the PRC's national affordable housing scheme and the increased application of energy saving Low-E glass may increase the demand for float glass in the near future. Besides, the management is more optimistic about the automobile glass export business this coming year.

Under the Twelfth Five-year Plan, the PRC government encourages the use of renewal energy. Thus more solar energy panels are expected to be installed in China in the future. The decreasing cost of installing and production of solar panels will also spur the demand for solar related products.

The Group will continue its efforts to strengthen the research and development capability aimed at developing new products, enhancing product quality and boosting production efficiency including and profit margin.

The Group is constructing an ultra-thin electronic glass production line in Wuhu to capture the demand from the growing market for high technology electronic products. These new high technology glass products are expected to become another future growth driver for the Group.

The Group will continue to proactively and aggressively tackle challenges of different kinds and optimize its performance through effective leadership and the support of its customers. This forward-looking strategy will enable the Group to reap the benefit from any business opportunities that arise. The Group remains optimistic about its business development and will adopt flexible business strategies that have proven in the past to be highly successful. To maintain its industry leading position, the Group will strive to continue to expand its presence in the global glass market across a wide spectrum of industries.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Group manufactures and sells a wide range of glass products, including automobile glass, energy-saving construction glass, high quality float glass, solar glass and other glass products for different commercial applications. These products are manufactured at production facilities strategically located in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province and Tianjin, all in China. In addition to the glass products, the Group also manufactures automobile rubber and plastic components.

The Group's glass products are sold to customers in more than 120 countries and territories, including China, Hong Kong, the United States, Canada, Australia and New Zealand, as well as the Middle East, Europe, Africa and Central and South America. The Group's customers include companies in the businesses of automobile glass manufacturing, automobile glass wholesale and distribution, automobile repair, motor vehicle manufacturing, construction and furniture glass manufacturing, float glass wholesale and distribution and solar module manufacturing.

Business review

Since the middle of 2011, under the challenging and volatile market condition, the Group used its efforts to continue to be one of the market leaders in glass industry, with the demand for energy saving construction glass in China and aftermarket automobile glass in overseas markets acting as growth drivers. In 2011, the sales and the net profit attributable to equity holders of the Company reached HK$8,226.7 million and HK$1,264.9 million, respectively, representing a year-on-year increase of 29.3% and decrease of 19.5%, compared to HK$6,364.3 million and HK$1,571.2 million, respectively, in 2010. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was 31.2% and 17.2%, respectively, for the five-year period including 2011.

The automobile glass and energy saving construction glass products were the Group's most popular product lines with significant growth in 2011. The rapid expansion of the automobile glass business in the overseas market was due to the strong demand in the aftermarket sector and our successful market exploration resulting in a wider market segments across different countries during the year. The Group also captured the business opportunities presented by the priority placed on energy saving in PRC's Twelfth Five Year Plan by producing higher performance Low-E construction glass and increased our market share.

Operational review

Sales

The sales of the Group increased by 29.3% in 2011. The increase was principally due to the high growth of the Group's different glass businesses in global markets, especially the sales of the float glass and energy saving construction glass in China and the automobile glass in overseas markets.

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

	Financial Year Ended 31 December			
	2011		2010	
	HK$'000	*%*	*HK$'000*	*%*
Sales				
Automobile glass products *(Note (a))*	2,902,780	35.2	2,378,772	37.4
Construction glass products	1,132,918	13.8	926,016	14.6
Float glass products	2,957,802	36.0	1,981,759	31.1
Solar glass products	1,233,151	15.0	1,077,767	16.9
	8,226,651	100.0	6,364,314	100.0

Notes:

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

	Financial Year Ended 31 December			
	2011		2010	
	HK$'000	*%*	*HK$'000*	*%*
Sales				
Greater China *(Note (a))*	5,367,526	65.2	4,230,085	66.5
North America	1,000,195	12.2	747,489	11.7
Europe	533,647	6.5	451,816	7.1
Others *(Note (b))*	1,325,283	16.1	934,924	14.7
	8,226,651	100.0	6,364,314	100.0

Notes:

(a) China and Hong Kong.

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

Cost of sales

There was a substantial increase in the material costs, especially on soda ash during the year. With the cost impact mitigated by improved production efficiency and better cost control, the cost of sales in 2011 was HK$5,873.0 million, representing an increase of 54.2%, exceeding the percentage of the increase in sales.

Gross profit

The Group's gross profit in 2011 was HK$2,353.7 million, representing a decrease of 7.9%. The overall gross profit margin declined from 40.1% to 28.6% was a result of the severe price competition in float glass and solar glass products, higher cost of sales and the slow growth in the demand for float glass and solar glass products.

Net other gains

The Group's net other gains were HK$60.4 million in 2011, compared to the net other losses of approximately HK$9.5 million in 2010. The significant increase was principally due to the net exchange gains received by the Group in the year.

Operational review

Selling and marketing costs

In line with the increase of sales and resulting higher customs and import duties, commissions and freight costs, the Group's selling and marketing costs increased by 15.8% to HK$423.0 million in 2011.

Administrative expenses

The Group's administrative expenses rose by 33.6% to HK$542.3 million in 2011, was principally attributable to the increase in staff and welfare costs.

Finance costs

The Group's finance costs increased by 374.7% to HK$32.5 million in 2011. The increase was mainly due to new loans made by the Group in the year including the third syndicated loan in the amount of HK$1.0 billion and the increase in the effective interest rate due to the tight money market. A portion of interest expense was capitalised in relation to the construction in progress and acquisition of plant and machinery at the production complexes in Jiangmen, Tianjin and Wuhu, but it will be depreciated together with the related property, plant and equipment when the new production lines commenced commercial operation. Interest expense of approximately HK$32.6 million was capitalised under construction-in-progress for the financial year ended 31 December 2011, representing an increase of 25.1%, compared to the HK$26.1 million in 2010.

Income tax expense

The Group's income tax expense amounted to HK$262.6 million in 2011. The effective tax rate slightly increased by 0.3% to 17.2% in 2011. which was mainly because most of our PRC subsidiaries were enjoying a tax holiday with a half exemption of the PRC's unified tax rate and there was a withholding tax amounting to approximately HK$52.3 million on the distributable profit of the Group's PRC subsidiaries and associates in 2011.

EBITDA and net profit for the year

In 2011, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) reached HK$2,004.1 million, a decrease of 10.5% compared to HK$2,238.7 million in 2010. The Company's EBITDA margin, calculated based on turnover in 2011, was 24.4% compared to 35.2% in 2010.

Net profit attributable to equity holders of the Company in 2011 was HK$1,264.9 million, a decrease of 19.5%, compared to HK$1,571.2 million in 2010. Net profit margin dropped to approximately 15.4% in 2011 as a result of price competition in float glass and solar glass products under severe market condition and an increase in material costs.

Current ratio

The Group's current ratio in 2011 was 1.18, compared to 1.41 in 2010. The drop was due to an increase in short-term bank borrowings for the year.

Net current assets

As of 31 December 2011, the Group had net current assets of HK$617.3 million, compared to HK$871.3 million as of 31 December 2010. The decrease was a result of increase in short-term of bank borrowings for the year.

Financial resources and liquidity

In 2011, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to

HK$1,303.4 million (2010: HK$1,345.6 million) as a result of efficient working capital management generating a net cash surplus from operations. As of 31 December 2011, the Group had cash and bank balances (including pledged bank deposits) of HK$713.7 million (2010: HK$642.0 million).

As of 31 December 2011, the Group had bank loans totaling HK$4,318.8 million, representing an increase of 58.5% from the balance of HK$2,724.5 million as of 31 December 2010. The increase was principally due to the addition of the Group's third syndicated term loan with amount of HK$1.0 billion and other bilateral term loans.

The Group's net debt gearing ratio as of 31 December 2011 was 42.3% (31 December 2010: 31.8%). This ratio is calculated by dividing the net bank debt, which is calculated as total borrowings less cash, bank balances and pledged bank deposits, by the total equity of the Group as of 31 December 2011. The increase was principally due to new long-term bank debts obtained for capital expenditures in Jiangmen, Tianjin and Wuhu during the year.

Pledge of assets

As of 31 December 2011, bank balance of HK$0.8 million was pledged as collateral mainly to United States Customs as security for import duties and for the standby letter of credit issued by a PRC bank.

Employees and remuneration policy

As of 31 December 2011, the Group had 12,353 full-time employees of whom 12,236 were based in Greater China and 117 were based in other countries and territories. The Group maintains good relationships with all the employees. The Group provides the employees with sufficient training on business and professional knowledge including information on the applications of the Group's products and skills in maintaining good client relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group's performance and the performance of the individual employee.

Employees and remuneration policy

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible Chinese government authorities for the Group's employees in China. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are duly implemented.

The Company adopted a share option scheme on 18 January 2005. The Directors may at their discretion, invite any employees or Directors and other eligible persons as set out in the scheme to participate.

In 2006, the 1st tranche of 17,040,000 options (restated) was granted to employees of the Group. The exercise price of these options was HK$1.08 (restated) per Share and all unexercised options under this tranche were expired on 27 January 2009.

In June 2007, the 2nd tranche of 24,230,000 options (restated) was granted to employees of the Group, of which 13,827,000 options (restated) have been exercised, 10,403,000 (restated) options were lapsed or expired and 1,200,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.49 (restated) per Share and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 30 June 2011.

In April 2008, the 3rd tranche of 48,517,200 options (restated) was granted to employees of the Group of which 14,839,000 options (restated) have lapsed and 1,620,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$2.34 (restated) per Share and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 19 April 2013 shall lapse.

In March 2009, the 4th tranche of 22,288,000 options (restated) was granted to employees of the Group, of which 14,612,000 options (restated) have been exercised, 3,692,000 options have lapsed and 888,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$1.72 (restated) per Share and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2012 shall lapse.

In March 2010, the 5th tranche of 36,898,000 options was granted to employees of the Group of which 2,571,000 options have lapsed and 888,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.55 per Share and the option holders may exercise the options between 1 April 2013 and 31 March 2014, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2014 shall lapse.

In March 2011, the 6th tranche of 23,718,000 options was granted to employees of the Group of which 1,339,000 options have lapsed and 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$6.44 per Share and the option holders may exercise the options between 1 April 2014 and 31 March 2015, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2015 shall lapse.

Final dividend

At the meeting of the Board held on 27 February 2012, the Directors proposed to declare a 2011 final cash dividend of 5.0 HK cents for each Share. Shareholder will be given an option to receive the final dividend in cash or in lieu of cash by scrip dividend (the "**Scrip Dividend Arrangement**"). The Scrip Dividend Arrangement is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the Shares to be allotted and issued under the Scrip Dividend Arrangement.

Together with the interim cash dividend of HK$400.0 million for 2011, the total dividend paid and payable represent a dividend pay-out ratio of 46.2%. The Directors believe that this dividend level is appropriate in reflecting the operating results of Group in 2011.

Treasury policies and exposure to fluctuation in exchange rates

The Group's transactions are mainly denominated in Renminbi, United States dollars, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities situated at China. As of 31 December 2011, the Group's bank borrowings were denominated in US dollars and Hong Kong dollars bearing interest rates ranging from 1.27% to 1.48% per annum. As the currencies of the Group's borrowings are generally the same as the Group's transactional currencies, the Directors consider that the Group's exposure to foreign exchange fluctuations was minimal. The Group did not experience any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in 2011.

AUDIT COMMITTEE OF THE BOARD

The Company has established an audit committee, comprising three independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and advice to the Board. The audit committee has reviewed the audited consolidated financial statements of the Group for the financial year ended 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code for the financial year ended 31 December 2011.

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

The Company allotted and issued 100,000,000 Shares in June 2011 by way of placement, and raised gross proceeds of HK$835.0 million to provide the Group with additional funds for its business expansion and general working capital purposes.

In August 2011, the Company allotted and issued 47,359,724 shares by way of scrip dividend in lieu of cash dividend of HK$0.11. The excessive balance over the par value of the Shares has been credited to the share premium account.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2011.

PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS

This announcement is published on the websites of the Stock Exchange and the Company.

The annual report of the Company for the financial year ended 31 December 2011 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

Figures in preliminary announcement agreed by Auditor

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong ("**PwC HK**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**Annual General Meeting**") will be held on or before Friday, 29 June 2012. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders on or about Monday, 30 April 2012.

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

Hong Kong, 27 February 2012

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