

DEAR SHAREHOLDERS

On behalf of the board (the "Board") of directors (the "Directors") of Xinyi Glass Holdings Limited (the "Company"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2006.

Compared with 2005, our turnover grew significantly by approximately 40.0% to approximately HK\$1,933.2 million in 2006. Our net profit attributable to equity holders of the Company also had remarkable growth, by approximately 49.3%, to approximately HK\$388.2 million in 2006. Basic earnings per share were 24.6 HK cents, compared with 17.3 HK cents last year.

We are very pleased with the results of the Group. We therefore intend to propose payment of a final dividend of 7.0 HK cents per ordinary share of the Company (the "Share") at the forthcoming annual general meeting (the "Annual General Meeting") for your approval.

I present below an overview of the business of the Group during 2006 and key development highlights for the coming year.

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After a very successful initial public offering on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 February 2005, the Company mounted another fundraising exercise. It issued 4.0% of new Shares with gross proceeds in aggregate of approximately HK\$191.3 million on 6 June 2006 to further broaden its shareholder base. This additional fund raised was principally used for building our photovoltaic glass capacity of phase II of our Dongguan Production Complex.

During the year, all our different business segments reported growth, with automobile glass business in the lead. Accounting for 63.6% of the Group's total turnover, the segment's turnover grew remarkably by approximately 24.1% to approximately HK\$1,229.3 million thanks to the substantial increase in sales of automobile glass products to overseas markets, such as North America and Europe.

Our construction glass business also continued to experience significant growth, with turnover increased by approximately 27.8% to approximately HK\$498.0 million. This was the result of our efforts to promote environmentally friendly and energy saving low emission coated glass products advocated in the "Eleventh Five Years Plan" of China. We believe low emission coated glass will find more applications and gain popularity in the foreseeable future. The Company is well prepared to expand the production capacity for the products and claim leadership in this segment.

The Group has completed the business plans outlined in its prospectus dated 24 January 2005. They included a 700-tonne high quality float glass production line and another 500-tonne high quality float glass production line that commenced commercial production in the second quarter and third quarter of 2006 respectively.

With the new high quality float glass production lines launched during the year, we have completed vertical integration of our glass manufacturing operation. Apart from having an improved cost structure, supply chain and product mix, the Company now has the ability and techniques to develop new products and markets. Capturing business in the re-bouncing market, the new high quality float glass business was an important growth driver of the Group during the year.

OUR FUTURE: ENVIRONMENTALLY FRIENDLY AND ENERGY SAVING MATERIAL

With the living standard in China improving and conventional energy resources dwindling, people have become more aware of the need to protect the environment and conserve energy. Governments of many countries including China are stepping up education on environmental protection or even subsidizing their nationals on related pursuits.

Low emission coated glass manufactured by high quality float glass are materials that are environmentally friendly and can help to save energy. We expect the markets to grow rapidly as demand continues to surge. The Company plans to expand its high quality float glass and low emission operations in strategic locations in China, such as the Pearl River Delta and Yangtze River Delta regions.

We will build a new research and development ("R&D") centre to accelerate deployment of new products. Our strong R&D team has provided and will continue to provide us with innovative ideas on applications of our high quality float glass and low emission coated glass with market leading potential.

OPTIMISING PRODUCTION EFFICIENCY AND PRODUCT QUALITY

We are able to enhance production efficiency now that we have achieved vertical integration of our production process. The high quality float glass production lines which commenced operation during the year have given us direct control over the quality of our principal raw materials and associated production costs, and a stable supply chain. With these advantages, we can maintain optimum production efficiency and improve our profit margin.

Apart from developing new products and new product applications, our R&D team is also entrusted with the responsibility of exploring ways to help the Group to maximise production efficiency and improve product quality. Its strong expertise will help the Group to maintain its competitive strengths in product development and production.

STRONG INDUSTRY DEMAND TO FUEL GROWTH

China is one of the largest economies and fastest growing markets in the world. The staging of the Olympic Games in Beijing in 2008 and the World Expo in Shanghai in 2010, continuous urbanization and the rising living standards of the Chinese people are all factors conducive to the fast growth of China's automobile industry and construction industry, both are main consumers of glass products. In the light of these developments, the Group expects to see growing demand for our high quality environmentally friendly and energy saving glass products in the future.

To lower cost without compromising production quality, more and more overseas enterprises including glass manufacturers are closing down their local production facilities and turning to outsourcing production to manufacturers in China – the World's Factory. The Group will take advantage of its leadership in the China market to ride on the growing outsourcing trend as well as the high growth glass industry to maximize gains.

CONCLUSION

We have every reason to be optimistic about our development in the future. We will continue to adhere to our proven business strategies and strive to maintain our leadership in the glass industry. These efforts will enable us to expand our market share.

I would like to take this opportunity to thank all fellow Board members for their continuous, strong support to the Group in 2006. I would also like to thank our senior management team, our staff, business partners and customers for their valuable contributions to our success during the year.

LEE Yin Yee

Chairman

30 March 2007