信義玻璃控股有限公司
XINYI GLASS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 0868)

2007
Annual Report

Contents

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee (Chairman) ø~<
Mr. TUNG Ching Bor (Vice Chairman)
Mr. TUNG Ching Sai (Chief Executive Officer) ø<
Mr. LEE Shing Put
Mr. LEE Yau Ching
Mr. LI Man Yin

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu # * ø +<
Mr. WONG Chat Chor Samuel # ø<
Mr. WONG Ying Wai, S.B.S., JP # ø<

* Chairman of audit committee
\# Members of audit committee
\+ Chairman of remuneration committee
ø Members of remuneration committee
~ Chairman of nomination committee
< Members of nomination committee

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. LAU Sik Yuen, *HKICPA, AICPA*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

95-99 Fuk Hi Street, Yuen Long Industrial Estate
Yuen Long, New Territories
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire, Sanders & Dempsey
Room 4008, 40/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers, Certified Public Accountants
22nd Floor, Prince's Building, Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank, N.A., Hong Kong Branch
Hang Seng Bank Limited
KBC Bank N.V., Hong Kong Branch
Sumitomo Mitsui Banking Corporation, Hong Kong Branch
Bank of China, Shenzhen Branch
Bank of Communications, Shenzhen Branch
Industrial and Commercial Bank of China, Shenzhen Branch
Bank of Communications, Dongguan Branch
Bank of Communications, Wuhu Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Corporate Services (Cayman) Limited
P. O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.xinyiglass.com

SHARE INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares (the **"Shares"**)
Financial year end: 31 December
Share price as at the date of this annual report: HK$5.33
Market capitalisation as at the date of this annual report: Approximately HK$8,991 million

KEY DATES

Closure of register of members: 21 May 2008 to 26 May 2008 *(both days inclusive)*
Date of Annual General Meeting: 26 May 2008
Proposed date of payment of final dividend: 3 June 2008

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 2007.

In comparison with 2006, our Group's turnover grew significantly, up by approximately 43.5% to roughly HK$2,774.6 million in 2007. Our net profit attributable to equity holders of the Company also showed remarkable growth, by around 72.8%, to approximately HK$670.9 million in 2007. Basic earnings per share were 41.1 HK cents, compared with 24.6 HK cents last year.

We are highly pleased with the results achieved by the Group and therefore propose payment of a final dividend of 10.0 HK cents per ordinary share upon approval at the forthcoming Annual General Meeting.

I present below an overview of the business of the Group during 2007 and key development highlights for the coming year.

A YEAR OF CHALLENGES AND OPPORTUNITIES

During the year, all our different business segments reported strong growth, with automobile glass and float glass business spearheading the lead. Turnover from the automobile glass business grew by approximately 39.7% to around HK$1,716.8 million, which accounted for roughly 61.9% of the Group's total turnover. This was mainly attributed to a substantial increase in sales of automobile glass products to overseas markets, such as North America and Europe. The float glass business' turnover grew significantly by approximately 139.0% to the region of HK$491.9 million which accounted for roughly 17.7% of the Group's total turnover. Such strong demand was largely driven by overseas and South China markets, as well as an increase in our float glass capacity. The gross profit margin rose from approximately 36.2% to around 38.6% while the net profit margin climbed from roughly 20.1% to approximately 24.2%.

2007 was a year of challenges. The industry faced difficulties arising from the Renminbi's appreciation, reduction of export tax rebate, weakening of the US economy, and escalating fuel and raw material costs. The Group nevertheless achieved remarkable growth by leveraging economies of scale and flexible management strategies.

APPRECIATION OF RENMINBI – INCREASE IN CHINA SALES RATIO

Although the Renminbi appreciated by approximately 6.0% in 2007, our Group derived approximately 43.6% of its Renminbi from local income to settle such expenses. Other foreign currency incomes were mainly used to settle expenses where such costs were handled using the US dollar, Euro or Hong Kong dollar. By using the Hong Kong dollar as the reporting and functional currency in our consolidated financial statements, this "natural hedging" arrangement allowed us to minimize foreign exchange risk. Accordingly, our Group managed to achieve solid growth despite appreciation of the Renminbi which commenced in July 2005.

REDUCTION OF EXPORT TAX REBATE, WEAKENING OF US ECONOMY, EXPLORATION OF EXPORT SALES CHANNELS

In July 2007, China reduced its export tax rebate on all glass products to 5.0%. All sectors of the glass industry were affected by this new tax policy. Consequently, with the support of our overseas customers, our Group increased the selling price of all export glass products. Overseas revenue duly increased by approximately 47.9% in 2007 with overall gross margin increasing to roughly 38.6%. This underlined our Group's ability to overcome the obstacle posed by the export tax rebate reduction.

The US economy was weakened by the sub-prime rate issue which began last year; significantly impacting on the housing and new car markets. However, as our automobile glass sales to North America are aimed at the aftermarket sector, serving the purpose of replacement due to breakage by daily driving, the weakened economy had minimal impact on our business. Sales in North America actually grew by approximately 28.1% during the year.

The Group continues to explore other overseas markets. In 2007, our revenue generated from the European market increased by approximately 132.1% to roughly HK$286.7 million. Other overseas markets also increased by around 57.6% to approximately HK$435.4 million.

IMPROVED PRODUCTIVITY AND ECONOMIES OF SCALE HELP TO MITIGATE ENERGY AND MATERIAL COST PRESSURES

Since the fourth quarter of 2007, the selling price of "heavy oil" – the fuel for float glass production, and "soda ash", a key raw material, have risen appreciably in price. However, with our strong experience in operations management combined with improvements in production flow, the Group enhanced its productivity and yield rate to combat the overall production and energy cost rises. The Group's float glass capacity duly increased from 1,200 daily melting tons – achieved early in the year – to 2,600 daily melting tons by year end. The new ultra clear glass production line also provided the Group with additional capacity of 300 melting tons per day. This increase in economies of scale enhanced the Group's purchasing power, decreased the average heavy oil consumption rate and reduced the fixed cost per unit.

EXPANDED SHAREHOLDER BASE AND STRENGTHENED INFRASTRUCTURE

In September 2007, the Group placed 128,372,960 new ordinary shares on the market to broaden our shareholders base. This further improved our ordinary share liquidity in the equity market. Proceeds of approximately HK$1,324.8 million earned from the placement were partly used to acquire 100% shareholding of "Shenzhen CS Automobile Glass Company Limited", the third largest automobile glass exporter in China. Remaining funds were directed towards financing the second phase of our float glass facilities in Dongguan, purchasing low-emission coating glass equipment, and to strengthen the Group's cash position.

OUTLOOK FOR 2008

In the coming year, we will continue to strengthen our operations management capabilities, thus fully armed to tackle new challenges ahead. Observing China's economic policies and new construction energy saving standard, we will look towards establishing new production complexes in the Pearl River Delta and Yangtze River Delta regions. As well, we will mainly develop environmental friendly and energy efficient glass products to meet the strong market demand for low-emission coating glass and double glazing insulated glass that is expected.

Ultra clear glass, which is mainly used for photovoltaic power systems, successfully commenced commercial production in January 2008, earning strong support from the market. The development of this renewable energy related product will be our main focus in the future.

From 2008, the Group expects more than 50% of our total revenue will be derived from China. Revenue will be collected in major international currencies based on different economic zones. This can thereby minimize foreign exchange risk from US dollar settlements.

CONCLUSION

The Group proactively and aggressively tackles challenges in different business environments, consequently reaping benefits from opportunities that arise. Remaining optimistic about our future development, we will continue to adhere to business strategies that have proven to be highly successful. Striving to maintain our lead position, our efforts will enable the Group to further expand its presence in the worldwide glass market.

I would like to take this opportunity to thank fellow Board members for their continuous and strong support in 2007. I would also like to thank our senior management team, staff, business partners and customers for their valuable contributions to our success during the year.

LEE Yin Yee
Chairman
31 March 2008

INTRODUCTION

The Group produces and sells a variety of glass products, ranging from automobile glass, construction glass, float glass, ultra clear glass and other glass products for decorative and commercial applications. The Group has production facilities in Shenzhen, Dongguan, Wuhu and Tianjin in China. According to the "China Trade Information" report, a monthly research report issued by Goodwill China Business Information Ltd., the Group has been the largest Chinese exporter of automobile glass products since 2004 in terms of export volume. In addition to glass products, the Group also produces automobile rubber and plastic components that are sold together with our automobile glass products. The Group also undertakes construction projects in China that involve principally installation of glass curtain walls.

Founded in Hong Kong in 1989, the Group today sells its automobile glass products to customers in over 100 countries and territories, including China, Hong Kong, the United States, Canada, Australia, New Zealand, the Middle East, Europe, Africa and Central and South America. Its customers include companies in different businesses, including automobile glass manufacturing, glass wholesale and distribution, automobile repair, motor vehicle manufacturing, construction and furniture and household appliances manufacturing.

BUSINESS REVIEW

The Group achieved significant business growth for the financial year ended 31 December 2007. Our sales and net profit attributable to equity holders of the Company reached approximately HK$2,774.6 million and approximately HK$670.9 million, respectively, representing a year-on-year increase of approximately 43.5% and approximately 72.8%, as compared to approximately HK$1,933.2 million and approximately HK$388.2 million for the financial year ended 31 December 2006. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 36.0% and 34.5%, respectively, for the five years ended 31 December 2007.

Our major construction glass products "low-emission coated glass" continued to be one of our most popular products in 2007. Its environmentally friendly and energy saving capability are generally consistent with the policy objectives outlined in "Eleventh Five Years Plan" of China. In order to capture this high growth business opportunity, the second low-emission coating glass production line has installed and commenced its operation in Tianjin production complex in February 2008 and the third low-emission coating glass production line will be installed in April 2008 and commenced its operation in Dongguan production complex in September 2008.

The third high quality float glass production line with 500-ton daily melting rate started commercial production in the third quarter of 2007, and the forth one of 900-ton daily melting rate started commercial run in the end of 2007. The addition of the new production lines are capable of high yields and made the high quality float glass operation became a major growth driver of our business of the year.

OPERATIONAL REVIEW

SALES

Our sales increased by approximately 43.5% for the financial year ended 31 December 2007, as compared with that for the financial year ended 31 December 2006. The increase was principally due to the substantial growth of our float glass and construction glass sales in China and automobile glass export sales to countries in North America and Europe. In addition, the improved sales performance was also attributable to the new products launched during the year and new customers and orders resulting from our business development efforts.

The tables below show the analysis of our sales by products and by geographical regions:

	Financial year ended 31 December			
	2007		2006	
	HK$'000	%	*HK$'000*	%
Sales				
Automobile glass products *(Note 1)*	**1,716,803**	**61.9**	1,229,330	63.6
Construction glass products *(Note 2)*	**565,949**	**20.4**	498,038	25.8
Float glass products	**491,872**	**17.7**	205,805	10.6
	2,774,624	**100.0**	1,933,173	100.0

Notes:

(1) Included sales derived from the sales of automobile glass and complementary automobile rubber and plastic components on original equipment manufacturing ("OEM") and aftermarket basis.

(2) Included sales derived from the sales of architectural glass products, furniture glass products and construction fee income received from curtain wall construction projects.

	Financial year ended 31 December			
	2007		2006	
	HK$'000	%	*HK$'000*	%
Sales				
Greater China *(Note (a))*	**1,208,344**	**43.6**	874,284	45.2
North America	**844,129**	**30.4**	659,043	34.1
Europe	**286,733**	**10.3**	123,558	6.4
Others *(Note (b))*	**435,418**	**15.7**	276,288	14.3
	2,774,624	**100.0**	1,933,173	100.0

Notes:

(a) Greater China included China, Hong Kong and Taiwan.

(b) Other countries included countries in Australia, New Zealand, Africa, the Middle East and South America.

COST OF SALES

Alongside growth in sales, our cost of sales for the financial year ended 31 December 2007 was approximately HK$1,702.3 million, representing an increase of approximately 38.1%, as compared with that for the financial year ended 31 December 2006.

GROSS PROFIT

Our gross profit for the financial year ended 31 December 2007 was approximately HK$1,072.4 million, representing an increase of approximately 53.2% as compared with that for the financial year ended 31 December 2006. Overall gross profit margin increased from approximately 36.2% to approximately 38.6%, attributable to enhanced cost control, improved product mix and better pricing of new products.

OTHER GAINS

Our other gains totaled approximately HK$57.0 million for the financial year ended 31 December 2007, as compared to approximately HK$10.2 million for the financial year ended 31 December 2006. The increase of 458.8% was mainly represented the net gain on disposal of other financial assets at fair value through profit or loss and gain on disposal of property, plant and equipment during the year.

SELLING AND MARKETING COSTS

Our selling and marketing costs increased by approximately 35.6% to approximately HK$286.5 million for the financial year ended 31 December 2007. The increase was principally due to the increase in other selling expenses from approximately HK$122.9 million in 2006 to approximately HK$171.1 million in 2007, as we were required by some of our new customers to bear transportation costs and the increase in international sea freight rates in relation to shipment. Advertising costs also increased as a result of the Group spending more on exploring new markets and promoting new products such as our low-emission coated glass and float glass products in Greater China and other countries and territories.

ADMINISTRATIVE EXPENSES

Our administrative expenses slightly increased by approximately 22.0% to approximately HK$135.1 million for the financial year ended 31 December 2007, attributable principally by an increase in employee benefit expense of approximately HK$17.5 million for the financial year ended 31 December 2007.

FINANCE COSTS

Our finance cost increased by approximately 192.7% to approximately HK$33.8 million for the financial year ended 31 December 2007. The increase was principally due to an increase in bank borrowings for use as working capital and capital expenditures of new operations. Some of the interest costs were incurred and capitalised in relation to the acquisition of plant and machinery at our production complex in Dongguan, but they were expensed when the new production lines commenced commercial operation. Interest expenses of HK$3.1 million were capitalised under construction-in-progress for the financial year ended 31 December 2007.

TAXATION

Our income tax expense amounted to approximately HK$30.2 million for the financial year ended 31 December 2007. Our effective tax rate maintained similar range from approximately 4.0% to approximately 4.3% for the financial year ended 31 December 2007, which was mainly due to the tax exemptions enjoyed by our operating subsidiaries in China.

EBITDA AND NET PROFIT FOR THE YEAR

During the financial year ended 31 December 2007, the Company's EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) reached approximately HK$877.8 million, representing an increase of approximately 71.2%, as compared to approximately HK$512.9 million for the financial year ended 31 December 2006. The Company's EBITDA margin, calculated based on turnover, for the financial year, was approximately 31.6%, as compared to approximately 26.5% for the financial year ended 31 December 2006.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2007 was approximately HK$670.9 million, representing an increase of approximately 72.8%, as compared to approximately HK$388.2 million for the financial year ended 31 December 2006. Net profit margin increased from approximately 20.1% for the financial year ended 31 December 2006 to approximately 24.2% for the financial year ended 31 December 2007 as a result of improved cost efficiency, better product mix and commencement of the new float glass operation.

DIVIDENDS

We proposed to declare a final dividend of 10.0 HK cents per share for the financial year ended 31 December 2007. That together with the interim dividends of HK$144.4 million for the year already distributed represented a dividend pay out ratio of approximately 46.7%. The Directors believe that this dividend level is appropriate in reflecting the substantial improvement in overall performance of the Group for the financial year ended 31 December 2007 as compared with the financial year ended 31 December 2006.

CURRENT RATIO

Our current ratio for the financial year ended 31 December 2007 was approximately 1.5, as compared to approximately 1.3 in the year 2006. The increase was a result of improved cash and accounts receivable management.

NET CURRENT ASSETS

As at 31 December 2007, we had net current assets of approximately HK$494.4 million, as compared to approximately HK$270.5 million as at 31 December 2006. The Group was in a better financial position and had more cash on hand for the financial year ended 31 December 2007 than that in the previous year.

FINANCIAL RESOURCES AND LIQUIDITY

During the financial year ended 31 December 2007, our primary sources of funding included cash generated from operating activities, credit facilities provided by our principal banks in Hong Kong and China and issuing of new Shares with gross proceeds in aggregate of approximately HK$1,324.8 million in September 2007. Net cash inflow from operating activities amounted to approximately HK$440.0 million (2006: HK$365.6 million), as a result of working capital management generating a net cash surplus from operations. As at 31 December 2007, we had bank balances and cash of approximately HK$316.2 million (2006: HK$172.8 million).

As at 31 December 2007, we had bank loans totaling approximately HK$683.6 million, representing an increase of approximately 64.9% over that as at 31 December 2006. The rise was principally due to the increased capital expenditures for the year.

Our net debt gearing ratio as at 31 December 2007, calculated by dividing the net bank debt by the total equity of the Group as at 31 December 2007, was approximately 9.1%, slightly lower than the approximately 10.8% as at 31 December 2006.

PLEDGE OF ASSETS

As at 31 December 2007, bank balance of approximately HK$6.7 million were pledged as collateral for banking facilities.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Our business transactions are mainly denominated in Renminbi, U.S. dollar, Euro and Hong Kong dollar with operations mainly in Hong Kong and China. As at 31 December 2007, our bank borrowings were denominated in Renminbi, U.S. dollar and Hong Kong dollar with effective interest bearing at the rates at the balance date were 5.5%, 7.2% and 4.2% per annum respectively. Our exposure to foreign exchange fluctuations was minimal and we have not experienced any material difficulties resulting from exchange rate fluctuations that had affected our operations or liquidity. We may use financial instrument for hedging purpose when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2007, we had 7,338 full-time employees of whom 7,221 were based in Greater China and 117 were based in other countries. We maintain good relationship with our employees. We provide staff training on business knowledge including information on the applications of our products and skills in maintaining good client relationship. Remuneration packages offered to our staff are in line with prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group's performance and performance of the individual employee.

Pursuant to the applicable laws and regulations, we participated in relevant defined contribution retirement schemes administrated by the relevant Chinese government authorities for our staff employed in China. For our employees in Hong Kong, we have made 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).

We also adopted a share option scheme on 18 January 2005 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of our operations. The Directors may at their discretion, invite any employees or Directors and other eligible persons as set out in the scheme, to participate in the scheme.

As at the date of this report, the first batch of 8,520,000 options had been granted to employees of the Group, of which 718,000 options were lapsed, 538,500 options were exercised, and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$2.15 and the option holders may exercise the options between 27 January 2008 and 26 January 2009, provided that the holders are employees of the Group during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 26 January 2009, the un-exercised options outstanding shall lapse and the holders shall not be entitled to exercise the outstanding options to subscribe for any Shares.

The second batch of 13,552,000 options had been granted to employees of the Group, of which 608,000 were lapsed, and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$6.98 and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 30 June 2011, the un-exercised options outstanding shall lapse and the holders shall not be entitled to exercise the outstanding options to subscribe for any Shares.

BUSINESS OUTLOOK

Globalization is the predominant trend in the world market. We notice that there are many overseas customers outsourcing their production of different glass products to us. We also anticipate the continuous growth in demand for automobile glass, construction glass, float glass and ultra clear glass in coming years. The demand for environmentally friendly and energy saving products will continue to grow, especially in China. With the country's "Eleventh Five Years Plan" advocating environmental protection and energy conservation, demand for our low-emission coated glass products is expected to soar.

We will continue to expand our product mix, such as Solar X for automobile glass, low-emission coated glass for construction glass, photovoltaic glass for solar energy system and special high quality float glass to capture the anticipated growth in demands. We will also invest in research and development to help us enhance cost efficiency and develop new products.

In light of a promising market, we will closely monitor appropriate opportunities for mergers and acquisitions to expand our business, vertically or horizontally and enjoy synergistic benefits.

DIRECTORS

EXECUTIVE DIRECTORS

LEE Yin Yee(李賢義), aged 55, is our Chairman and founder, responsible for our Group's business strategy. Mr. LEE Yin Yee has 19 years' experience in the automobile glass industry. Prior to establishing our Group, Mr. LEE Yin Yee was involved in the trading of automobile parts. Mr. LEE Yin Yee is a committee member of The Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in China. Mr. LEE Yin Yee was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Mr. LEE Yin Yee is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Mr. LEE Yin Yee is the father of Mr. LEE Shing Put, our executive Director. Mr. LEE Yin Yee is also the brother-in-law of Mr. TUNG Ching Bor, our vice-chairman and executive Director, and brother-in-law of Mr. TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. LEE Yau Ching, our executive Director. Mr. LEE Yin Yee was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. LEE Yin Yee has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LEE Yin Yee has not held any directorship in other publicly listed companies in the last three years.

TUNG Ching Bor(董清波), aged 45, is our vice-chairman and chief purchasing officer, responsible for managing our daily operations and overseeing our purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 14 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Chinese People's Political Consultative Conference Nanping Committee of Fujian Province. Mr. TUNG Ching Bor is the brother-in-law of Mr. LEE Yin Yee, brother of Mr. TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. LEE Shing Put, our executive director. Mr. TUNG Ching Bor was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. TUNG Ching Bor has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. TUNG Ching Bor has not held any directorship in other publicly listed companies in the last three years.

TUNG Ching Sai(董清世), aged 42, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for 19 years since our inception in November 1988 and is responsible for overseeing our daily operations. Mr. TUNG Ching Sai is also a committee member of The Chinese People's Political Consultative Conference of Fujian Province, a committee member of The Chinese People's Political Consultative Conference Nanping Committee of Fujian Province, the Chairman of the Shenzhen Federation of Young Entrepreneurs, vice president of The Automobile Association of Shenzhen and the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur. Mr. TUNG graduated from the Sun Yat-Sen University with a executive master degree of business administration. Mr. TUNG Ching Sai is the brother-in-law of Mr. LEE Yin Yee, brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Put, our executive director. Mr. TUNG Ching Sai was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. TUNG Ching Sai has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. TUNG Ching Sai has not held any directorship in other publicly listed companies in the last three years.

LEE Shing Put(李聖潑), aged 31, is our executive Director. Mr. LEE Shing Put was the general manager of Xinyi Plastics Products (Shenzhen) Development Co., Ltd. Prior to joining us in June 2004, Mr. LEE Shing Put had been engaged in information technology and investment businesses in Hong Kong and China since 1999. Mr. LEE Shing Put graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, cousin of Mr. LEE Yau Ching, and nephew of Mr. TUNG Ching Sai and Mr. TUNG Ching Bor. Mr. LEE Shing Put was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. LEE Shing Put has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LEE Shing Put has not held any directorship in other publicly listed companies in the last three years.

LEE Yau Ching（李友情）, aged 32, is our executive Director and chief operations officer. Mr. LEE Yau Ching is responsible for planning our overall operations strategy and overseeing Group's operations. Mr. LEE Yau Ching is also the general manager of both YiDe Glass (Shenzhen) Co., Ltd. and Xinyi Glass Technology (Shenzhen) Co., Ltd. Mr. LEE Yau Ching joined us in June 1999. Mr. LEE Yau Ching graduated from the Hong Kong University of Science and Technology in 1999 with a bachelor degree in business administration majoring in finance. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling Shareholders (as such term is defined under the Listing Rules) and a nephew of Mr. LEE Yin Yee and a cousin of Mr. LEE Shing Put. Mr. LEE Yau Ching was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. LEE Yau Ching has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LEE Yau Ching has not held any directorship in other publicly listed companies in the last three years.

LI Man Yin（李文演）, aged 53, is our executive Director and has joined us since July 1999. Mr. LI Man Yin is the assistant general manager of Xinyi Automobile Glass (Shenzhen) Co., Ltd. Prior to joining us, Mr. LI Man Yin has worked at a local transportation service company in China handling retail sales, and also in the trading of automobile parts industry. Mr. LI Man Yin was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. LI Man Yin has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Man Yin has not held any directorship in other publicly listed companies in the last three years.

NON-EXECUTIVE DIRECTORS

LI Ching Wai（李清懷）, aged 50, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. LI Ching Wai has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Wai has not held any directorship in other publicly listed companies in the last three years.

SZE Nang Sze（施能獅）, aged 50, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. SZE Nang Sze has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. SZE Nang Sze has not held any directorship in other publicly listed companies in the last three years.

LI Ching Leung（李清涼）, aged 52, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu production complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005. Save as disclosed above, Mr. LI Ching Leung has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Leung has not held any directorship in other publicly listed companies in the last three years.

NG Ngan Ho（吳銀河）, aged 43, is our non-executive Director and has joined us since August 2003. Mr. NG Ngan Ho was responsible for overseeing the financial and purchasing matters of our Dongguan production complex. Mr. NG Ngan Ho was appointed as our executive Director on 25 June 2004 and was re-designated as non-executive Director on 1 July 2007. Save as disclosed above, Mr. NG Ngan Ho has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. NG Ngan Ho has not held any directorship in other publicly listed companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Kwong Siu（林廣兆）, aged 74, is the vice chairman of BOC International Holdings Limited, the chairman of the board of Hong Kong Federation of Fujian Association, the chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the vice chairman of the Chinese General Chamber of Commerce and treasurer of the Hong Kong Chinese Enterprises Association, and thus has the appropriate professional expertise required under Rule 3.10(2) of the Listing Rules. Mr. LAM Kwong Siu has also been the non-executive director of CITIC International Financial Holdings Limited since September 1996, BOC International Holdings Limited since October 2001, CITIC Ka Wah Bank Limited since January 2002, BOCI Capital Limited since July 2002, China Overseas Land & Investment Limited since September 2003 and Fujian Holdings Limited since December 2003. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was the non-executive director of Anada Wing On Travel Holdings Limited (now known as Wing On Travel (Holdings) Limited), Henderson China Holdings Limited and Lai Fung Holdings Limited. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. CITIC International Financial Holdings Limited, China Overseas Land & Investment Limited, Fujian Holdings Limited, Anada Wing On Travel Holdings Limited (now known as Wing On Travel (Holdings) Limited) and Lai Fung Holdings Limited are companies whose shares are being listed on the Stock Exchange. Save as disclosed above, Mr. LAM Kwong Siu has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company, Save as disclosed above, Mr. LAM Kwong Siu has not held any directorship in other publicly listed companies in the last three years.

WONG Chat Chor Samuel（王則左）, aged 58, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, a member of the Consultative Committee of the Hong Kong International Arbitration Center, the president of the Hong Kong Institute of Arbitrators 2002 and 2003, a member of the International Chamber of Commerce ("**ICC**") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Dalian, Tsingdao, Guangzhou, Suzhou and Huizhou of China. In addition, Mr. WONG Chat Chor Samuel is also a director of Nan Fung (Singapore) Pte Limited and the chairman of the BPC Group of Companies, Malaysia. Mr. WONG Chat Chor Samuel is also a member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, China. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degrees in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004. Save as disclosed above, Mr. WONG Chat Chor Samuel has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company, Save as disclosed above, Mr. WONG Chat Chor Samuel has not held any directorship in other publicly listed companies in the last three years.

WONG Ying-wai Wilfred, S.B.S., JP（王英偉）, aged 55, is the executive vice chairman and chief executive officer of Mission Hills Group. Mr. WONG is also the executive director and the deputy chairman of the board of the Hsin Chong Construction Group Limited. Prior to joining Mission Hills Group, Mr. Wong held several senior positions in both the public and private sectors. Mr. WONG Ying-wai, S.B.S., JP was the deputy chief executive of K. Wah International Limited. In 1998, Mr. WONG was appointed as the managing director of Henderson China Holdings Limited. Mr. WONG joined Shui On Holdings Limited in September 2000 as the group's vice-chairman and was the executive director, vice chairman and chief operating officer of Shui On Land Limited during the period between February 2004 and May 2007 Mr. WONG was formerly the vice chairman of Shui On Construction and Materials Limited and an executive director of Shui On Company Limited. Mr. WONG was also a non-executive director of CIG Yangtze Ports PLC during the period between November 2003 and May 2006.

Since 1997, Mr. WONG Ying-wai, S.B.S., JP has served as a Deputy to the National People's Congress of the PRC, having been elected three times consecutively in 1997, 2002 and 2008. Mr. WONG is the chairman of the HKSAR Social Welfare Advisory Committee; chairman of the Court and Council of the Hong Kong Baptist University; chairman of the Hong Kong International Film Festival Society Limited; board member of the HKSAR Airport Authority and the Hong Kong Tourism Board; member of the HKSAR Film Development Council and Family Council. Mr. WONG graduated with a bachelor of social sciences degree from the University of Hong Kong, majoring in economics and accounting. Mr. WONG completed a post-graduate programme in administrative development at Oxford University and obtained a diploma in management from The Chinese University of Hong Kong. Mr. WONG also holds a master's degree in public administration from Harvard University. Mr. WONG has been appointed as our independent non-executive Director with effect from 1 November 2007. Shui On Land Limited, Shui On Construction and Materials Limited, CIG Yangtze Ports PLC and Hsin Chong Construction Group Limited are companies whose shares are being listed on the Stock Exchange. Save as disclosed above, Mr. WONG Ying-wai, S.B.S., JP has no relationship with any directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. WONG Ying-wai, S.B.S., JP has not held any directorship in other publicly listed companies in the last three years.

SENIOR MANAGEMENT

William CHEN（陳未遠）, aged 77, is our senior float glass technology consultant and has joined our Group since March 2003. Prior to joining our Group, Mr. William CHEN had worked in the glass technology industry for over 35 years. Mr. William CHEN was granted a special subsidy by the State Council in 1991 for his contribution to glass engineering technology.

CHEN Shao Yi（陳紹義）, aged 51, is our vice president and has joined our Group since April 2001. Prior to joining our Group, Mr. CHEN Shao Yi worked at an automobile rubber and plastic components manufacturing company in China. Mr. CHEN Shao Yi graduated from Qingdao Institute of Chemical Technology in 1987 with a bachelor degree in rubber and plastic engineering, and is also qualified as a senior engineer.

YANG Jian Jun(楊建軍), aged 47, is our director of research and development centre. Prior to joining our Group in May 2006, Mr. YANG Jian Jun was the director of the China National Safety Glass and Quartz Glass Testing Centre which is under the Glass Research Institute of China Building Materials Academy. Mr. YANG Jian Jun has over eighteen years' experience in glass and building materials research, quality management and testing. Mr. YANG Jian Jun graduated from Eastern China University of Science and Technology in 1982 with a bachelor degree in glass science and graduated from Beijing Aeronautics and Aviation University in 2003 with a master degree in solid mechanics.

Antonio P.K. TAM(譚炳均), aged 56, is our head of international business development, president and a director of Xinyi Glass (North America) Inc. and a director of Xinyi Glass (America) Development Inc. Mr. Antonio P.K. TAM is responsible for planning our development strategy and overseeing our operation in North America. Prior to joining us in January 1997, Mr. Antonio P.K. TAM had more than thirteen years' experience in the trading of glass manufacturing machinery. Mr. Antonio P.K. TAM obtained a bachelor degree in science from The Chinese University of Hong Kong in 1974 and a master degree in science from the University of Rochester, U.S. in 1976.

LAU Sik Yuen(劉錫源), aged 41, is our company secretary, chief financial officer and qualified accountant. Prior to joining our Group in April 2003, Mr. LAU Sik Yuen had over fourteen years' experience in auditing and financial accounting. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for five years, and had been the financial controller of a subsidiary of a company listed on the Main Board for over three years. Mr. LAU Sik Yuen is a member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a certified public accountant in the state of Illinois, U.S.

CHEN Xi (陳曦), aged 50, is responsible for the planning and building of the construction glass operation in our new Jiangmun production complex and joined our Group in March 2003. Mr. CHEN Xi was the general manager of Xinyi Glass Engineering (Dongguan) Co., Ltd . Mr. CHEN Xi graduated from Sichuan Industrial Institute in 1983 and is qualified as a senior mechanical engineer.

ZHANG Ming (張明), aged 47, is the general manager of Xinyi Ultra-thin Glass (Dongguan) Co., Ltd. and is responsible for overseeing and implementing float glass technology and has obtained qualification as a senior engineer. Prior to joining our Group in February 1998, Mr. ZHANG Ming worked at a float glass plant. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics.

ZHA Xuesong (查雪松), aged 36, is the general manager of Xinyi Automobile Glass (Shenzhen) Co., Ltd., overseeing our automobile glass overseas markets and patterned glass domestic and overseas markets. Prior to joining our Group in March 1996, Mr. ZHA Xuesong taught at the Hubei Chinese Medical School for two years, after graduation from Hubei University in 1994 with a bachelor degree in arts. Mr. ZHA Xuesong has completed the course of Postgraduate Certificate in International Laws at Shenzhen University in 2002. Mr. ZHA Xuesong was graduated with an executive master degree of business administration in Peking University in 2007.

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures, to ensure that all business activities and decision-making are properly regulated. During the financial year ended 31 December 2007, the Company complied with the applicable code provisions set forth in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to The Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

BOARD OF DIRECTORS

The Board is responsible for preventing fraud and irregularities, safeguarding the assets of the Group and formulating business strategies for the Group. The Board currently comprises six executive Directors, four non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 13 to 18 of this report.

Six executive Directors comprise Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Put, Mr. LEE Yau Ching and Mr. LI Man Yin. Mr. LEE Yin Yee is the father of Mr. LEE Shing Put, and also the brother-in-law of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai, and the uncle of Mr. LEE Yau Ching. Mr. TUNG Ching Bor is the brother of Mr. TUNG Ching Sai. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, cousin of Mr. LEE Yau Ching and nephew of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai. Mr. LEE Yau Ching is the nephew of Mr. LEE Yin Yee and cousin of Mr. LEE Shing Put. Four non-executive Directors comprise Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho. Three independent non-executive Directors comprise Mr. LAM Kwong Siu, Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. Where vacancies exist at the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with appropriate capabilities at that time.

Mr. LEE Yin Yee is the Chairman of the Group, and Mr. TUNG Ching Sai is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. He ensures that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of the Board and other senior management, he closely monitors the operating and financial results of the Group, identifies the weakness of the operation and takes all necessary and appropriate steps to remedy, and outlines the future business plans and strategies of the Group for the Board's approval.

All four non-executive Directors were appointed for a term of three years, commenced on 1 January 2005. Two of the independent non-executive Directors, Mr. LAM Kwong Siu and Mr. WONG Chat Chor Samuel were appointed for a term of three years, commenced on 3 February 2005. The independent non-executive Director, Mr. WONG Ying Wai, S.B.S., JP was appointed for a term of one year, commenced on 1 November 2007. All of the independent non-executive Directors have satisfied the independence criteria and have made annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set out in Rule 3.13 of the Listing Rules.

During the financial year 2007, the Board held four meetings on 30 March 2007, 11 May 2007, 13 August 2007 and 29 October 2007, respectively, and all Directors had attended these meetings except Mr. LEE Shing Put was absent on 30 March 2007, Mr. WONG Kong Hon was absent on 11 May 2007 and Mr. WONG Chat Chor Samuel was absent on 29 October 2007. At least four Board meetings are scheduled for the financial year 2008.

The Board is responsible for the formulation of the overall strategies and objectives, the monitoring and evaluation of the operating and financial performance, the review of the corporate governance standard, and the supervision of the management of the Group. The management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to information on the Group. Senior management of the Group also provides the Directors from time to time with information on businesses of the Group.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company have made specific enquires with the Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 December 2007.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company has five members, namely Mr. LAM Kwong Siu, Mr. WONG Chat Chor Samuel, Mr. WONG Ying Wai, S.B.S., JP, Mr. LEE Yin Yee and Mr. TUNG Ching Sai. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages and determining the award of bonuses. Its terms of reference are available on request. During the year, a meeting of the Remuneration Committee was held on 29 October 2007 and all the committee members, except Mr. WONG Chat Chor Samuel, attended this meeting.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, Mr. LAM Kwong Siu, Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. Mr. LAM Kwong Siu is the chairman of the Audit Committee. The Audit Committee assists the Board to review the financial reporting process, to evaluate the effectiveness of internal control systems, and to oversee the auditing processes. Its terms of reference are available on request. The audit committee meetings were held on 30 March 2007, 13 August 2007 and 11 December 2007 and all the committee members attended these meetings.

NOMINATION COMMITTEE

The nomination committee of the Company consists of Mr. LEE Yin Yee, Mr. TUNG Ching Sai, Mr. LAM Kwong Siu, Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. The chairman of the nomination committee is Mr. LEE Yin Yee. The nomination committee selects and recommends appropriate condidates, based on his or her prior experience and qualifications, to the Board on the appointment of Directors. Its terms of reference were available on request. The nomination committee was established on 29 October 2007. One nomination committee meeting was held on 31 March 2008 and all the committee members attended this meeting.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 36.

AUDITORS' REMUNERATION

The professional fees charged by the auditors of group companies in respect of the auditing services is disclosed in the notes to the financial statements. The remuneration paid to the auditor of the Group is solely for audit of consolidated financial statements of the Group during the year and amounted to approximately HK$2.5 million.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the audit committee of the Board, the Board has regularly reviewed the effectiveness of risk management and control activities of the Group during the financial year 2007.

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of float glass products, automobile glass products, construction and household glass products and a variety of related products in China. Particulars of the subsidiaries of the Company are set forth in note 10 to the financial statements of the Group in this report.

The analysis of the Group's performance for the financial year by business and geographical segments is set out in note 5 to the financial statements in this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2007 are set out in the consolidated income statement on page 41 in this report. During the financial year, an interim dividend of 9.0 HK cents per Share, amounting to a total of about HK$144.4 million, was paid to shareholders on 7 September 2007.

The Board proposes the payment of a final dividend of 10.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 26 May 2008. Subject to approval of the Directors' recommendation by shareholders at the Annual General Meeting, the final dividend will be paid on 3 June 2008.

The register of members will be closed from Wednesday, 21 May 2008 to Monday, 26 May 2008, both days inclusive, during which period, no transfer of Shares will be registered. In order to qualify for the final dividend, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 20 May 2008.

RESERVES

Details of movements in the reserves of the Group and the Company during the financial year are set out in note 18 to the financial statements in this report.

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" in this report.

INVESTMENT PROPERTIES

During the year, the Group did not acquire any leasehold properties (2006: Nil). Investment properties was transferred from leasehold land and building during the year.

Details of this movements in investment properties during the year are set out in note 8 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the financial statements.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK$73,000 (2006: HK$127,000).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 17 to the financial statements in this report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands as at 31 December 2007, share premium amounting to approximately HK$2,073.3 million (2006: HK$850.8 million) is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2007, the Company had distributable reserves available for distribution to shareholders amounting to approximately HK$175.8 million (2006: HK$112.5 million) other than mentioned above.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders.

DIRECTORS

The Directors during the financial year and up to the date of the report were:

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee *(Chairman)*
Mr. TUNG Ching Bor *(Vice chairman)*
Mr. TUNG Ching Sai *(Chief executive officer)*
Mr. LEE Shing Put
Mr. LEE Yau Ching
Mr. LI Man Yin

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai	
Mr. SZE Nang Sze	
Mr. LI Ching Leung	
Mr. NG Ngan Ho	(re-designated as non- executive Director on 1 July 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu	
Mr. WONG Kong Hon	(deceased on 6 July 2007)
Mr. WONG Chat Chor Samuel	
Mr. WONG Ying Wai, S.B.S., JP	(appointed on 1 November 2007)

In accordance with article 108 of the Company's articles of association, Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai and Mr. LAM Kwong Siu will retire by rotation and being eligible, offer themselves for re-election at the Annual General Meeting.

In accordance with article 112 of the Company's articles of association, Mr. WONG Ying Wai, JP will retire by rotation and being eligible, offer himself for re-election of the Annual General Meeting.

Two of the independent non-executive Directors, Mr. LAM Kwong Siu and Mr. WONG Chat Chor Samuel were appointed for a term of three years, commenced on 3 February 2005. The independent non-executive Director, Mr. WONG Ying Wai, JP was appointed for a term of one year, commenced on 1 November 2007. Their terms shall continue thereafter until terminated by not less than three month's notice in writing served by either party on the other.

The Company received the independent non-executive Directors' confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Company considered all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The Company's policies concerning remuneration of the executive Directors are:-

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package;

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme, as part of their remuneration packag; and

(iv) annual remuneration of HK$250,000.

Each of the non-executive Directors was appointed by the Company for a term of three years, commenced on 1 January 2005. Save for the annual remuneration of HK$250,000 for each non-executive Director, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Two of the independent non-executive Directors, Mr. LAM Kwong Siu and Mr. WONG Chat Chor Samuel were appointed for a term of three years, commenced on 3 February 2005. The independent non-executive Director, Mr. WONG Ying Wai, JP was appointed for a term of one year, commenced on 1 November 2007. Save for the annual remuneration of HK$250,000 for each independent non-executive Director, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM KWONG Siu, Mr. WONG Chat Chor Samuel and Mr. WONG Ying WAI, S.B.S., JP, and their muted agreement with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

SHARE OPTION SCHEME

Pursuant to a written resolution of the Shareholders passed on 18 January 2005, a share option scheme (the "**Share Option Scheme**") was approved and adopted.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants (as defined below) and for such other purposes as the Directors may approve from time to time.

For the purpose of the Share Option Scheme, participants (the "**Participants**") include (i) any employees (whether full-time or part-time) of the Company or any of its subsidiaries, associated companies, jointly controlled entities and related companies from time to time (collectively, the "**Extended Group**"); (ii) any directors (whether executive directors or non-executive directors or independent non-executive directors) of the Extended Group; (iii) customers of the Extended Group or any of the subsidiaries or associated companies of such customers; and (iv) any consultants, professionals and other advisers to each member of the Extended Group.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% (the "Scheme Mandate Limit") of the total number of Shares in issue on the Listing Date.

The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and other share option schemes of the Company in issue shall not exceed 10% (the "Refreshed Limit") of the issued share capital of the Company on the date the refreshment of such limit is approved.

Notwithstanding the above, the maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

Unless with the approval of the Shareholders in general meeting, the maximum number of Shares issued and to be issued upon the exercise of the options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any 12-month period shall not exceed 1% of the Shares in issue.

An option must be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, with period may commerce from the date of the offer for the grant of the option is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. An option may be accepted by a Participant within 21 days from the date of the offer for the grant of the option and the amount payable on acceptance of the grant of an option is HK$1.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange for trade in one or more broad lots of the Shares on the date of the offer for the grant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (the "**Trading Day**");

(b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Trading Days immediately preceding the date of the offer for the grant; and

(c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

As at the date hereof, the first batch of 8,520,000 options had been granted to employees of the Group, of which 718,000 options were lapsed, 538,500 options were exercised, and 600,000 options had been granted to connected persons of the Group, being directors of subsidiaries of the Company. The exercise price of such options is HK$2.15 and the option holders may exercise the options between 27 January 2008 and 26 January 2009, provided that the holders are employees of the Group during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 26 January 2009, the un-exercised options outstanding shall lapse and the holders shall not be entitled to exercise the outstanding options to subscribe for any Shares.

The second batch of 13,552,000 options had been granted to employees of the Group, of which 608,000 were lapsed, and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$6.98 and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 30 June 2011, the un-exercised options outstanding shall lapse and the holders shall not be entitled to exercise the outstanding options to subscribe for any Shares.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 13 to 18 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying share and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

THE COMPANY

Long position in the Shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr. LEE Yin Yee	Interest of a controlled corporation *(Note a)*	363,202,029	21.07%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note b)*	133,602,926	7.75%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note c)*	128,920,582	7.48%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note d)*	59,379,078	3.45%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note e)*	39,586,052	2.30%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. LI Man Yin	Interest of a controlled corporation *(Note f)*	39,586,052	2.30%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note g)*	54,430,822	3.16%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note h)*	39,586,052	2.30%
	Interest of a controlled corporation *(Note i)*	28,946,000	1.68%

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. 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) The interest in the Shares are held through Full Guang Holdings Limted ("**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	Approximate shareholding percentage
Realbest *(Note j)*	Mr. LEE Yin Yee	2 ordinary shares	100%
High Park *(Note k)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note l)*	Mr. TUNG Ching Sai	2 ordinary shares	100%
Telerich *(Note m)*	Mr. LEE Yau Ching	2 ordinary shares	100%
Goldbo *(Note n)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note o)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Perfect All *(Note p)*	Mr. LI Man Yin	2 ordinary shares	100%
Goldpine *(Note q)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note r)*	Mr. LI Ching Leung	2 ordinary shares	100%
Full Guang *(Note s)*	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:

(j) Realbest is wholly-owned by Mr. LEE Yin Yee.

(k) High Park is wholly-owned by Mr. TUNG Ching Bor.

(l) Copark is wholly-owned by Mr. TUNG Ching Sai.

(m) Telerich is wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching.

(n) Goldbo is wholly-owned by Mr. LI Ching Wai.

(o) Linkall is wholly-owned by Mr. NG Ngan Ho.

(p) Perfect All is wholly-owned by Mr. LI Man Yin.

(q) Goldpine is wholly-owned by Mr. SZE Nang Sze.

(r) Herosmart is wholly-owned by Mr. LI Ching Leung.

(s) 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 at 31 December 2007, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have, any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES

As at 31 December 2007, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

THE COMPANY

Long position in the Shares

Name of Substantial Shareholders	Number of Shares held	Nature of interest	Approximate percentage of the Company's issued share capital
Realbest	363,202,029	Registered and beneficial owner	21.07%
High Park	133,602,926	Registered and beneficial owner	7.75%
Copark	128,920,582	Registered and beneficial owner	7.48%
Telerich Investment Limited *(Note)*	126,675,367	Registered and beneficial owner	7.35%

Note: These Shares are registered in the name of Telerich Investment Limited, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL OF SUBSIDIARIES OF THE COMPANY

As at 31 December 2007, the persons who are, directly or indirectly, interested in 10%. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Glass (North America) Inc.	Polaron International Inc.	30,000 class A common shares	25%
	Mr. CHAN Chung Shun Alex	20,000 class A common shares	16.7%
Xinyi Glass (America) Development Inc.	Mr. TAM Peng Kuan Antonio	30,000 common shares	25%
	Mr. LAU Chee Wai Daniel	20,000 common shares	16.7%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT	2,500 common shares	25%
	Polaron International Inc.	1,250 common shares	12.5%
Xinyi Glass Japan Company Limited	Polaron International Inc.	40 common shares	10%
	Mr. CHO Shotie	140 common shares	35%
Xinyi Glas Deutschland GmbH	Mr. Wolfgang Walter WILLNAT	not applicable	25%
	Polaron International Inc.	not applicable	12.5%

Save as disclosed herein, the Directors are not aware of any persons who were directly or indirectly interested in 10%. or more of our Shares then in issue, or equity interest in any member of the Group representing 10%. or more of the equity interest in such company, or who had any interests or short positions in our Shares and underlying share which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2007, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business, which competes or may compete with the business of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	8.7%
– the largest five customers combined	22.7%
Purchases	
– the largest supplier	13.1%
– the largest five suppliers combined	48.3%

None of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5%. of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2007 amounted to approximately HK$683.6 million (2006: HK$414.6 million). Particulars of the bank borrowings are set out in note 20 to the financial statements in this report.

REWARD FOR EMPLOYEES

As at 31 December 2007, we employed over 7,338 employees in China, Hong Kong, Canada, Germany and Japan. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programmes to promote training.

CONNECTED TRANSACTIONS

No significant related party transactions has been entered into by the Group which constituted connected transactions for the financial year ended 31 December 2007.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions in the Code of Corporate Governance Practices ("**the Code**") as set out in the Appendix 14 to the Listing Rules during the financial year ended 31 December 2007.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference set out in "A Guide For The Formation Of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants adopted as the terms of reference of audit committee with the exception that the audit committee may have a minimum of two members. 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 give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the financial year ended 31 December 2007.

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

The Company executed a share placement in September 2007 which raised gross proceeds of approximately HK$1,324.8 million to provide the Group with additional funds for expansion.

During the year, the Company repurchased a total of 9,594,000 Shares of the Company at an aggregate consideration of HK$75.1 million on the Stock Exchange. Details of the repurchases of such Shares were as follows:

Month of repurchase	Number of Shares Repurchased	Price Per Share Highest (HK$)	Price Per Share Lowest (HK$)	Aggregate Purchase Price
November 2007	9,594,000	8.60	7.27	75,083,160
	Total expenses on Shares repurchased			286,340
				75,369,500

The 9,594,000 repurchased Shares were cancelled in December 2007, and the issued share capital of the Company was reduced by the par value thereof. The above repurchases were effected by the Directors, pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed herein, there was no repurchase by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors as at the date of this report, there is sufficient public float or more than 25% of the Shares was held by the public as required under the Listing Rules.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Group are set out in note 34 to the financial statements in this report.

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified their willingness to continue in office. A resolution will be proposed at the annual general meeting to re-appoint them and to authorise the Directors to fix their remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday, 26 May 2008, at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at 10:00 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be dispatched to the shareholders.

On Behalf of the Board

LEE Yin Yee
Chairman

Hong Kong, 31 March 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF XINYI GLASS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 109, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2008

Consolidated Balance Sheet

As at 31 December 2007

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2007	2006
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	146,892	128,539
Property, plant and equipment	7	3,268,901	1,790,017
Investment property	8	9,460	—
Deposits for property, plant and equipment and land use right		292,854	121,109
Intangible assets	9	81,372	—
Available-for-sale financial assets	11	532	500
Interest in an associate	12	11,374	11,932
Deferred income tax assets	21	—	3,676
		3,811,385	2,055,773
Current assets			
Inventories	13	510,690	371,081
Trade and other receivables	14	674,722	568,938
Amounts due from customers for contract work	15	57,524	61,222
Financial assets at fair value through profit or loss		—	15,231
Cash and cash equivalents			
Pledged	16	6,702	10,449
Unpledged	16	309,506	162,330
		1,559,144	1,189,251
Total assets		5,370,529	3,245,024
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	172,344	160,466
Share premium	17	2,073,287	850,804
Other reserves	18	454,085	238,433
Retained earnings			
- Proposed final dividend	28	168,683	112,326
- Others		1,176,680	886,001
		4,045,079	2,248,030
Minority interest		443	(1,707)
Total equity		4,045,522	2,246,323

Consolidated Balance Sheet

As at 31 December 2007
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2007	2006
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	259,949	79,917
Deferred income tax liabilities	21	331	—
		260,280	79,917
Current liabilities			
Trade and other payables	19	626,339	570,749
Amounts due to customers for contract work	15	609	1,165
Bank borrowings	20	423,608	334,667
Current income tax liabilities		14,171	12,203
		1,064,727	918,784
Total liabilities		1,325,007	998,701
Total equity and liabilities		5,370,529	3,245,024
Net current assets		494,417	270,467
Total assets less current liabilities		4,305,802	2,326,240

On behalf of the Board

LEE Yin Yee	**TUNG Ching Bor**
Director	*Director*

Balance Sheet

As at 31 December 2007

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2007	2006
ASSETS			
Non-current assets			
Interests in subsidiaries	10	2,220,010	820,010
Deferred income tax assets	21	—	461
		2,220,010	820,471
Current assets			
Amounts due from subsidiaries	10	205,127	305,304
Prepayments		61	224
Cash and cash equivalents	16	5,463	12
		210,651	305,540
Total assets		2,430,661	1,126,011
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	17	172,344	160,466
Share premium	17	2,073,287	850,804
Other reserve	18	7,675	1,175
Retained earnings			
- Proposed final dividend	28	168,683	112,326
- Others		7,164	210
Total equity		2,429,153	1,124,981
LIABILITIES			
Current liabilities			
Accruals and other payables	19	1,331	1,030
Current income tax liabilities		177	—
Total liabilities		1,508	1,030
Total equity and liabilities		2,430,661	1,126,011

On behalf of the Board

LEE Yin Yee
Director

TUNG Ching Bor
Director

Consolidated Income Statement

For the Year Ended 31 December 2007

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2007	2006
Revenue	5	2,774,624	1,933,173
Cost of sales	22	(1,702,269)	(1,232,981)
Gross profit		1,072,355	700,192
Other income	5	18,362	21,912
Other gains	5	57,008	10,193
Selling and marketing costs	22	(286,451)	(211,205)
Administrative expenses	22	(135,066)	(110,687)
Operating profit		726,208	410,405
Finance income	24	9,017	3,484
Finance costs	24	(33,762)	(11,533)
Share of profit/(loss) of associate	12	1,703	(563)
Profit before income tax		703,166	401,793
Income tax expense	25	(30,165)	(15,981)
Profit for the year		673,001	385,812
Attributable to:			
Equity holders of the company	27	670,860	388,235
Minority interests		2,141	(2,423)
		673,001	385,812
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
- Basic	27	41.1	24.6
- Diluted	27	41.0	24.6
Dividends	28	313,103	176,512

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	Attributable to equity holders of the Company					
		Share capital	Share Premium	Other reserves	Retained earnings	Minority interest	Total
Balance at 31 December 2005 and 1 January 2006		154,294	670,681	122,493	800,094	2,517	1,750,079
Currency translation differences		—	—	66,096	—	—	66,096
Profit for the year		—	—	—	388,235	(2,423)	385,812
Total recognised income for 2006		—	—	66,096	388,235	(2,423)	451,908
Transfer to reserve		—	—	48,669	(48,669)	—	—
Proceeds from shares issued	17	6,172	185,154	—	—	—	191,326
Share issuance costs	17	—	(5,031)	—	—	—	(5,031)
Contribution from minority shareholders		—	—	—	—	611	611
Dividend paid to minority shareholders		—	—	—	—	(2,412)	(2,412)
Employee share option scheme:							
- value of employee services	17	—	—	1,175	—	—	1,175
Dividend relating to 2005		—	—	—	(77,147)	—	(77,147)
Dividend relating to 2006	28	—	—	—	(64,186)	—	(64,186)
		6,172	180,123	49,844	(190,002)	(1,801)	44,336
Balance at 31 December 2006		160,466	850,804	238,433	998,327	(1,707)	2,246,323

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2007

All amounts in Hong Kong dollar thousands unless otherwise stated

		Attributable to equity holders of the Company					
	Note	Share capital	Share Premium	Other reserves	Retained earnings	Minority interest	Total
Balance at 31 December 2006 and 1 January 2007		160,466	850,804	238,433	998,327	(1,707)	2,246,323
Currency translation differences	18	—	—	142,409	—	(52)	142,357
Profit for the year		—	—	—	670,860	2,141	673,001
Total recognised income for 2007		—	—	142,409	670,860	2,089	815,358
Transfer to reserve		—	—	66,119	(66,119)	—	—
Proceeds from shares issued	17	12,837	1,311,972	—	—	—	1,324,809
Share issuance costs	17	—	(15,078)	—	—	—	(15,078)
Repurchase of the Company's share							
- Nominal value of shares repurchased and cancelled	17	(959)	—	959	(959)	—	(959)
- premium paid on repurchase	17	—	(74,411)	—	—	—	(74,411)
Revaluation of investment property	8	—	—	624	—	—	624
Additional interests acquired from minority shareholders		—	—	—	—	61	61
Employee share option scheme:							
- value of employee services	17	—	—	5,541	—	—	5,541
Dividend relating to 2006	28	—	—	—	(112,326)	—	(112,326)
Dividend relating to 2007	28	—	—	—	(144,420)	—	(144,420)
		11,878	1,222,483	73,243	(323,824)	61	983,841
Balance at 31 December 2007		172,344	2,073,287	454,085	1,345,363	443	4,045,522

Consolidated Cash Flow Statement

For the Year Ended 31December 2007

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2007	2006
Cash flows from operating activities			
Cash generated from operations	29	501,074	402,856
Interest paid		(36,839)	(20,514)
Income tax paid		(24,190)	(16,719)
Net cash generated from operating activities		440,045	365,623
Cash flows from investing activities			
Payment for capital expenditure		(1,354,492)	(455,689)
Proceeds from disposal of property, plant and equipment	29	20,469	1,665
Purchase of financial assets at fair value through profit or loss		(153,309)	(39,642)
Disposal of financial assets at fair value through profit or loss		199,572	23,875
Acquisition of subsidiary	32	(153,777)	(2,826)
Loans advanced to an associate	12	(20,448)	(5,806)
Loan repaid from an associate	12	23,139	5,467
Interest received		9,017	3,484
Net cash used in investing activities		(1,429,829)	(469,472)
Cash flows from financing activities			
Net proceeds from new shares issued	17	1,309,731	186,295
Proceeds from bank borrowings		905,044	109,000
Repayments of bank borrowings		(779,625)	(28,339)
Decrease in pledged bank deposits		3,747	659
Contribution from minority shareholders		—	611
Additional interests acquired from minority shareholders		(2)	—
Repurchase of shares	17	(75,370)	—
Dividends paid to shareholders of the Company	28	(256,746)	(141,333)
Dividends paid to minority shareholders		—	(2,412)
Net cash generated from financing activities		1,106,779	124,481
Net increase in cash and cash equivalents		116,995	20,632
Cash and cash equivalents at beginning of the year		162,330	129,779
Effect of foreign exchange rate changes		30,181	11,919
Cash and cash equivalents at end of the year	16	309,506	162,330

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited ("the Company") and its subsidiaries (collectively the "Group") is principally engaged in the production and sale of automobile glass, construction glass and float glass products, which are carried out internationally, through the production complexes located in Mainland China (the "PRC"). space During the year, the Group acquired 100% equity interest in Shenzhen China Southern Automobile Glass Company Limited, an automobile glass manufacturer in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company was incorporated in the Cayman Islands. The shares of the Company were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2008.

2 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.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities at fair value 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 judgment in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(a) *Standards and interpretations effective in 2007*

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC)-Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC)-Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) *Interpretations effective in 2007 but not relevant*

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

HK(IFRIC)-Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

HK(IFRIC)-Int 9, 'Re-assessment of embedded derivatives'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

HK(IFRIC)-Int 11, 'HKFRS 2 - Group and treasury share transactions' (effective from annual periods beginning on or after 1 March 2007). It provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have any significant impact on the Group's financial statements.

HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009.

HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)*

HK(IFRIC)-Int 14, 'HKAS 19 - The limit on a defined benefits asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) - Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) - Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employees benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable asset. The Group will apply HKFRS 3 (Received) from 1 January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 January 2009, but it is not expected to have any significant impact on the Group's financial statements.

(d) Interpretations to existing standards those are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK(IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) - Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION *(Continued)*

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 2.9). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 SEGMENT REPORTING

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 FOREIGN CURRENCY TRANSLATION *(Continued)*

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

- Buildings	20-30 years
- Plant and machinery	5-15 years
- Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents buildings, plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for production purposes. Construction in progress is carried at costs which include development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, constructions in progress are transferred to other property, plant and equipment at cost less accumulated impairment losses.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other gains in the income statement.

2.6 INVESTMENT PROPERTY

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers, changes in fair values are recorded in the income statement as part of other gains.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Trademark and licences include customers relationship

Acquired trademarks and customers relationships are shown at fair value on acquisition date. Trademarks and customers relationships have a finite useful life and are carried at fair value less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and customers relationship over their estimated useful lives of 20 years.

2.8 LEASEHOLD LAND AND LAND USE RIGHTS

Leasehold land in Hong Kong is government-owned and land in the PRC is state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods of 50 years using the straight-line method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 FINANCIAL ASSETS *(Continued)*

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other gains in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in the consolidated income statement, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.12.

2.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks, less pledged bank deposits.

2.14 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2.15 TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 FINANCIAL GUARANTEE

Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The group companies do not recognise liabilities for financial guarantees at inception, but perform liability adequacy tests at each reporting date by comparing respective net liabilities (if applicable) regarding the financial guarantees with the amounts that would be required if the financial guarantees would result in a present legal or constructive obligation. If the respective liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2.18 DEFERRED INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expenses when they are due and are not reduced by contributions forfeited by those employees leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(c) Share-based compensation

The Group operate an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 GOVERNMENT GRANT

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are net off to cost of acquisition and are recognised in the income statement on a straight line basis over the expected lives of the related assets.

2.22 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 REVENUE RECOGNITION *(Continued)*

(c) Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(d) Rental income

Rental income is recognised on a straight-line basis over the lease periods.

Accounting policy for recognition of construction contract revenue is set out in Note 2.23.

Accounting policy for recognition of government grants is set out in Note 2.21.

2.23 CONSTRUCTION CONTRACTS

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings. Progress billings not yet paid by customers and retention are included in trade and other receivables.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.24 OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.26 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("RMB") and HKD. Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade receivables, restricted cash balance, cash and cash equivalents, trade payables and borrowings are disclosed in Note 14, 16, 19 and 20 of this section respectively. No hedging was arranged during the year.

As at 31 December 2007, if RMB had strengthened/weakened by 6% against the HKD respectively with all other variables held constant, profit after income tax for the year would have been approximately HK$10,107,000 (2006: HK$2,660,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade receivables, financial assets at fair value through profit or loss, and foreign exchange losses/gains on translation of RMB-denominated borrowings. Profit is more sensitive to movement in HKD/RMB exchange rates in 2007 than 2006 because of the increased amount of RMB- denominated sales and decreased amount of RMB-denominated borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its cash and equivalents, restricted cash balances and borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's cash and equivalents, restricted cash balances and borrowings have been disclosed in Note 16 and 20 to the consolidated financial statements.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2007, if the HKD interest rates on cash and equivalents, restricted cash balances and borrowings had been 50 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been HK$1,169,000 (2006: HK$1,268,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2007, if the RMB interest rates on cash and equivalents, restricted cash balances and borrowings had been 50 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been HK$701,000 (2006: HK$267,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2007, if the United States Dollars ("USD") interest rates on cash and equivalents and restricted cash balance had been 220 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been HK$1,458,000 (2006: HK$1,241,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluations of its customers.

The Group considers its maximum exposure to credit risk to be as follows:

	2007	2006
	HK$'000	HK$'000
Trade receivables *(Note 14)*	**517,840**	445,586

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from business customers.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's significant financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years
Borrowings	439,709	157,777	111,690
Trade and bills payables *(Note 19)*	184,765	—	—
	624,474	157,777	111,690

At 31 December 2006	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years
Borrowings	346,740	83,082	—
Trade and bills payables *(Note 19)*	342,115	—	—
	688,855	83,082	—

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company may repurchase its own shares when the Company's shares are trading at a discount to the expected net asset value per share.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings divided by equity attributable to the Company's equity holders. Total borrowings included non-current borrowings and current borrowings, as shown in the consolidated balance sheet.

The debt-to-equity ratios at 31 December 2007 and 2006 were as follows:

	2007	2006
Total bank borrowings *(Note 20)*	683,557	414,584
Less: cash and cash equivalents *(Note 16)*	(316,208)	(172,779)
Net debt	367,349	241,805
Total equity	4,045,522	2,246,323
Gearing ratio	9.1%	10.8%

The small decrease in the gearing ratio during 2007 resulted primarily from the public placement of the shares of the Company.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(d) Revenue recognition

The Group's management estimates the percentage of completion of glass installation works if the value of works has not been certified by the customers at the balance sheet date. These estimates are based on proportion of the value of work previously certified for that related works in progress or based on documents prepared by the quantity surveyors which have been submitted to the customers before the balance sheet date for certification of the value of work done. Corresponding costs of the contract revenue are also estimated by the management. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses. For costs attributable to work done that have not been billed to the Group but the corresponding revenue for the work done has been recognised, management estimates these costs by reference to the budget and the actual billings subsequently received.

Management regularly reviews the progress of the contracts and its assumptions regarding anticipated margins on the contract revenue.

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION

The Group is principally engaged in the production and sale of automobile glass, construction glass and float glass products. Revenues recognised by the Group are as follows:

	2007	2006
Revenue		
Sales of goods	**2,662,505**	1,817,332
Construction contract revenue	**112,119**	115,841
	2,774,624	1,933,173
Other income		
Government grants *(note)*	**14,110**	17,321
Rental income	**3,752**	2,461
Royalty income	**500**	2,130
	18,362	21,912
Total revenue	**2,792,986**	1,955,085

Note: These amounts represented government grants given to a subsidiary of the Group in form of "tax refund on reinvestment" in relation to the Group's re-investment of dividends declared and received by the subsidiary in PRC in certain subsidiaries as additional capital contributions. Such grants were approved by the local tax bureau in accordance with relevant tax law of PRC. All the approved grants were recognised in the year of receipt.

Other gains

Other gains represent mainly net gain on disposal of other financial assets at fair value through profit or loss and gain on disposal of property, plant equipment.

Primary reporting format - business segments

At 31 December 2007, the Group was organised into three main business segments:

Automobile glass – Manufacturing and sales of automobile glass
Construction glass – Manufacturing, sales and installation of construction glass
Float glass – Manufacturing and sales of float glass

Turnover consists of external revenue from these three main business segments.

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 December 2007 are as follows:

	Automobile glass	Construction glass	Float glass	Group
Revenue				
Total gross segment revenue	1,716,803	565,949	1,020,468	3,303,220
Inter-segment revenue	—	—	(528,596)	(528,596)
External revenue	1,716,803	565,949	491,872	2,774,624
Segment results	487,168	109,745	119,848	716,761
Unallocated other income				18,362
Unallocated other gains				38,335
Unallocated costs				(47,250)
Operating profit				726,208
Finance income *(Note 24)*				9,017
Finance costs *(Note 24)*				(33,762)
Share of profit of associate *(Note 12)*	—	—	1,703	1,703
Profit before income tax				703,166
Income tax expense *(Note 25)*				(30,165)
Profit for the year				673,001

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 December 2006 are as follows:

	Automobile glass	Construction glass	Float glass	Group
Revenue				
Total gross segment revenue	1,229,330	498,038	341,027	2,068,395
Inter-segment revenue	—	—	(135,222)	(135,222)
External revenue	1,229,330	498,038	205,805	1,933,173
Segment results	278,482	89,870	34,894	403,246
Unallocated other revenue				21,912
Unallocated other gains				10,193
Unallocated costs				(24,946)
Operating profit				410,405
Finance income *(Note 24)*				3,484
Finance costs *(Note 24)*				(11,533)
Share of loss of associate *(Note 12)*	—	—	(563)	(563)
Profit before income tax				401,793
Income tax expense *(Note 25)*				(15,981)
Profit for the year				385,812

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

Other segment items included in the income statement are as follows:

	Year ended 31st December 2007				
	Automobile glass	Construction glass	Float glass	Unallocated	Group
Depreciation *(Note 7)*	**61,499**	**19,310**	**59,178**	**47**	**140,034**
Amortisation					
- land use right *(Note 6)*	**1,403**	**305**	**875**	**424**	**3,007**
- intangible assets *(Note 9)*	**214**	**—**	**—**	**—**	**214**
Impairment of trade and other receivables, net *(Note 14)*	**8,948**	**3,423**	**—**	**—**	**12,371**

	Year ended 31st December 2006				
	Automobile glass	Construction glass	Float glass	Unallocated	Group
Depreciation *(Note 7)*	47,163	18,694	28,511	50	94,418
Amortisation					
- land use right *(Note 6)*	1,186	287	615	606	2,694
Impairment of trade and other receivables, net *(Note 14)*	2,047	6,327	—	—	8,374

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Automobile glass	Construction glass	Float glass	Unallocated	Group
Assets	2,110,008	616,160	2,492,525	140,462	5,359,155
Associate	—	—	11,374	—	11,374
Total assets	2,110,008	616,160	2,503,899	140,462	5,370,529
Liabilities	526,571	183,801	302,334	312,301	1,325,007
Capital expenditure	397,376	330,491	985,458	142	1,713,467

	Assets	Liabilities
Segment assets/liabilities	5,230,067	1,012,706
Unallocated:		
Property, plant and equipments	72	—
Available-for-sale financial assets	532	—
Bank balance and cash	139,858	—
Other payables	—	7,728
Current income tax liabilities	—	7,124
Current borrowings	—	37,500
Non-current borrowing	—	259,949
Total	5,370,529	1,325,007

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Automobile glass	Construction glass	Float glass	Unallocated	Group
Assets	1,267,619	551,157	1,319,645	94,671	3,233,092
Associate	—	—	11,932	—	11,932
Total assets	1,267,619	551,157	1,331,577	94,671	3,245,024
Liabilities	438,156	154,128	109,132	297,285	998,701
Capital expenditure	92,119	11,222	361,293	36	464,670

	Assets	Liabilities
Segment assets/liabilities	3,150,353	701,416
Unallocated:		
Property, plant and equipments	120	—
Deferred tax	3,550	—
Deposit and prepayments	548	—
Bank balance and cash	74,722	—
Available-for-sale financial assets	500	—
Financial assets at fair value through profit or loss	15,231	—
Other payables	—	12,701
Current borrowings	—	204,667
Non-current borrowings	—	79,917
Total	3,245,024	998,701

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, inventories, receivables and operating cash.

Capital expenditure comprises additions to and deposits for property, plant and equipment, additions to leasehold land and land use rights and intangible assets.

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

Secondary reporting format - geographical segments

The Group's revenue is mainly derived from customers located in the Greater China (including Hong Kong, PRC and Taiwan) and North America while the Group's business activities are conducted predominately in the Greater China. The following table provides an analysis of the Group's sales by geographical location of its customers.

Revenue

	2007	2006
Greater China	**1,208,344**	874,284
North America	**844,129**	659,043
Europe	**286,733**	123,558
Other countries	**435,418**	276,288
	2,774,624	1,933,173

The following is an analysis of the carrying amount of segment assets and capital expenditure by the geographical area in which the assets are located.

Total assets

	2007	2006
Greater China	**5,346,458**	3,229,975
North America	**22,866**	14,454
Other countries	**1,205**	595
	5,370,529	3,245,024

Capital expenditure

	2007	2006
Greater China	**1,703,236**	464,457
North America	**10,171**	213
Other countries	**60**	—
	1,713,467	464,670

All amounts in Hong Kong dollar thousands unless otherwise stated

6 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	2007	2006
In Hong Kong, held on:		
Leases of between 10 to 50 years	2,950	3,977
In PRC, held on:		
Land use rights of between 10 to 50 years	143,942	124,562
	146,892	128,539

	2007	2006
Beginning balance	128,539	120,785
Exchange differences	7,950	4,669
Additions	—	5,779
Acquisition of a subsidiary *(Note 32)*	14,362	—
Amortisation of prepaid operating lease payment *(Note 22)*	(3,007)	(2,694)
Transfer to investment property *(Note 8)*	(952)	—
	146,892	128,539

Amortisation of prepaid operating lease payment of HK$3,007,000 (2006: HK$2,694,000) has been charged in administrative expenses.

All amounts in Hong Kong dollar thousands unless otherwise stated

7 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
At 1 January 2006					
Cost	507,585	274,435	645,202	11,544	1,438,766
Accumulated depreciation	—	(28,827)	(142,239)	(4,347)	(175,413)
Net book amount	507,585	245,608	502,963	7,197	1,263,353
Year ended 31 December 2006					
Opening net book amount	507,585	245,608	502,963	7,197	1,263,353
Exchange differences	20,627	8,522	19,819	275	49,243
Additions	483,900	4,587	78,921	2,759	570,167
Acquisition of subsidiaries	1,056	—	2,221	17	3,294
Transfer upon completion	(898,954)	240,197	655,249	3,508	—
Disposals	—	(96)	(1,517)	(9)	(1,622)
Depreciation *(Note 22)*	—	(14,455)	(77,066)	(2,897)	(94,418)
Closing net book amount	114,214	484,363	1,180,590	10,850	1,790,017
At 31 December 2006					
Cost	114,214	528,637	1,404,611	18,225	2,065,687
Accumulated depreciation	—	(44,274)	(224,021)	(7,375)	(275,670)
Net book amount	114,214	484,363	1,180,590	10,850	1,790,017
Year ended 31 December 2007					
Opening net book amount	114,214	484,363	1,180,590	10,850	1,790,017
Exchange differences	7,322	28,925	75,221	709	112,177
Additions	1,203,159	9,475	33,656	3,031	1,249,321
Acquisition of a subsidiary *(Note 32)*	942	—	265,317	432	266,691
Transfer upon completion	(816,213)	43,642	772,434	137	—
Disposals *(Note 29)*	—	(556)	(1,232)	(6)	(1,794)
Depreciation *(Note 22)*	—	(20,435)	(115,792)	(3,807)	(140,034)
Transfer to investment property *(Note 8)*	—	(7,477)	—	—	(7,477)
Closing net book amount	509,424	537,937	2,210,194	11,346	3,268,901
At 31 December 2007					
Cost	509,424	602,039	2,556,693	23,007	3,691,163
Accumulated depreciation	—	(64,102)	(346,499)	(11,661)	(422,262)
Net book amount	509,424	537,937	2,210,194	11,346	3,268,901

Depreciation expense of HK$128,111,000 (2006: HK$86,830,000) has been charged in cost of sales and HK$11,923,000 (2006: HK$7,588,000) in administrative expenses.

All amounts in Hong Kong dollar thousands unless otherwise stated

8 INVESTMENT PROPERTY

	2007
Beginning balance	—
Transfer from land use right *(Note 6)*	952
Transfer from building *(Note 7)*	7,477
Fair value gains at 1 January 2007 (included in property revaluation reserve) *(Note 18)*	624
Fair value gains at 31 December 2007 (included in other gains)	407
	9,460

The investment property was revalued at 1 January 2007 (date of transfer) and 31 December 2007 by an independent qualified valuer, Greater China Appraisal Limited. Valuation was based on current replacement cost for the property.

The Group's interest in investment property at its net book value is analysed as follows:

	2007
In Hong Kong, held on:	
Lease of between 10 to 50 years	9,460

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	2007
Not later than 1 year	2,737

All amounts in Hong Kong dollar thousands unless otherwise stated

9 INTANGIBLE ASSETS

	Goodwill	Trademark	Customer relationship	Total
Year ended 31 December 2007				
Opening	—	—	—	—
Acquisition of a subsidiary *(Note 32)*	55,876	20,306	5,404	81,586
Amortisation *(Note 22)*	—	(169)	(45)	(214)
	55,876	20,137	5,359	81,372
At 31 December 2007				
Valuation	55,876	20,306	5,404	81,586
Accumulated amortisation	—	(169)	(45)	(214)
Net book amount	55,876	20,137	5,359	81,372

Impairment testing

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the automobile glass cash generating unit ("CGU").

The recoverable amount of the automobile glass CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial approved by management with estimated compound growth of 26%. Management determined forecast profitability based on past performance and its expectation for the future changes in costs and sales prices. Future cash flows are discounted at 2.6%. The discount rate used is pre-tax and reflect specific risks relating to this cash generating unit. There was no evidence of impairment arising from the impairment assessment.

10 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
Investments, at cost	**10**	10
Amounts due from subsidiaries-non-current *(note (a))*	**2,220,000**	820,000
	2,220,010	820,010
Amounts due from subsidiaries *(note (b))*	**205,127**	305,304

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) The amounts due are unsecured and interest free. The directors of the Company resolved not to request repayment for the next twelve months from the balance sheet date and considered them as quasi-equity contributions.

(b) The amounts due are unsecured, interest free and repayable on demand.

(c) The following is a list of the principal subsidiaries at 31 December 2007:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Automobile Glass (Dongguan) Co., Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$22,000,000 with total paid-in capital of US$16,000,000	100%
Xinyi Automobile Glass (Shenzhen) Co., Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of RMB300,000,000	100%
Xinyi Automobile Parts (Dongguan) Co., Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$23,980,000 with total paid-in capital of US$23,907,000	100%
Xinyi Automobile Parts (Wuhu) Co., Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$7,000,000	100%
Xinyi Glass (Tianjin) Co., Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$22,000,000 with total paid-in capital US$7,700,000	100%
Xinyi Curtain Wall Decorative Engineering (Shenzhen) Co., Limited	The PRC, limited liability company	Installation of construction lass in the PRC	Registered capital of RMB1,000,000	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Glass Engineering (Dongguan) Co., Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered capital of US$43,800,000	100%
Xinyi Glass Technology (Shenzhen) Co., Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered capital of HK$20,000,000	100%
YiDe Glass (Shenzhen) Development Co., Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered capital of HK$30,000,000	100%
Shenzhen Yuan Sheng Long Trading Co., Limited	The PRC, limited liability company	Trading of float glass in the PRC	Registered capital of RMB1,800,000	100%
Xinyi Ultra-thin Glass (Dongguan) Co., Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US$50,000,000	100%
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of ultra-clear photovoltaic glass in the PRC	Registered capital of US$30,000,000 with total paid-in capital US$28,021,000	100%
Xinyi Glass (America) Development Inc	Canada, limited liability company	Sale agent in Canada	120,000 common shares of CAD1 each	58.3%
Xinyi Glass (Germany) Limited	The British Virgin Islands, limited liability company	Sale agent in Europe	10,000 common shares of US$1 each	62.5%
Xinyi Glass Japan Co Limited	Japan, limited liability company	Sale agent in Japan	400 common shares of JP¥50,000 each	55%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Glass (North America) Inc.	Canada, limited liability company	Sale agent in Canada	120,000 common shares of CAD1 each	58.3%
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic product in the PRC	Registered capital of RMB3,280,000	100%
Xinyi Plastic Products (Shenzhen) Development Co., Limited	The PRC, limited liability company	Manufacturing of rubber trim for automobile glass in the PRC	Registered capital of HK$11,000,000	100%
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Trading in Hong Kong	100,000 ordinary shares of HK$1 each	100%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 ordinary shares of HK$1,000 each	100%
XYG (HK) Limited	Hong Kong, limited liability company	Trading in Hong Kong	1,000 ordinary shares of HK$10,000 each	100%
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Xinyi Automobile Glass (BVI) Company Limited [1]	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised 100,000 ordinary shares of US$1 each. 55,000 ordinary shares of US$1 each were issued	100%
Shenzhen China Southern Automobile Glass Limited *(Note 32)*	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of RMB140,000,000	100%

1 Shares held directly by the Company.

All amounts in Hong Kong dollar thousands unless otherwise stated

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
Beginning of the year	500	481
Exchange differences	32	19
End of the year	532	500

At 31 December 2007, the carrying amount for available-for-sale financial assets approximate to its fair value, accordingly, there was no change in fair value recorded in equity. All available-for-sale financial assets are unlisted equity securities. There were no disposals or impairment provisions on available-for-sale financial assets in 2007 and 2006. Avaliable-for-sale financial assets are denominated in RMB.

12 INTEREST IN AN ASSOCIATE

	2007	2006
Beginning of year	11,932	11,911
Exchange differences	430	245
Loan advance to associate	20,448	5,806
Repayment from associate	(23,139)	(5,467)
	9,671	12,495
Share of associate's profit/(loss)	1,703	(563)
End of the year	11,374	11,932

The Group's share of the results of its principal associate which is unlisted, and its aggregated assets and liabilities are as follows:

Name	Particulars of issued shares held	Country of incorporation	% Interest held
Beihai Yiyang Mineral Co., Limited	Registered capital of RMB20,000,000	The PRC	30%

All amounts in Hong Kong dollar thousands unless otherwise stated

12 INTEREST IN AN ASSOCIATE *(Continued)*

	2007	2006
Assets	36,537	28,992
Liabilities	12,784	11,358
Sale	20,687	3,265
Profit/(loss)	5,678	(1,887)

13 INVENTORIES

	2007	2006
Raw materials	276,660	199,047
Work in progress	41,557	23,760
Finished goods	192,473	148,274
	510,690	371,081

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,073,735,000 (2006:HK$842,820,000) (Note 22).

14 TRADE AND OTHER RECEIVABLES

	2007	2006
Trade receivables *(note (a))*	517,840	445,586
Less: provision for impairment of receivables	(15,455)	(4,207)
	502,385	441,379
Bills receivables *(note (b))*	91,345	45,363
Trade and bills receivables - net	593,730	486,742
Prepayment, deposits and other receivables	80,992	82,196
	674,722	568,938

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

The credit period granted by the Group to its customers is generally 30 to 90 days. At 31 December 2007 and 2006, the ageing analysis of the Group's trade receivables were as follows:

	2007	2006
0 - 90 days	459,455	366,374
91 - 180 days	35,331	46,138
181 - 365 days	8,668	15,808
1 - 2 years	9,961	16,208
Over 2 years	4,425	1,058
	517,840	445,586

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

	2007	2006
RMB	229,435	201,547
HKD	5,654	13,484
USD	282,409	229,143
Other currencies	342	1,412
	517,840	445,586

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
At 1 January	4,207	407
Provision for impairment of receivables *(Note 22)*	12,371	8,374
Receivables written off during the year as uncollectible	(1,123)	(4,574)
	15,455	4,207

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 December 2007, trade receivables of HK$193,074,000 (2006: HK$141,152,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
0 - 90 days	144,224	86,856
91-180 days	35,299	27,909
181-365 days	8,182	12,687
1-2 years	5,027	12,747
Over 2 years	342	953
	193,074	141,152

As of 31 December 2007, trade receivables of HK$20,460,000 (2006: HK$10,091,000) were impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$15,455,000 (2006: HK$4,207,000) were recognised. The Group does not hold any collateral over these balances.

The top five customers and the largest customer accounted for 23% (2006: 25%) and 7% (2006: 10%) of the trade receivables balance as at 31 December 2007, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The other classes within trade and other receivables do not contain impaired assets.

15 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2007	2006
Contract cost incurred plus attributable profits less foreseeable losses to date	291,844	208,392
Less: Progress billings to date	(234,929)	(148,335)
Net amounts due from customers for contract work	56,915	60,057

	2007	2006
Amounts due from customers for contract work	57,524	61,222
Amounts due to customers for contract work	(609)	(1,165)
Net amounts due from customers for contract work	56,915	60,057

All amounts in Hong Kong dollar thousands unless otherwise stated

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
Cash at bank and in hand	**292,873**	122,037	**5,463**	12
Short-term bank deposits	**23,335**	50,742	**—**	—
	316,208	172,779	**5,463**	12

The effective interest rate on short-term bank deposits was 4.3% (2006: 4.6%); these short-term bank deposits have an average maturity of 30 days.

Cash and cash equivalents included the following for the purposes of the cash flow statement:

	Group	
	2007	2006
Total bank balances and cash *(note (a))*	**316,208**	172,779
Less: pledged bank deposits *(note (b))*	**(6,702)**	(10,449)
	309,506	162,330

Notes:

(a) The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

	2007	2006
RMB	**135,492**	74,225
HKD	**93,139**	19,932
USD	**69,217**	58,756
Other currencies	**11,658**	9,417
	309,506	162,330

The Group's cash and cash equivalents are deposited with banks in Hong Kong and Mainland China. Cash at bank earns interest at floating rates based on bank deposit rates.

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

All amounts in Hong Kong dollar thousands unless otherwise stated

16 CASH AND CASH EQUIVALENTS *(Continued)*

(b) The pledged bank deposits represent deposits pledged to banks for securing banking facilities granted to the Group's subsidiaries (Note 30).

17 SHARE CAPITAL AND PREMIUM

	Note	Number of shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
At 31 December 2006 and 2007		2,500,000,000	250,000	—	250,000
Issued and fully paid:					
At 1 January 2006		1,542,944,000	154,294	670,681	824,975
New issue of shares		61,718,000	6,172	185,154	191,326
Share issuance costs		—	—	(5,031)	(5,031)
At 31 December 2006 and 1 January 2007		1,604,662,000	160,466	850,804	1,011,270
New issue of shares	(a)	128,372,960	12,837	1,311,972	1,324,809
Share issuance costs		—	—	(15,078)	(15,078)
Repurchase of shares during the year	(b)	(9,594,000)	(959)	(74,411)	(75,370)
At 31 December 2007		1,723,440,960	172,344	2,073,287	2,245,631

Notes:

(a) In October 2007, 128,372,960 shares were allotted and issued by way of a placing at HK$10.32 each, resulting in net cash proceed of HK$1,309,731,000. These shares rank pari passu in all respects with the then existing shares in issued. The excess over the par value of the shares were credited to the share premium account.

(b) During the year, the Company repurchased certain of its own shares on the Stock Exchange. The repurchase plan was approved in the annual general meeting. The Directors considered that, as the Company's shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

17 SHARE CAPITAL AND PREMIUM *(Continued)*

These repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid HK$'000
November 2007	9,594,000	8.60	7.27	75,370

(c) **Share options**

In 2005, the Company has adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant to any employee of the Group to take up options to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of the Company, unless the Company obtains further approval from the shareholders.

In 2007, 13,552,000 (2006: 8,520,000) share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$6.98 (2006: HK$2.15) per share. No option was exercised from the date of the grant to 31 December 2007. A total of 148,000 options were lapsed during the year ended 31 December 2007 (2006: 570,000 options).

17 SHARE CAPITAL *(Continued)*

(c) **Share options** *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price in HK dollar per share	Options (thousands)	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	2.15	7,950	—	—
Granted	6.98	13,552	2.15	8,520
Lapsed	2.15	(148)	2.15	(570)
At 31 December	5.22	21,354	2.15	7,950

No option were exercisable as at 31 December 2007.

Share options outstanding as at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HK dollar per share	Options (thousands)
26 January 2009	2.15	7,802
30 June 2011	6.98	13,552

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$2.27 per option (2006: HK$0.37). The significant inputs into the model were weighted average share price of HK$6.98 (2006: HK$2.15) at the grant date, the exercise price shown above, annual volatility of 45.65% (2006: 31.81%), dividend yield of 2.50% (2006: 4.49%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was HK$30,716,000 (2006: HK$3,148,000). Of which the attributable amounts charged to the consolidated income statements for the year ended 31 December 2007 was HK$5,541,000 (2006: HK$1,175,000).

All amounts in Hong Kong dollar thousands unless otherwise stated

18 OTHER RESERVES

	Statutory reserve fund (Note a)	Enterprise expansion fund (Note a)	Translation reserves	Capital reserve	Share options reserve	Property revaluation reserve	Capital redemption reserve	Total
Balance at 1 January 2006	60,037	29,695	20,921	11,840	—	—	—	122,493
Transfer from retained earnings	39,189	9,480	—	—	—	—	—	48,669
Employee share option scheme:								
- value of employee services *(Note 17)*	—	—	—	—	1,175	—	—	1,175
Currency translation differences	2,401	1,188	62,507	—	—	—	—	66,096
Balance at 31 December 2006	101,627	40,363	83,428	11,840	1,175	—	—	238,433
Balance at 1 January 2007, as per above	101,627	40,363	83,428	11,840	1,175	—	—	238,433
Transfer from retained earnings	66,119	—	—	—	—	—	—	66,119
Property revaluation *(Note 8)*	—	—	—	—	—	624	—	624
Employee share option scheme:								
- value of employee services *(Note 17)*	—	—	—	—	5,541	—	—	5,541
Currency translation differences	6,487	2,576	133,346	—	—	—	—	142,409
Share repurchase *(Note 17)*	—	—	—	—	—	—	959	959
Balance at 31 December 2007	174,233	42,939	216,774	11,840	6,716	624	959	454,085

The Company's other reserves represent capital redemption reserve and share option reserve.

Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws and regulations in the PRC by certain subsidiaries which are the wholly owned foreign enterprises incorporated in the PRC. These funds are appropriated from net profit as recorded in the PRC statutory accounts of the respective group companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the respective group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2007, the boards of directors of the group companies resolved to appropriate approximately HK$66,119,000 (2006: HK$39,189,000) from retained earnings to the statutory reserve fund. No enterprise expansion fund was appropriated during the year ended 31 December 2007 (2006: HK$9,480,000).

All amounts in Hong Kong dollar thousands unless otherwise stated

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
Trade payables *(note (a))*	**143,663**	103,405	**—**	—
Bills payables *(note (b))*	**41,102**	238,710	**—**	—
	184,765	342,115	**—**	—
Accruals and other payables *(note (c))*	**441,574**	228,634	**1,331**	1,030
	626,339	570,749	**1,331**	1,030

Notes:

(a) At 31 December 2007 and 2006, the ageing analysis of the trade payables were as follows:

	Group	
	2007	2006
0 - 90 days	**137,520**	92,808
91-180 days	**1,235**	3,105
181-365 days	**2,254**	3,065
1-2 years	**2,154**	4,361
Over 2 years	**500**	66
	143,663	103,405

The carrying amount of the trade payables are denominated in the following currencies:

	Group	
	2007	2006
RMB	**106,485**	61,915
HKD	**373**	56
USD	**35,063**	41,434
Other currencies	**1,742**	—
	143,663	103,405

Trade payables have maturities within 3 months.

All amounts in Hong Kong dollar thousands unless otherwise stated

19 TRADE AND OTHER PAYABLES *(Continued)*

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

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

	Group		Company	
	2007	2006	**2007**	2006
Payables for plant and equipment	**115,780**	52,283	**—**	—
Payable for acquisition of subsidiary *(Note 32)*	**90,341**	—	**—**	—
Payables for employee benefits and welfare	**57,688**	39,978	**—**	—
Payables for Value-Added Tax	**44,912**	34,425	**—**	—
Utilities payables	**30,387**	14,052	**—**	—
Others	**102,466**	87,896	**1,331**	1,030
	441,574	228,634	**1,331**	1,030

20 BANK BORROWINGS

	2007	2006
Non-current		
Secured	**297,449**	125,584
Less: Current portion	**(37,500)**	(45,667)
Shown as non-current liabilities	**259,949**	79,917
Current		
Secured	**306,321**	159,000
Unsecured	**79,787**	130,000
	386,108	289,000
Current portion of non-current borrowings	**37,500**	45,667
Shown as current liabilities	**423,608**	334,667
Total bank borrowings	**683,557**	414,584

Details of the Group's banking facilities are set out in Note 30.

All amounts in Hong Kong dollar thousands unless otherwise stated

20 BANK BORROWINGS *(Continued)*

At 31 December 2007, the Group's bank borrowings were repayable as follows:

	2007	2006
Within 1 year	423,608	334,667
Between 1 and 2 years	150,000	79,917
Between 2 and 5 years	109,949	—
	683,557	414,584

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2007	2006
HKD	337,449	284,584
RMB	281,914	130,000
USD	64,194	—
	683,557	414,584

The carrying amounts of bank borrowings approximate their fair values as at 31 December 2007.

The effective interest rates at the balance sheet date were as follows:

	2007			2006	
	HK$	US$	RMB	HK$	RMB
Bank borrowings	4.2%	7.2%	5.5%	4.7%	5.0%

All amounts in Hong Kong dollar thousands unless otherwise stated

21 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	**2007**	2006
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	**(1,189)**	(4,912)	**—**	(461)
Deferred tax liabilities:				
- Deferred tax liabilities to be settled after more than 12 months	**1,520**	1,236	**—**	—
	331	(3,676)	**—**	(461)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2007	2006	**2007**	2006
Beginning of the year	**(3,676)**	(742)	**(461)**	(127)
Charged/(credit) to the income statement *(Note 25)*	**4,007**	(2,934)	**461**	(334)
End of the year	**331**	(3,676)	**—**	(461)

All amounts in Hong Kong dollar thousands unless otherwise stated

21 DEFERRED INCOME TAX *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Group			Company
	Accelerated tax depreciation	Other	Total	Accelerated tax depreciation
At 1 January 2006	1,146	—	1,146	—
Charged to the income statement	90	—	90	—
At 31 December 2006	1,236	—	1,236	—
Charged to in the income statement	116	168	284	—
At 31 December 2007	1,352	168	1,520	—

Deferred tax assets:

	Group	Company
	Tax losses	Tax losses
At 1 January 2006	(1,888)	(127)
Credited to the income statement	(3,024)	(334)
At 31 December 2006	(4,912)	(461)
Charged to the income statement	3,723	461
At 31 December 2007	(1,189)	—

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$8,526,000 (2006: HK$8,682,000) in respect of losses amounting to HK$44,874,000 (2006: HK$45,696,000) that can be carried forward against future taxable income, HK$5,558,000 (2006: HK$7,755,000), HK$15,265,000 (2006: HK$16,300,000) and HK$20,980,000 (2006: Nil) of such losses expire in 2010, 2011 and 2012 respectively and other losses can be carried forward indefinitely.

All amounts in Hong Kong dollar thousands unless otherwise stated

22 EXPENSES BY NATURE

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

	2007	2006
Depreciation and amortisation *(Notes 6, 7 and 9)*	143,255	97,112
Employee benefit expense *(Note 23)*	217,907	131,125
Cost of inventories *(Note 13)*	1,073,735	842,820
Other selling expenses (including transportation and advertising costs)	171,056	122,901
Operating lease payments in respect of land and buildings	3,722	3,642
Foreign exchange gain, net	(31,209)	(20,497)
Impairment of trade and other receivables, net *(Note 14)*	12,371	8,374
Auditors' remuneration	3,005	2,211
Other expenses, net	529,944	367,185
Total of cost of sales, selling and marketing costs and administrative expenses	2,123,786	1,554,873

23 EMPLOYEE BENEFIT EXPENSE

	2007	2006
Wages and salaries	202,826	125,171
Share-based payments	5,541	1,175
Pension costs - defined contribution plans *(note (a))*	9,540	4,779
	217,907	131,125

Note:

(a) Pension costs

The Group operates a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong (the "MPF Ordinance"). Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

All amounts in Hong Kong dollar thousands unless otherwise stated

23 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Directors' and senior management's emoluments

The aggregate amounts of emoluments paid and payable to the directors of the Company by the Group are as follows:

The remuneration of every director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
LEE Yin Yee	—	50	2,600	—	—	—	2,650
TUNG Ching Bor	—	742	650	—	12	—	1,404
TUNG Ching Sai	—	2,427	1,300	—	12	—	3,739
LEE Shing Put	—	207	195	—	8	—	410
LEE Yau Ching	—	794	520	—	12	—	1,326
LI Man Yin	—	512	390	—	12	—	914
NG Ngan Ho	—	225	—	—	6	—	231
LI Ching Wai	—	—	—	—	—	—	—
SZE Nang Sze	—	—	—	—	—	—	—
LI Ching Leung	—	—	—	—	—	—	—
LAM Kwong Siu	250	—	—	—	—	—	250
WONG Chat Chor Samuel	250	—	—	—	—	—	250
WONG Kong Hon	125	—	—	—	—	—	125
WONG Ying Wai	42	—	—	—	—	—	42

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Inducement fees	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
LEE Yin Yee	—	49	2,000	—	—	—	2,049
TUNG Ching Bor	—	624	500	—	12	—	1,136
TUNG Ching Sai	—	1,630	1,000	—	12	—	2,642
LEE Shing Put	—	211	300	—	9	—	520
LEE Yau Ching	—	644	400	—	12	—	1,056
LI Man Yin	—	391	300	—	12	—	703
NG Ngan Ho	—	372	300	—	12	—	684
LI Ching Wai	—	—	—	—	—	—	—
SZE Nang Sze	—	—	—	—	—	—	—
LI Ching Leung	—	—	—	—	—	—	—
LAM Kwong Siu	200	—	—	—	—	—	200
WONG Kong Hon	200	—	—	—	—	—	200
WONG Chat Chor Samuel	200	—	—	—	—	—	200

All amounts in Hong Kong dollar thousands unless otherwise stated

23 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: two) individuals during the year are as follows:

	2007	2006
Basic salaries and allowances	4,244	2,434
Discretionary and performance bonus	3,505	385
Contributions to retirement benefit schemes	39	24
Employee share-based compensation benefits *(note)*	257	30
	8,045	2,873

Note:

Employee share-based compensation benefits represent fair value of share options issued under Share Option Scheme amortised to the profit and loss account during the year disregarding whether the options have been vested / exercised or not.

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
Nil - HK$1,000,000	—	—
HK$1,000,001 - HK$1,500,000	—	1
HK$1,500,001 - HK$2,000,000	2	1
HK$4,500,001 - HK$5,000,000	1	—
	3	2

(d) During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loan of office (2006: HK$Nil).

All amounts in Hong Kong dollar thousands unless otherwise stated

24 FINANCE INCOME AND FINANCE COSTS

Finance income

	2007	2006
Interest income on short-term bank deposits	8,212	2,719
Interest income on loan advanced to associate	805	765
	9,017	3,484

Finance costs

	2007	2006
Interest on bank borrowings	36,839	20,514
Less: interest expenses capitalised under construction in progress	(3,077)	(8,981)
	33,762	11,533

25 INCOME TAX EXPENSE

	2007	2006
Current income tax		
- Hong Kong profits tax *(note (a))*	6,382	360
- PRC foreign enterprise income tax *(note (b))*	19,765	18,454
- Overseas taxation	11	101
Deferred income tax *(Note 21)*	4,007	(2,934)
	30,165	15,981

All amounts in Hong Kong dollar thousands unless otherwise stated

25 INCOME TAX EXPENSE *(Continued)*

Notes:

(a) **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year.

(b) **PRC foreign enterprise income tax**

PRC foreign enterprise income tax ("FEIT") 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 FEIT for two years starting from its first year of profitable operations after offsetting prior year tax losses, followed by 50% reduction in FEIT in next three years. The applicable FEIT rate for subsidiaries located in Shenzhen and Dongguan is 15% and 24%, respectively.

Effective from 1 January 2008, the PRC subsidiaries shall determine and pay the FEIT in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law) as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the FEIT rate applicable to the PRC subsidiaries under tax holiday and applying reduced FEIT rates will be gradually increased to 25% in a 5-year period from 2008 to 2012.

(c) **Overseas taxation**

Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 31 December 2007 and 2006 at the rates of taxation prevailing in the countries in which the Group operates.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2007	2006
Profit before tax	703,166	401,793
Calculated at applicable tax rate of 19%	133,602	76,341
Effect of different tax rates in other countries	283	276
Preferential tax rates on the income of PRC subsidiaries under tax holiday	(99,049)	(61,440)
Tax losses for which no deferred income tax asset was recognised	3,465	4,048
Utilisation of previously unrecognised tax losses	(3,621)	—
Income not subject to tax	(6,927)	(3,435)
Expenses not deductible for tax purposes	2,412	191
Income tax expense	30,165	15,981

The weighted average applicable tax rate was 19% (2006: 19%).

26 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the separate financial statements of the Company to the extent of approximately HK$321,016,000 (2006: HK$176,424,000).

27 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**670,860**	388,235
Weighted average number of shares in issue (thousands)	**1,632,107**	1,578,115
Basic earnings per share (HK$ per share)	**0.411**	0.246

Diluted

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

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**670,860**	388,235
Weighted average number of shares in issue (thousands)	**1,632,107**	1,578,115
Adjustments for share options (thousands)	**5,304**	1,552
Weighted average number of shares for diluted earnings per shares (thousands)	**1,637,411**	1,579,667
Diluted earnings per share (HK$ per share)	**0.410**	0.246

All amounts in Hong Kong dollar thousands unless otherwise stated

28 DIVIDENDS

The dividends paid during each of the financial years ended 2007 and 2006 were HK$256,746,000 (16.0 HK cents per share) and HK$141,333,000 (9.0 HK cents per share), respectively. A final dividend in respect of the financial year ended 31 December 2007 of 10.0 HK cents per share, amounting to a total dividend of HK$168,683,000 for the financial year, is to be proposed at the Annual General Meeting to be held on 26 May 2008. These financial statements do not reflect this dividend payable.

	2007	2006
Interim dividend paid of 9.0 HK cents (2006: 4.0 HK cents) per share	144,420	64,186
Proposed final dividend of 10.0 HK cents (2006: 7.0 HK cents) per share	168,683	112,326
	313,103	176,512

29 CASH GENERATED FROM OPERATIONS

	2007	2006
Profit for the year	673,001	385,812
Adjustments for:		
- Income tax expense *(Note 25)*	30,165	15,981
- Depreciation and amortisation	143,255	97,112
- Profits on disposal of property, plant and equipment	(18,675)	(43)
- Impairment of goodwill	—	255
- Interest income *(Note 24)*	(9,017)	(3,484)
- Interest expense *(Note 24)*	33,762	11,533
- Share-based payments	5,541	1,175
- Fair value loss on other financial assets at fair value through profit or loss	—	536
- Gain on disposal of other financial assets at fair value through profit or loss	(31,148)	—
- Gain on investment property revaluation	(407)	—
- Share of (profit)/loss from associate (Note 12)	(1,703)	563
Changes in working capital:		
- Inventories	(106,887)	(134,511)
- Net amounts due from customers for contract work	3,142	(40,846)
- Trade and other receivables	(45,958)	(191,746)
- Trade and other payables	(173,997)	260,519
Cash generated from operations	501,074	402,856

All amounts in Hong Kong dollar thousands unless otherwise stated

29 CASH GENERATED FROM OPERATIONS *(Continued)*

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2007	2006
Net book amount of property, plant and equipment *(Note 7)*	1,794	1,622
Profits on disposal of property, plant and equipment	18,675	43
Proceeds from disposal of property, plant and equipment	20,469	1,665

Non-cash transaction

As at 31 December 2007, the Group had payable for property, plant and equipment of HK$115,780,000 (2006: HK$52,283,000) which was included in accruals and other payables.

30 BANKING FACILITIES

At 31 December 2007, the Group's banking facilities totaling approximately HK$2,708 million (2006: HK$1,850 million) were secured by the following:

(a) pledged deposits (Note 16);

(b) corporate guarantees provided by the Company; and

(c) cross guarantees provided by certain subsidiaries of the Group.

The Company and the Group are required to comply with certain covenants, including amongst others, certain financial covenants, under certain facilities arrangement.

31 COMMITMENTS - GROUP

Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2007	2006
Property, plant and equipment		
Contracted but not provided for	522,746	212,347

All amounts in Hong Kong dollar thousands unless otherwise stated

31 COMMITMENTS - GROUP *(Continued)*

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007	2006
Not later than 1 year	1,746	2,327
Later than 1 year and not later than 5 years	2,723	4,452
Later than 5 years	474	735
	4,943	7,514

32 BUSINESS COMBINATIONS

In October 2007, the Group acquired 100% of the share capital of Shenzhen China Southern Automobile Glass Company Limited, an automobile glass manufacturing company in PRC. The acquired business contributed revenues of HK$45,377,000 and net profit of HK$4,772,000 to the Group for the period from 1 November 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, contribution to consolidated revenue would have been HK$239,902,000, and contribution to net profit would have been HK$2,327,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the reduced depreciation and additional amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	2007
Purchase consideration	
- Cash payment of RMB167 million	177,660
- Assumption of debt of RMB58 million and dividend payable of RMB8 million	70,891
Fair value of net assets acquired - shown as below	(192,675)
Goodwill *(Note 9)*	55,876

Goodwill is attributable to high profitability and synergies expect to arise from the acquired subsidiary and business.

All amounts in Hong Kong dollar thousands unless otherwise stated

32 BUSINESS COMBINATIONS *(Continued)*

The assets and liabilities as of 1 November 2007 are as follows:

	Fair value	Acquiree's Carrying amount
Cash and cash equivalents	4,433	4,433
Property, plant and equipment *(Note 7)*	266,691	317,522
Land use right *(Note 6)*	14,362	12,707
Trademark *(Note 9)*	20,306	—
Customer relationship *(Note 9)*	5,404	—
Inventories	32,722	32,722
Trade receivables and other receivables	59,826	59,826
Trade payables and other payables	(75,812)	(75,812)
Bank borrowings	(135,257)	(135,257)
Net assets acquired	192,675	216,141
Purchase consideration settled in cash		177,660
Cash payments on debt and dividend payable assumed		70,891
Cash and cash equivalents in subsidiary acquired		(4,433)
Purchase consideration payable included in accruals and other payables *(Note 19)*		(90,341)
Cash outflow on acquisition		153,777

All amounts in Hong Kong dollar thousands unless otherwise stated

33 RELATED-PARTY TRANSACTIONS - GROUP

The following transactions were carried out with related parties:

(a) Purchases of goods and interest from an associate

	2007	2006
Purchases of goods		
- from Beihai Yiyang Mineral Co., Limited	19,952	3,102
Loan interest income		
- from Beihai Yiyang Mineral Co., Limited	805	780

(b) Year-end balances with an associate

	2007	2006
Receivables from Beihai Yiyang Mineral Co., Limited, net	4,468	6,728

The net receivables include a trade payable and loan advance to the associate. The trade payables are unsecured, bear no interest and repayable in two months. The loan advance to associate amounting to RMB7.2 million (2006: RMB6.4 million) is interest bearing at 13% per annum and has fixed terms of repayment.

(c) Key management compensation

	2007	2006
Basic salaries and allowances	7,466	7,707
Discretionary and performance bonus	7,088	5,185
Contributions to retirement benefit schemes	60	93
Share-based payments	529	81
	15,143	13,066

34 EVENT AFTER THE BALANCE SHEET DATE

In January 2008, the Company repurchased certain of its own Shares on the Stock Exchange. The Directors considered that, as the Company's Shares were trading at a discount to the expected net asset value per share, the repurchase would be beneficial to the Company.

These repurchased Shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The aggregate consideration paid on repurchase was charged to share premium.

Month of repurchase	Number of Shares of HK$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	
January 2008	37,144,000	7.00	5.93	234,284

All amounts in Hong Kong dollar thousands unless otherwise stated

Selective financial summary, including selective income statement data and balance sheet data from the results for relevant years presented below were prepared in accordance with HKFRS.

	Year ended 31 December				
	2007	2006	2005	2004	2003
Sales	**2,774,624**	1,933,173	1,380,777	1,028,334	800,835
Cost of sales	**(1,702,269)**	(1,232,981)	(901,749)	(654,781)	(528,951)
Gross profit	**1,072,355**	700,192	479,028	373,553	271,884
Other revenue	**18,362**	21,912	16,254	24,547	8,899
Other gains	**57,008**	10,193	3,461	1,737	354
Selling and marketing costs	**(286,451)**	(211,205)	(147,530)	(90,751)	(41,861)
Administrative expenses	**(135,066)**	(110,687)	(71,923)	(56,532)	(44,613)
Operating profit	**726,208**	410,405	279,290	252,554	194,663
Finance income	**9,017**	3,484	3,206	543	986
Finance costs	**(33,762)**	(11,533)	(2,614)	(1,456)	(979)
Share of profit/(loss) of associates	**1,703**	(563)	(2)	—	—
Profit before income taxation	**703,166**	401,793	279,880	251,641	194,670
Income tax expense	**(30,165)**	(15,981)	(19,486)	(14,677)	(8,856)
Profit for the year	**673,001**	385,812	260,394	236,964	185,814
Minority interests	**(2,141)**	2,423	(280)	(1,129)	(393)
Profit attributable to equity holders of the Company	**670,860**	388,235	260,114	235,835	185,421
Dividends	**313,103**	176,512	123,435	128,344	12,000

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

	As at 31 December				
	2007	2006	2005	2004 (Restated)	2003 (Restated)
ASSETS					
Non-current assets					
Leasehold land and land use rights	**146,892**	128,539	120,785	120,616	46,309
Property, plant and equipment	**3,268,901**	1,790,017	1,263,353	636,023	326,795
Investment property	**9,460**	—	—	—	—
Deposits for property, plant and equipment	**292,854**	121,109	232,385	158,067	41,368
Intangible assets	**81,372**	—	—	—	—
Available-for-sale financial assets	**532**	500	481	—	—
Investment securities	**—**	—	—	472	—
Interest in an associate	**11,374**	11,932	11,911	—	—
Deferred income tax assets	**—**	3,676	852	2,207	2,863
	3,811,385	2,055,773	1,629,767	917,385	417,335
Current assets					
Inventories	**510,690**	371,081	235,215	164,177	140,028
Trade and other receivables	**674,722**	568,938	375,955	276,252	220,626
Amounts due from customers for contract work	**57,524**	61,222	19,211	1,837	18,064
Financial assets at fair value through profit or loss	**—**	15,231	—	—	—
Cash and cash equivalents					
Pledged	**6,702**	10,449	11,108	24,618	77,501
Unpledged	**309,506**	162,330	129,779	223,709	155,905
	1,559,144	1,189,251	771,268	690,593	612,124
Total assets	**5,370,529**	3,245,024	2,401,035	1,607,978	1,029,459

All amounts in Hong Kong dollar thousands unless otherwise stated

	As at 31 December				
	2007	2006	2005	2004 (Restated)	2003 (Restated)
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	**172,344**	160,466	154,294	30,010	10
Share premium	**2,073,287**	850,804	670,681	—	—
Other reserves	**454,085**	238,433	122,493	64,723	31,430
Retained earnings					
- Proposed final dividend	**168,683**	112,326	77,147	77,147	—
- Others	**1,176,680**	886,001	722,947	625,106	545,121
	4,045,079	2,248,030	1,747,562	796,986	576,561
Minority interest	**443**	(1,707)	2,517	2,132	1,549
Total equity	**4,045,522**	2,246,323	1,750,079	799,118	578,110
LIABILITIES					
Non-current liabilities					
Bank borrowings	**259,949**	79,917	125,583	160,303	—
Deferred income tax liabilities	**331**	—	110	461	461
	260,280	79,917	125,693	160,764	461
Current liabilities					
Trade and other payables	**626,339**	570,749	306,916	202,336	336,862
Amounts due to customers on construction contracts	**609**	1,165	—	—	1,052
Bank borrowings	**423,608**	334,667	208,340	441,805	101,955
Current income tax liabilities	**14,171**	12,203	10,007	3,955	11,019
	1,064,727	918,784	525,263	648,096	450,888
Total liabilities	**1,325,007**	998,701	650,956	808,860	451,349
Total equity and liabilities	**5,370,529**	3,245,024	2,401,035	1,607,978	1,029,459
Net current assets	**494,417**	270,467	246,005	42,497	161,236
Total assets less current liabilities	**4,305,802**	2,326,240	1,875,772	959,882	578,571