信義玻璃控股有限公司

XINYI GLASS HOLDINGS LIMITED

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

2009
Annual Report

Contents

Corporate Infomation

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. (Chairman) [ø~<]
Mr. TUNG Ching Bor (Vice Chairman)
Mr. TUNG Ching Sai (Chief Executive Officer) [<ø]
Mr. LEE Shing Kan
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, S.B.S.[#*+<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

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

LEGAL ADVISERS AS TO HONG KONG LAW

Squire, Sanders & Dempsey
24th Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Australia and New Zealand Bank
Bank of China (Hong Kong)
Citibank, N.A., Hong Kong Branch
Hang Seng Bank
HSBC
KBC Bank N.V., Hong Kong Branch
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation, Hong Kong Branch
Agricultural Bank of China
Bank of China
Bank of Communications

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

Corporate Infomation

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$6.99
Market capitalisation as at the date of this annual report: Approximately HK$12,378 million

KEY DATES

Closure of register of members: 25 May 2010 to 28 May 2010 (both days inclusive)
Date of Annual General Meeting: 28 May 2010
Proposed final dividend payable date: 7 June 2010
Proposed date to despatch the bonus Share certificate: 7 June 2010

Chairman's Statement

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 2009.

In comparison with 2008, our Group's turnover grew up by approximately 1.6% to roughly HK$3,958.0 million in 2009. Our net profit attributable to equity holders of the Company also grew by around 9.1%, to approximately HK$773.5 million in 2009. Basic earnings per share were 44.6 HK cents, compared with 41.9 HK cents last year.

We are highly pleased with the results achieved by the Group and therefore propose payment of a final dividend of 15.0 HK cents per Share upon approval at the forthcoming Annual General Meeting.

I present below an overview of the business of the Group during 2009 and key development highlights for the coming year.

POST FINANCIAL TSUNAMI AND A YEAR OF FLUCTUATING DEMAND

During the year, our business segments reported different results. Turnover from the automobile glass business slightly decreased by approximately 0.9% to approximately HK$1,946.5 million, which accounted for about 49.2% of the Group's total turnover. This was mainly attributable to the decrease in the sales price of automobile glass products and the drop of sales volume to the European Union and North America. Construction glass turnover grew by 10.9% to approximately HK$721.5 million, which accounted for about 18.2% of the Group's total turnover. This was mainly attributable to (a) the strong demand for the low-emission coating ("**LOW-E**") glass and double glazing insulated glass products and (b) our strategic focus on developing glass for commercial buildings, public facilities-related structures and high end residential buildings in the construction sector. The float glass and ultra clear photovoltaic glass business also grew by approximately 0.8% to approximately HK$1,289.9 million, which accounted for approximately 32.6% of the Group's total turnover. Such growth was largely driven by the demand of high quality float glass in the South China region, as well as the Group's expanded high quality float glass capacity in its Wuhu production complex. Ultra clear photovoltaic glass benefited from the strong rebound of solar photovoltaic demand in the fourth quarter of the year, which also in turn drove the Group's sales. The gross profit margin was approximately 36.9% (2008: 31.1%) while the net profit margin was approximately 19.5% (2008: 18.2%).

2009 was full of challenges and opportunities. The industry faced difficulties as a result of the global financial tsunami, the recession in Europe and the US and the escalating fuel and raw material costs in the second half of 2009. The Group nevertheless achieved satisfactory results by leveraging economies of scale, high quality products with an optimised product mix, flexible global sales and operational management strategies to benefit from the PRC government's supportive policy to the automobile industry and domestic consumer markets. The PRC's 4 trillion stimulus plan also spurred the strong demand of construction materials.

RECESSION IN EUROPE AND THE US — EXPLORATION OF EXPORT SALES CHANNELS AND INCREASE IN CHINA SALES RATIO

The European and US economies were seriously hit by the economic turmoil. The export markets were affected to different extents. Therefore, we actively explored different overseas markets, such as Australia, Middle East and Africa to offset the decreased demand from Europe and the US.

Sales to North America were down by 25.1% to approximately HK$580.4 million for the financial year of 2009. The sales to Europe also dropped by 32.1% to approximately HK$377.2 million for the financial year of 2009. The decline in performance was attributable to the decrease of overall sales price, the impact of de-stocking and the subsequent re-stocking action that has yet to increase inventories back to the level before the financial tsunami even when these economies have been showing improvement.

Therefore, the Group has actively explored other overseas markets and in 2009, revenue from these markets increased by 20.3% to approximately HK$794.8 million. Riding on the business opportunities brought from the strong economic rebound in the Greater China market, the Group's sales here also increased 15.9% to approximately HK$2,205.5 million.

IMPROVED PRODUCTIVITY AND ECONOMIES OF SCALE TO MINIMISE ENERGY AND MATERIAL COSTS

Since the end of 2008, the selling prices of heavy oil, the fuel for float glass production, and soda ash, a principal raw material, have dropped significantly and thus our overall costs structure has improved.

Moreover, with our strong experience in operations management combined with the improvements in the production process, we enhanced our productivity and yield rate to minimise the overall production and energy costs. The Group's daily production capacity of high quality float glass increased from 2,600 daily melting tons in early 2009 to 3,100 daily melting tons by end of 2009. The new ultra clear glass production line in our Wuhu production complex also provided the Group with additional daily production capacity of 500 melting tons since the fourth quarter of 2009. The new capacities in our Wuhu operations are using lower cost and cleaner natural gas. The economies of scale have enhanced the Group's purchasing power, reduced the average fuel consumption rate and the fixed unit cost, and thus mitigate the impact of any potential cost pressure on the gross profit margin in the future.

OUTLOOK FOR 2010

In 2010, we will continue to strengthen our operational management efficiency in order to tackle the challenges resulting from the post global financial tsunami period and the plan to retreat from the economic stimulus policies by major countries. In view of the PRC government's economic stimulus plan, its policies to support automobile industry and encourage the building materials industry in rural areas in China, the new energy-saving standards for building construction and the Golden Sun model home project, We will strengthen our research and development capability to enhance the new product development and product quality. We will expand new production complexes in the Yangtze River Delta, the Pearl River Delta and the Bohai region. We will also focus on the development of new environmentally-friendly and energy efficient glass products to meet the anticipated strong market demand for high quality float glass, LOW-E glass, double glazing insulated glass and photovoltaic glass products. We expect the second and third tier PRC cities will also have strong demand for high quality float glass and Low-E glass in future.

The second ultraclear photovoltaic glass production line, which is mainly used for photovoltaic power systems, has successfully commenced operation in the fourth quarter of 2009. This glass product has been well received by the market. The demand for solar power system is expected to continuously increase in Europe, China, Japan and the US.

Since 1 June 2009, the rebate of China export tax for automobile glass, construction glass and photovoltaic glass has increased back to 13%. The rebate will strengthen the competitiveness of our export businesses. At the same time, the decrease in the costs of raw materials and fuel will accelerate our growth momentum and enhance the flexibility in our overall glass sales.

CONCLUSION

The Group proactively and aggressively tackles challenges in different business environments and faces difficult times with our staff and customers, 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 2009. 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, M.H.
Chairman
29 March 2010

Management's Discussion and Analysis

INTRODUCTION

The Group produces and sells a wide range of glass products, from automobile glass, construction glass, float glass, photovoltaic glass to other glass products for commercial applications. The Group has production facilities in Shenzhen, Dongguan, Wuhu, Jiangmen and Tianjin in China. In addition to the glass products, the Group also produces automobile rubber and plastic components.

The Group's automobile glass products are sold 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. The Group's customers include companies in the businesses of automobile glass manufacturing, glass wholesale and distribution, automobile repairs, motor vehicle manufacturing, solar module, construction and furniture manufacturing.

BUSINESS REVIEW

Although the performance of the Group during the first half of 2009 was weak, principally because of the global economic downturn, the Group recorded a strong business growth during the entire year of 2009 as a result of the continuous economic recovery in China as well as the modest economic rebound in other overseas markets of the Group. The sales and the net profit attributable to equity holders of the Company reached approximately HK$3,958.0 million and HK$773.5 million, respectively, representing a year-on-year increase of approximately 1.6% and 9.1%, as compared to approximately HK$3,894.3 million and HK$709.2 million for the financial year ended 31 December 2008. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 30.1% and 31.3%, respectively, during the period of the five years ended 31 December 2009.

The major construction glass products "low-emission coated glass" continued to be one of the Group's popular products in 2009. Its environmentally-friendly and energy-saving capability are consistent with the environmental protection policies in China. In order to capture the high-growth business opportunities, the Group completed the installation of the third low-emission coating glass production line in its Dongguan production complex in the first quarter of 2009 and the fourth low-emission coating glass production line in its Wuhu production complex in fourth quarter of 2009. These two new production lines commenced the full commercial operation during the year.

Sales of high quality float glass was also a major growth driver in the year. Demand for the float glass and the photovoltaic glass were strong both in China and the overseas markets in the second half of 2009. With one new high quality float glass production lines of daily melting capacity of up to 500 tons and the addition of a new photovoltaic glass line of daily melting capacity up to 500 tons in operation in Wuhu since fourth quarter 2009, the Group increased the sales volume in 2009.

OPERATIONAL REVIEW

SALES

The sales of the Group increased by approximately 1.6% for the financial year ended 31 December 2009. The increase was principally due to the growth of the Group's float glass business and construction glass business in China. The increased sales was also attributable to the purchase orders from new customers as a result of strengthened business development efforts.

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

	Financial year ended 31 December			
	2009		2008	
	HK$'000	%	*HK$'000*	%
Sales				
Automobile glass products *(Note 1)*	**1,946,536**	**49.2**	1,964,294	50.4
Construction glass products *(Note 2)*	**721,540**	**18.2**	650,829	16.7
Float glass and photovoltaic glass products *(Note 3)*	**1,289,881**	**32.6**	1,279,160	32.9
	3,957,957	**100.0**	3,894,283	100.0

Notes:

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

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

(3) Included sales of photovoltaic glass products.

	Financial year ended 31 December			
	2009		2008	
	HK$'000	%	*HK$'000*	%
Sales				
Greater China *(Note (a))*	**2,205,511**	**55.7**	1,903,575	48.9
North America	**580,446**	**14.7**	774,519	19.9
Europe	**377,238**	**9.5**	555,533	14.2
Others *(Note (b))*	**794,762**	**20.1**	660,656	17.0
	3,957,957	**100.0**	3,894,283	100.0

Notes:

(a) China and Hong Kong.

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

COST OF SALES

With a lower material and fuel costs, better production efficiency and a refund of overpaid export VAT, the cost of sales for the financial year ended 31 December 2009 was approximately HK$2,496.0 million, representing a decrease of approximately 7.0%.

GROSS PROFIT

The Group's gross profit for the financial year ended 31 December 2009 was approximately HK$1,461.9 million, representing an increase of approximately 20.7%. The overall gross profit margin increased from approximately 31.1% to 36.9% as a result of the lower cost of sales, better combination of high valued added products and refund rates of export VAT for automobile glass, construction glass and photovoltaic glass were increased from 11% to 13% on 1 June 2009.

OTHER GAINS

The Group's other gains was approximately HK$13.3 million for the financial year ended 31 December 2009, as compared to approximately HK$46.1 million for the financial year ended 31 December 2008. The decrease was principally due to an exchange loss of HK$0.5 million in 2009 while there was an exchange gain of HK$54.8 million recognised in 2008.

SELLING AND MARKETING COSTS

With a lower freight and advertisement costs, the Group's selling and marketing costs decreased by approximately 15.7% to approximately HK$268.2 million for the financial year ended 31 December 2009.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by approximately 54.5% to approximately HK$323.3 million for the financial year ended 31 December 2009, principally attributable to the increase in staff and welfare and provision for bad debts of approximately HK$57.6 million and HK$10.0 million, respectively.

FINANCE COSTS

The Group's finance cost decreased by approximately 36.7% to approximately HK$15.2 million for the financial year ended 31 December 2009. The decrease was principally due to the lower interest rates for bank borrowings. A lower bank borrowings balance during the year was resulted from the new issued of capital of HK$522 million in the second quarter of 2009 and decreasing Renminbi bank borrowings with higher interest rate were also contributed the drop of finance cost. Some of the interest expenses were capitalised in relation to the acquisition of plant and machinery at the production complex in Wuhu, but they were charged as expenses when the new production lines commenced commercial operation. Interest expenses of HK$8.7 million were capitalised under construction-in-progress for the financial year ended 31 December 2009.

TAXATION

The Group's income tax expense amounted to approximately HK$47.4 million for the financial year ended 31 December 2009. The effective tax rate slightly increased from approximately 5.6% to 5.8% for the financial year ended 31 December 2009, which was mainly due to the payment of Canadian corporate income tax of approximately HK$7.7 million for receiving the refund of US anti-dumping duty by a Canadian subsidiary.

EBITDA AND NET PROFIT FOR THE YEAR

During the financial year ended 31 December 2009, the Company's EBITDA (i.e. earnings before interest expense, taxation, depreciation and amortisation) reached approximately HK$1,102.5 million, representing an increase of approximately 9.9%, as compared to HK$1,003.1 million for the financial year ended 31 December 2008. The Company's EBITDA margin, calculated based on turnover for the financial year, was approximately 27.9%, as compared to approximately 25.8% for the financial year ended 31 December 2008.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2009 was approximately HK$773.5 million, representing an increase of approximately 9.1%, as compared to HK$709.2 million for the financial year ended 31 December 2008. Net profit margin increased to approximately 19.5% for the financial year ended 31 December 2009 as a result of better product combination, improved production efficiency and lower material and fuel costs.

PATENT INFRINGEMENT LITIGATION

As disclosed by the Group in its announcement dated 12 November 2009, a verdict was issued by a jury in the United States District Court for the Northern District of Ohio in the United States on 10 November 2009 against Xinyi Glass (North America), Inc. and Xinyi Automobile Glass (Shenzhen) Company Limited for infringements of certain patents held by Saint-Gobain (as defined in the announcement) in the US. The alleged infringements relate to the sales of profiled spacers affixed on certain windshield products by the Group to the US market during the period between June 2002 and June 2009 (being the last expiry date of the relevant patents held by Saint-Gobain in an aggregate amount of approximately US$11.04 million (equivalent to approximately HK$86.11 million). The verdict requires the Group to pay damages to Saint-Gobain in an aggregate amount of approximately US$10.94 million (equivalent to approximately HK$85.3 million) and such amount of legal costs and penalty damages to be determined by the judge. The Board disagrees with the verdict and is taking all necessary steps to appeal the verdict and seek reversal of the verdict. The appeal is in progress, and the Board will provide further update should there be any further decision by the appellate courts.

FINAL DIVIDEND

At the meeting of the Board held on 29 March 2010, the Directors proposed to declare a final cash dividend of 15 HK cents per Share for the financial year ended 31 December 2009. Together with the interim cash dividend of HK$106.4 million for 2009, the total dividend paid and payable represent a dividend pay-out ratio of approximately 48.1%. The Directors believe that this dividend level is appropriate in reflecting the growth of the net profit of the Group for the financial year ended 31 December 2009.

BONUS ISSUE

To celebrate the fifth anniversary of the listing of the Shares on the Stock Exchange in February 2005, in addition to the proposed final cash dividend set forth above, the Directors also proposed, subject to the conditions below, a bonus issue (the "**Bonus Issue**") to the Shareholders on the basis of one (1) new bonus Share for every existing Share held by the Shareholders (for the avoidance of doubt, the new Shares to be issued under the Bonus Issue will not be entitled to the final cash dividend for the financial year ended 31 December 2009 stated above). The Bonus Issue will be conditional upon:-

(a) the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "AGM") to increase the authorised share capital of the Company;

(b) the approval of the Shareholders of the Bonus Issue at the AGM ; and

(c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new bonus Shares to be issued pursuant to the Bonus Issue.

The Directors believe that the Bonus Issue represents part of the investment return to the long-term support from the Shareholders. The Bonus Issue will also allow the Shareholders to enjoy the results of the business growth of the Group by way of capitalisation of a portion of the share premium account.

A circular containing details of the Bonus Issue and the notice of AGM will be despatched to the Shareholders as soon as possible.

CURRENT RATIO

The Group's current ratio for the financial year ended 31 December 2009 was approximately 1.03, as compared to 1.09 in the previous year. The slight decrease was due to an increase in trade and other payables and a provision for a legal claim for the year.

NET CURRENT ASSETS

As at 31 December 2009, the Group had net current assets of approximately HK$54.9 million, as compared to approximately HK$141.5 million as at 31 December 2008. The decrease was a result of the increase in trade payables, accruals and other payables.

FINANCIAL RESOURCES AND LIQUIDITY

During the financial year ended 31 December 2009, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to approximately HK$1,322.6 million (2008: HK$1,167.7 million) as a result of better working capital management generating a net cash surplus from operations. As at 31 December 2009, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$543.3 million (2008: HK$442.6 million).

As at 31 December 2009, the Group had bank loans totaling approximately HK$1,102.2 million, representing a decrease of approximately 8.6% as at 31 December 2008. The decrease was principally due to the proceeds raised from share placement during the year.

The Group's net debt gearing ratio as at 31 December 2009, calculated by dividing the net bank debt by the total equity of the Group as at 31 December 2009. Net bank debt is calculated as total borrowings less cash and cash equivalents (excluding pledged bank deposits). This ratio was approximately 10.5% (31 December 2008: 17.6%). The decrease was principally due to a lower bank debts balance and improved profit for the year.

PLEDGE OF ASSETS

As at 31 December 2009, bank balance of approximately HK$11.4 million was pledged as collateral mainly to United States Customs as a security of import duties.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had 9,602 full-time employees of whom 9,563 were based in Greater China and 39 were based in other countries and territories. The Group maintained good relationship with all the employees. The Group provided the employees with sufficient training on business knowledge including information on the applications of the Group's products and skills in maintaining good client relationship. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group's performance and performance of the individual employee.

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

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

As at the date of this announcement, the 1st tranche of 8,520,000 options were granted to employees of the Group. The exercise price of these options was HK$2.15 and all unexercised options under this tranche expired on 27 January 2009.

The 2nd tranche of 13,552,000 options were granted to employees of the Group, of which 1,410,000 options have lapsed and 600,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$6.98 and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 30 June 2011, they shall lapse.

The 3rd tranche of 24,258,600 options were granted to employees of the Group of which 3,158,000 options have lapsed and 810,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$4.67 and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 19 April 2013, they shall lapse.

The 4th tranche of 11,143,500 options were granted to employees of the Group of which 515,000 options have lapsed and 444,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.44 and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 31 March 2012, they shall lapse.

Profile of Directors and Senior Management

DIRECTORS

EXECUTIVE DIRECTORS

LEE Yin Yee, M.H.(李賢義), aged 57, is our Chairman and founder, responsible for our Group's business strategy. Mr. LEE Yin Yee has 21 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 the PRC. 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 Kan, 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 47, 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 16 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 Kan, 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 44, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for 21 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 Kan, 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.

Profile of Directors and Senior Management

LEE Shing Kan (李聖根), aged 30, is our executive Director, the general manager of Xinyi Plastics Products (Shenzhen) Development Company Limited from 9 May 2008 and the deputy general manager of Xinyi Automobile Glass (Shenzhen) Company Limited from January 2007. Mr. LEE Shing Kan joined the Company in January 2005 as an assistant to Mr. TUNG Ching Sai, the chief executive officer of the Company. Mr. LEE Shing Kan holds a bachelor's degree in commerce from The University of Melbourne, Australia and a master's degree in applied finance from Monash University, Australia. Mr. LEE Shing Kan is the son of Mr. LEE Yin Yee, M.H., nephew of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai and cousin of Mr. LEE Yau Ching, our executive Director. Mr. LEE Shing Kan was appointed as our executive Director on 15 October 2008. Save as disclosed above, Mr. LEE Shing Kan 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 Kan has not held any directorship in other publicly listed companies in the last three years.

LEE Yau Ching (李友情), aged 34, 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) Company Limited and Xinyi Glass Technology (Shenzhen) Company Limited. 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 Kan, our executive Director. 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 55, is our executive Director and has joined us since July 1999. Mr. LI Man Yin is the assistant general manager of Xinyi Glass Wuhu Production Complex. Prior to joining us, Mr. LI Man Yin has worked at a local transportation service company the PRC 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.

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

LI Ching Wai (李清懷), aged 52, 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 52, 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 54, 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 45, 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, S.B.S. (林廣兆), aged 76, is the vice chairman of BOC International Holdings Limited, the honorary chairman of the board of Hong Kong Federation of Fujian Association, the Chief Supervisor of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce and Adviser 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, Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002, China Overseas Land & Investment Limited since September 2003 and Fujian Holdings Limited since December 2003 and Yuzhou Properties Company Limited since October 2009. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. CITIC International Financial Holdings Limited (withdrawal of listing on 5 November 2008), China Overseas Land & Investment Limited, Fujian Holdings Limited and Yuzhou Properties Company Limited are companies whose shares are being listed on the Stock Exchange. Save as disclosed above, Mr. LAM Kwong Siu, S.B.S. 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, S.B.S. has not held any directorship in other publicly listed companies in the last three years.

WONG Chat Chor Samuel (王則左), aged 60, 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, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, 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, the PRC. 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.

Profile of Directors and Senior Management

Mr. WONG, Ying Wai, Wilfred, S.B.S., JP (王英偉), aged 57, is the executive deputy chairman of Hsin Chong Construction Group Limited and Synergis Holdings Limited, two main board Hong Kong listed companies in construction and property management businesses respectively. He is also the independent non-executive director of Cosway Corporation Limited, a main board Hong Kong listed company. He is also the executive chairman of Singapore-based Pacific Star Group, one of Asia's fastest growing real estate investment houses. Mr. WONG Ying Wai, Wilfred, S.B.S., JP is responsible for formulating and overseeing the business strategies of the Pacific Star Group in the mainland China, Hong Kong and Macau. Mr. WONG Ying Wai, Wilfred, S.B.S., JP is also the non-executive Chairman of Yangtze China Investment Company Limited, a company whose shares are listed on the London AIM and which makes direct investments in growth businesses in the mainland China.

Mr. WONG Ying Wai, Wilfred, S.B.S., JP joined the Administrative Officer grade of the Hong Kong Government in 1975 and served in a number of key positions responsible for the planning, organizing and formulation of government and services policies until 1992. Since then, Mr. WONG Ying Wai, Wilfred, S.B.S., JP has held senior management positions in a number of Hong Kong listed companies in the property development and construction business sectors including K. Wah International Holdings Limited, Henderson China Holdings Limited and the Shui On Group.

Mr. WONG Ying Wai, Wilfred, S.B.S., JP started his public service career on the national level when he was appointed by the Central People's Government as a member of The Basic Law Consultative Committee (1985-1990). He was subsequently appointed by the National People's Congress as a member of the Preliminary Working Committee in 1993 and a member of the Hong Kong SAR Preparatory Committee in 1995, responsible for the transitional policies and arrangements relating to the establishment of the HKSAR Government in 1997.

Currently, Mr. WONG Ying Wai, Wilfred, S.B.S., JP is a Deputy to the Eleventh National People's Congress of the PRC, after having been elected three times in the last ten years. His public service continues through his participation in a number of councils and committees in Hong Kong. He is the chairman of the Court and Council of the Hong Kong Baptist University; chairman of Hong Kong International Film Festival Society Limited; chairman of the Business and Professionals Federation of Hong Kong; a Board Member of HKSAR Airport Authority, Tourism Board and Hong Kong Film Development Council. He is also a member of the Commission on Strategic Development and Family Council. For his distinguished public service, Mr. WONG Ying Wai, Wilfred, S.B.S., JP was awarded the Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2007. He was educated at Harvard University (MPA), Oxford University, University of Hong Kong (BSoc.Sc.) and the Chinese University of Hong Kong.

Mr. WONG Ying Wai, Wilfred, 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, Wilfred, S.B.S., JP has not held any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Profile of Directors and Senior Management

SENIOR MANAGEMENT

William CHEN (陳未遠), aged 79, 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 39 years. Mr. William CHEN was granted a special subsidy by the State Council in 1991 for his contribution to glass engineering technology.

LAU Sik Yuen (劉錫源), aged 43, is our company secretary, chief financial officer and qualified accountant. Prior to joining our Group in April 2003, Mr. LAU Sik Yuen had over thirteen 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.

YANG Jian Jun (楊建軍), aged 49, 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 nineteen 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.

ZHA Xuesong (查雪松), aged 38, is group vice president and general manager of Xinyi Automobile Glass (Shenzhen) Company Limited and Shenzhen Benson Automobile Glass Company Limited and overseeing our automobile glass 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.

CHEN Xi (陳曦), aged 52, is the general manager of Xinyi Glass Engineering (Dongguan) Company Limited and joined our Group in March 2003. Mr. CHEN Xi graduated from Sichuan Industrial Institute in 1983 and is qualified as a senior mechanical engineer.

ZHANG Ming (張明), aged 49, is the general manager of Xinyi Glass Wuhu Production Complex and is responsible for overseeing and implementing photovoltaic glass operation and sales. Mr. ZHANG Ming has obtained qualification as a senior engineer. Prior to joining our Group in February 1998, Mr. ZHANG Ming worked at a float glass plant in the PRC. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and in full compliance with the applicable laws and regulations. During the financial year ended 31 December 2009, the Company was in full compliance 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall 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 14 to 19 this report.

The six executive Directors are Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Kan, Mr. LEE Yau Ching and Mr. LI Man Yin. Mr. LEE Yin Yee, M.H., is the father of Mr. LEE Shing Kan, and also the brother-in-law of Mr. TUNG Ching Bor and Mr. TUNG Ching Sai, and an uncle of Mr. LEE Yau Ching. Mr. TUNG Ching Bor is an elder brother of Mr. TUNG Ching Sai. Hence, Mr. LEE Shing Kan is a son of Mr. LEE Yin Yee, M.H., 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, M.H., and cousin of Mr. LEE Shing Kan.

The four non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho.

The three independent non-executive Directors are Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP.

Where there is any casual vacancy in 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, M.H. 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. Mr. LEE 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 other members of the Board and other senior management, Mr. TUNG Ching Sai closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. TUNG is also responsible for formulating 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 2008. Two of the independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S. and Mr. WONG Chat Chor Samuel were appointed for a term of three years commenced on 3 February 2008. The independent non-executive Director, Mr. WONG Ying Wai, S.B.S., JP was appointed for a term of three years commenced on 1 November 2008. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on 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 ended 31 December 2009 the Board held four meetings on 30 March 2009, 22 May 2009, 31 August 2009 and 29 December 2009, and all Directors had attended these meetings except that Mr. WONG Ying Wai, S.B.S., JP was absent on 22 May 2009. At least four Board meetings are scheduled for the financial year of 2010.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, the monitoring and evaluation of the operating and financial performance, the review of the corporate governance measures and the supervision of the overall management of the Group. The senior 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 of 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 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company has made specific enquires with the Directors and all Directors have confirmed that they complied with the Model Code throughout the year ended 31 December 2009.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board has five members, namely Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Mr. WONG Ying Wai, S.B.S., JP, Mr. LEE Yin Yee, M.H., and Mr. TUNG Ching Sai. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu, S.B.S.. 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 ended 31 December 2009, two meetings of the Remuneration Committee were held on 30 March 2009 and 29 December 2009 respectively and all the committee members attended this meeting.

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. 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 held 3 meetings during the year of 2009 on 30 March 2009, 31 August 2009 and 30 December 2009 and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of Mr. LEE Yin Yee, M.H., 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 candidates, based on his or her prior experience and qualifications, to the Board on the appointment of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are available on request. There was no Nomination Committee meeting held during the year of 2009.

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 38.

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 of 2009. During 2009, the Board has conducted an annual review of the effectiveness of the system of internal control of the Group with satisfactory results.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2009.

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 including photovoltaic glass, automobile glass products, construction and a variety of related products in the PRC. 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 2009 are set out in the consolidated income statement on page 45 in this report. During the financial year, an interim dividend of 6.0 HK cents per Share, amounting to a total of about HK$106.4 million, was paid to shareholders on 24 September 2009.

The Board proposes the payment of a final dividend of 15.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 28 May 2010. Subject to approval of the Directors' recommendation by shareholders at the Annual General Meeting, the final dividend will be paid on 7 June 2010.

The register of members will be closed from Tuesday, 25 May 2010 to Friday, 28 May 2010, 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, no later than 4:00 p.m. on Monday, 24 May 2010.

RESERVES

Details of movements in the reserves of the Group during the financial year are set out in note 19 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

Details of this movement 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$280,000 (2008: HK$5.4 million).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 18 to the financial statements in this report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands as at 31 December 2009, share premium amounting to approximately HK$2,334.3 million (2008: HK$1,829.2 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 2009, the Company had distributable reserves available for distribution to shareholders amounting to approximately HK$310.5 million (2008: HK$155.6 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.

Report of the Directors

DIRECTORS

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

EXECUTIVE DIRECTORS

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

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, S.B.S.
Mr. WONG Chat Chor Samuel
Mr. WONG Ying Wai, S.B.S., JP

In accordance with article 108 of the Company's articles of association, Mr. LEE Yau Ching, Mr. LI Man Yin, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP will retire by rotation and being eligible, will offer themselves for re-election at 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 2008. The independent non-executive Director Mr. WONG Ying Wai, S.B.S., JP was appointed for a term of three years commenced on 1 November 2008. Their terms shall continue thereafter until terminated by not less than three months' notice in writing served by either party to 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 considers 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 package; and

(iv) annual remuneration of HK$200,000 for the year ended 31 December 2009, and HK$250,000 for the year ending 31 December 2010.

Each of the non-executive Directors was appointed by the Company for a term of three years commenced on 1 January 2008. Save for the annual remuneration of HK$200,000 for each non-executive Director in 2009, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual remuneration of HK$225,000 for each independent non-executive Director in 2009, 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, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP, and their mutual 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 of the Company 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 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, which period may commence from the date on which 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 board 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 of this announcement, the 1st tranche of 8,520,000 options were granted to employees of the Group. The exercise price of these options was HK$2.15 and all these options expired on 27 January 2009.

The 2nd tranche of 13,552,000 options were granted to employees of the Group, of which 1,410,000 options were lapsed and 600,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$6.98 and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 30 June 2011, they shall lapse.

The 3rd tranche of 24,258,600 options were granted to employees of the Group of which 3,158,600 options had lapsed and 810,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$4.67 and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 19 April 2013, they shall lapse.

The 4th tranche of 11,143,500 options were granted to employees of the Group of which 515,000 options had lapsed and 515,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.44 and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 31 March 2012, they shall lapse.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 14 to 19 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 2009, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares 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)*	354,027,029	19.97%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
	Personal interest *(Note b)*	12,534,000	0.71%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	130,227,926	7.34%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
	Personal interest *(Note d)*	4,788,000	0.27%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	120,545,582	6.80%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
	Personal interest *(Note f)*	12,048,000	0.68%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	57,879,078	3.26%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note h)*	38,586,052	2.18%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
	Personal interest	200,000	0.01%
Mr. LI Man Yin	Interest of a controlled corporation *(Note i)*	38,586,052	2.18%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
	Personal interest *(Note j)*	300,000	0.02%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note k)*	53,113,500	3.00%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note l)*	38,586,052	2.18%
	Interest of a controlled corporation *(Note m)*	11,930,000	0.67%
	Personal interest	1,000,000	0.06%
Mr. WONG Chat Chor Samuel	Personal interest	36,000	0.00%

Notes:

(a) Mr. LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LEE Yin Yee.

(b) Mr. LEE Yin Yee's interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(c) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.

(d) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(e) Mr. TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. TUNG Ching Sai.

(f) Mr. TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tang Hung.

(g) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("**Goldbo**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.

(h) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.

(i) Mr. LI Man Yin's interests in the Shares are held through Perfect All Investments Limited ("**Perfect All**"), a company incorporated in the BVI with limited liability on 28 June 2004 and wholly-owned by Mr. LI Man Yin.

(j) Mr. LI Man Yin's interests in the Shares are held through a joint account with his spouse, Madam LI Sau Suet.

(k) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("**Goldpine**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.

(l) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited ("**Herosmart**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.

(m) 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 n)*	Mr. LEE Yin Yee	2 ordinary shares	100%
High Park *(Note o)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note p)*	Mr. TUNG Ching Sai	2 ordinary shares	100%
Telerich *(Note q)*	Mr. LEE Yau Ching	2 ordinary shares	100%
Goldbo *(Note r)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note s)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Perfect All *(Note t)*	Mr. LI Man Yin	2 ordinary shares	100%
Goldpine *(Note u)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note v)*	Mr. LI Ching Leung	2 ordinary shares	100%
Full Guang *(Note w)*	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:

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

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

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

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

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

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

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

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

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

(w) 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 2009, 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 2009, 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	354,027,029	Registered and beneficial owner	19.97%
High Park	130,227,926	Registered and beneficial owner	7.34%
Copark	120,545,582	Registered and beneficial owner	6.80%
Telerich Investment Limited *(Note)*	122,821,689	Registered and beneficial owner	6.93%

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 2009, 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	30.0%
Xinyi Auto Glass (North America) Corporation	Polaron International Inc.	30,000 class A common shares	30.0%
Xinyi Glass (America) Development Inc.	Mr. TAM Peng Kuan Antonio	30,000 common shares	25.0%
	Mr. LAU Chee Wai Daniel	20,000 common shares	16.7%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT	2,500 common shares	25.0%
	Polaron International Inc.	1,250 common shares	12.5%
Xinyi Glass Japan Company Limited	Polaron International Inc.	40 common shares	10.0%
	Mr. CHO Shotie	140 common shares	35.0%
Xinyi Glas Deutschland GmbH	Mr. Wolfgang Walter WILLNAT	not applicable	25.0%
	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 the 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 the Shares and underlying shares 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 2009, 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	3.9%
— the largest five customers combined	12.4%
Purchases	
— the largest supplier	7.7%
— the largest five suppliers combined	26.1%

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 2009 amounted to approximately HK$1,102.2 million (2008: HK$1,206.5 million). Particulars of the bank borrowings are set out in note 21 to the financial statements in this report.

REWARD FOR EMPLOYEES

As at 31 December 2009, we employed over 9,602 employees in the PRC, 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 programs to promote training.

CONNECTED TRANSACTIONS

No significant related party transaction had been entered into by the Group which constituted connected transactions for the financial year ended 31 December 2009.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices ("**the Code**") as set out in Appendix 14 to the Listing Rules during the financial year ended 31 December 2009.

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 with the exception that the audit committee may have a minimum of two members. A new set of terms of reference of the audit committee in compliance with the requirements of the Listing Rules was adopted on 30 March 2009 by the Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and 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 2009.

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

The Company executed a share placement in May 2009 which raised gross proceeds of approximately HK$522.0 million to provide the Group with additional funds for expansion. An aggregate of 90,000,000 ordinary shares were issued in relation to the share placement. Please refer to the Company's announcements dated 26 May 2009 and 5 June 2009, respectively for details.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2009.

PUBLIC FLOAT

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

SUBSEQUENT EVENTS

(a) In January 2010, the Company repurchased certain Shares on the Stock Exchange.

The repurchased Shares were cancelled 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 given by the shareholders during the Company's annual general meeting in 2009, with a view to benefit shareholders as a whole in enhancing the net assets value and earnings per share of the Company.

Month of repurchase	Number of Shares Repurchased	Price Per Share Highest		Aggregate Consideration Paid
		Highest	Lowest	
		(HK$)	*(HK$)*	*(HK$'000)*
January 2010	2,190,000	6.69	6.54	14,436

(b) On 10 March 2010. Xinyi Automobile Glass (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with a third party to dispose of its entire shareholding of 100% interest in Xinyi Curtain Wall Decorative Engineering (Shenzhen) Company Limited ("**Xinyi CW**"). Xinyi CW was a subsidiary principally engaged in the business of installation of construction glass. The management does not expect such disposal will incur significant loss to the Group.

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 Friday, 28 May 2010, at Unit 3203, 32/F, Admiralty Centre I, 18 Harcourt Road, Admiralty, 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, M.H.
Chairman

Hong Kong, 29 March 2010

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 40 to 133, which comprise the consolidated and Company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 2009 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, 29 March 2010

Consolidated Balance Sheet

As at 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2009	2008
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	664,367	362,800
Property, plant and equipment	7	4,787,849	3,972,031
Investment property	8	32,229	10,927
Deposits for property, plant and equipment and land use rights		300,369	280,871
Intangible assets	9	95,480	90,048
Available-for-sale financial assets	11	569	569
Interest in an associate	12	13,589	15,889
Deferred income tax assets	22	8,819	—
		5,903,271	4,733,135
Current assets			
Inventories	13	678,172	612,134
Trade and other receivables	14	843,528	661,275
Amounts due from customers for contract work	15	27,057	48,828
Financial assets at fair value through profit or loss	16	14,330	—
Pledged bank deposits	17	11,446	6,854
Cash and cash equivalents	17	531,895	435,712
		2,106,428	1,764,803
Total assets		8,009,699	6,497,938

Consolidated Balance Sheet

As at 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	**2009**	2008
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	18	**177,305**	168,808
Share premium	18	**2,334,321**	1,829,174
Other reserves	19	**810,561**	728,323
Retained earnings			
– Proposed final dividend	32	**265,629**	151,475
– Others		**1,822,698**	1,491,552
		5,410,514	4,369,332
Minority interest		**20,072**	20,204
Total equity		**5,430,586**	4,389,536

Consolidated Balance Sheet

As at 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2009	2008
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	522,495	484,079
Deferred income tax liabilities	22	5,113	1,044
		527,608	485,123
Current liabilities			
Trade payables, accruals and other payables	20	1,361,779	879,291
Amounts due to customers for contract work	15	—	71
Current income tax liabilities		24,649	21,526
Bank borrowings	21	579,745	722,391
Provisions for legal claim	23	85,332	—
		2,051,505	1,623,279
Total liabilities		2,579,113	2,108,402
Total equity and liabilities		8,009,699	6,497,938
Net current assets		54,923	141,524
Total assets less current liabilities		5,958,194	4,874,659

The financial statements on pages 40 to 133 were approved by the Board of Directors on 29 March 2010 and were signed on its behalf.

LEE Yin Yee
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 51 to 133 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2009	2008
ASSETS			
Non-current assets			
Interests in subsidiaries	10	2,154,660	1,636,223
Current assets			
Amounts due from subsidiaries	10	712,157	542,128
Prepayments		67	310
Cash and cash equivalents	17	58	1,055
		712,282	543,493
Total assets		2,866,942	2,179,716
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	18	177,305	168,808
Share premium	18	2,334,321	1,829,174
Other reserves	19	42,047	23,552
Retained earnings			
– Proposed final dividend	32	265,629	151,475
– Others		44,827	4,099
Total equity		2,864,129	2,177,108

Balance Sheet

As at 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	**2009**	2008
LIABILITIES			
Current liabilities			
Accruals and other payables	20	**617**	1,295
Current income tax liabilities		**—**	185
Amounts due to subsidiaries	10	**2,196**	1,128
Total liabilities		**2,813**	2,608
Total equity and liabilities		**2,866,942**	2,179,716

The financial statements on pages 40 to 133 were approved by the Board of Directors on 29 March 2010 and were signed on its behalf.

LEE Yin Yee	TUNG Ching Bor
Chairman	*Vice-chairman*

The notes on pages 51 to 133 are an integral part of these financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2009	2008
Revenue	5	3,957,957	3,894,283
Cost of sales	24	(2,496,047)	(2,683,403)
Gross profit		1,461,910	1,210,880
Other income	26	33,628	38,118
Other gains – net	27	13,343	46,129
Selling and marketing costs	24	(268,169)	(318,227)
Administrative expenses	24	(323,321)	(209,205)
Provision for legal claim	23	(85,332)	—
Operating profit		832,059	767,695
Finance income	28	6,782	9,116
Finance costs	28	(15,216)	(24,029)
Share of profit of an associate	12	372	272
Profit before income tax		823,997	753,054
Income tax expense	29	(47,392)	(42,256)
Profit for the year		776,605	710,798
Profit attributable to:			
Equity holders of the Company		773,526	709,232
Minority interests		3,079	1,566
		776,605	710,798
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
– Basic	31	44.6	41.9
– Diluted	31	44.5	41.8
Dividends	32	372,012	337,116

The notes on pages 51 to 133 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	2009	2008
Profit for the year	776,605	710,798
Other comprehensive income:		
Currency translation differences	(6,606)	201,171
Other comprehensive income for the year, net of tax	(6,606)	201,171
Total comprehensive income for the year	769,999	911,969
Total comprehensive income attributable to:		
Equity holders of the Company	766,281	910,459
Minority interests	3,718	1,510
Total comprehensive income for the year	769,999	911,969

The notes on pages 51 to 133 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2009

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	Total	Minority interest	Total equity
Balance at 1 January 2008		172,344	2,073,287	454,085	1,345,363	4,045,079	443	4,045,522
Profit for the year		—	—	—	709,232	709,232	1,566	710,798
Currency translation differences								
– group		—	—	200,950	—	200,950	(56)	200,894
– associate		—	—	277	—	277	—	277
Transfer to reserve		—	—	57,134	(57,134)	—	—	—
Repurchase and cancellation of the Company's shares								
– nominal value of shares	18	(3,826)	—	3,826	—	—	—	—
– premium paid	18	—	(251,083)	—	—	(251,083)	—	(251,083)
Employees share option scheme:								
– value of employee services	25	—	—	13,075	—	13,075	—	13,075
– proceeds from shares issued	18	290	6,970	(1,024)	—	6,236	—	6,236
Contribution from minority shareholders		—	—	—	—	—	18,475	18,475
Dividends paid to minority shareholders		—	—	—	—	—	(224)	(224)
Dividends relating to 2007		—	—	—	(168,793)	(168,793)	—	(168,793)
Dividends relating to 2008	32	—	—	—	(185,641)	(185,641)	—	(185,641)
Balance at 31 December 2008		168,808	1,829,174	728,323	1,643,027	4,369,332	20,204	4,389,536

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2009

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	Total	Minority interest	Total equity
Balance at 1 January 2009		168,808	1,829,174	728,323	1,643,027	4,369,332	20,204	4,389,536
Profit for the year		—	—	—	773,526	773,526	3,079	776,605
Currency translation differences								
– group		—	—	(6,921)	—	(6,921)	639	(6,282)
– associate		—	—	(324)	—	(324)	—	(324)
Transfer to reserve		—	—	70,988	(70,988)	—	—	—
Proceeds from shares issued	18	9,000	504,258	—	—	513,258	—	513,258
Repurchase and cancellation of the Company's shares								
– nominal value of shares	18	(518)	518	518	(518)	—	—	—
Employees share option scheme:								
– proceeds from share issued	18	15	371	(56)	—	330	—	330
– value of employee services	25	—	—	19,171	—	19,171	—	19,171
– option expired		—	—	(1,138)	1,138	—	—	—
Contribution from minority shareholders		—	—	—	—	—	333	333
Shares repurchased and cancelled from minority shareholders		—	—	—	—	—	(3,828)	(3,828)
Dividends paid to minority shareholders		—	—	—	—	—	(355)	(355)
Dividends relating to 2008	32	—	—	—	(151,475)	(151,475)	—	(151,475)
Dividends relating to 2009	32	—	—	—	(106,383)	(106,383)	—	(106,383)
Balance at 31 December 2009		**177,305**	**2,334,321**	**810,561**	**2,088,327**	**5,410,514**	**20,072**	**5,430,586**

The notes on pages 51 to 133 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2009
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2009	2008
Cash flows from operating activities			
Cash generated from operations	33	1,395,484	1,257,922
Interest paid		(23,875)	(56,080)
Income tax paid		(49,019)	(34,188)
Net cash generated from operating activities		1,322,590	1,167,654
Cash flows from investing activities			
Purchase of land use rights		(275,230)	(212,627)
Purchase of property, plant and equipment		(1,088,415)	(644,056)
Proceeds from disposal of property, plant and equipment	33	4,984	7,530
Purchase of intangible assets		(1,320)	(10,066)
Purchase of financial assets at fair value through profit or loss		(35,341)	(19,799)
Disposal of financial assets at fair value through profit or loss		25,112	12,484
Settlement of purchase consideration payable on acquisition of subsidiary		—	(90,341)
Capital injected to an associate	12	—	(6,242)
Loans advanced to an associate		(2,863)	(33,523)
Loan repayment from an associate		8,327	35,835
Interest received		5,282	9,116
Net cash used in investing activities		(1,359,464)	(951,689)

Consolidated Cash Flow Statement

For the Year Ended 31 December 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2009	2008
Cash flows from financing activities			
Proceeds from bank borrowings		1,017,617	1,575,179
Repayments of bank borrowings		(1,121,640)	(1,066,980)
Increase in pledged bank deposits		(4,592)	(152)
Contribution from minority shareholders		333	18,475
Shares repurchased and cancelled from minority shareholders		(9,715)	—
Proceeds from issuance of ordinary shares		513,588	6,236
Repurchase of shares of the Company	18	—	(251,083)
Dividends paid to shareholders of the Company		(257,858)	(354,434)
Dividends paid to minority shareholders		(355)	(224)
Net cash generated from /(used in) financing activities		137,378	(72,983)
Net increase in cash and cash equivalents		100,504	142,982
Cash and cash equivalents at beginning of the year		435,712	309,506
Effect of foreign exchange rate changes		(4,321)	(16,776)
Cash and cash equivalents at end of the year	17	531,895	435,712

The notes on pages 51 to 133 are an integral part of these financial statements

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, float glass and photovoltaic glass products, which are carried out internationally, through the production complexes located in Mainland China (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 is a limited liability company incorporated in the Cayman Islands. The shares of the Company are 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 29 March 2010.

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"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or 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)*

Changes in accounting policy and disclosures (Continued)

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

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009). The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 7 'Financial instruments - disclosures' (amendment) (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131. 'Disclosure 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. This has not resulted in any changes in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors ("the Executive Directors") that makes strategic decisions.

  Goodwill is allocated by Directors to groups of cash-generating units on a segment level. Goodwill relating to the share repurchased from a minority shareholder of the subsidiary , Xinyi Glass (North America) Inc., during the year has been allocated to the automobile glass segment. The adoption of this standard has not resulted in any additional goodwill impairment and no comparative for 2008 have been restated.

All amounts in Hong Kong dollar thousands unless otherwise stated

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Changes in accounting policy and disclosures (Continued)

(b) *Standards, amendments and interpretations to existing standards that have become effective in 2009 but not relevant to the Group's operations*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 23	Borrowing costs	1 January 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendments)	Share-based payment	1 January 2009
HK(IFRIC) - Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives	Period ending on or after 30 June 2009
HK(IFRIC) - Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) - Int 15	Agreements for construction of real estates	1 January 2009
HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation	1 October 2008
HKFRSs (Amendments)	First annual improvements project published in October 2008	1 January 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Changes in accounting policy and disclosures (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 2010 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 (Amendment)	Classification of right issues	1 February 2010
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) - Int 18	Transfer of assets from customers	1 July 2009
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRSs (Amendments)	First annual improvements project published in October 2008 and second annual improvements project published in May 2009 by HKICPA	1 July 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION

(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 consolidated income statement (Note 2.7(a)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

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 (Noted 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 and are recorded in the consolidated 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 investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.9 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated 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 interests 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 arising in investment 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

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 the Group's 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 or valuation where items are re-measured. 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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within "Other gains - net".

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 related to changes in amortised cost are recognised in consolidatd income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equitites held at fair value through profit or loss are recognised in consolidated income statement 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 rate on 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 consolidated 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 to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their 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, construction in progress is transferred to appropriate categories of property, plant and equipment.

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 the proceeds with the carrying amount and are recognised within "Other gains - net" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 INVESTMENT PROPERTY

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date 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 or management. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "Other gains - net".

Rental income from investment property is recognised in the consolidated income statement on a straight-line basis over the term of the lease

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'. 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 identified according to operating segment.

(b) Trademark and customer relationship

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 INTANGIBLE ASSETS *(Continued)*

(c) Capitalised exploration, evaluation and mining right expenditure

Capitalised exploration, evaluation and mining right expenditure are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration as evaluation phase. Amortisation of capitalised exploration and evaluation and mining right expenditure is calculated using the straight-line method to allocate cost to their residual values over 29 years.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration, evaluation and mining right expenditure's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of their fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration, evaluation and mining right expenditure subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

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 period 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, for example goodwill, 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.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 FINANCIAL ASSETS

2.10.1 *Classification*

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 end of the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2.15 and 2.16).

(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 the investment matures or management intends to dispose of it within 12 months of the end of the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 FINANCIAL ASSETS *(Continued)*

2.10.2 *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the 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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently 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 consolidated income statement within "other gains - net", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated 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 on monetary securities are recognised in the consolidated income statement, transaction differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'Other gains - net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of 'Other gains - net' when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

(a) Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

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. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 consolidated income statement - is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the separate consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

For derivative instruments do not qualify for hedge accounting, these trading derivatives are classified as current assets or liabilities and the changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within "Other gains - net".

2.14 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.

2.15 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.16 CASH AND CASH EQUIVALENTS

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

2.17 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 or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.19 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 consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the assets for its intended use. Other borrowing costs are expensed.

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.

2.20 FINANCIAL GUARANTEE

Financial guarantee contracts are contracts that require 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 terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 FINANCIAL GUARANTEE *(Continued)*

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.21 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 CURRENT AND DEFERRED INCOME TAX *(Continued)*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and 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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.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 benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 EMPLOYEE BENEFITS *(Continued)*

(c) *Share-based payments*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted.

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(d) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable 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.

2.24 GOVERNMENT GRANT

Grants from the government are recognised at their fair values 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 included in current liabilities as deferred government grants. They are netted off with the cost of acquisition when the attached conditions are met and are recognised in the consolidated income statement on a straight line basis over the expected lives of the related assets.

2.25 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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 REVENUE RECOGNITION *(Continued)*

(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 loan and 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 loan and receivables are recognised using the original effective interest rate.

(c) *Rental income*

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

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.26 CONSTRUCTION CONTRACTS

Contract costs are recognised as expenses in the period in which they are 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.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 CONSTRUCTION CONTRACTS *(Continued)*

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 within '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).

2.27 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 to the consolidated income statement on a straight-line basis over the period of the lease.

2.28 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company'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 foreign exchange risk, cash flow and fair value interest rate risk and price 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(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 liablilites 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 the Group's trade receivables, restricted cash balance, cash and cash equivalents, trade payables and borrowings are disclosed in Notes 14, 17, 20 and 21 of this section respectively.

As at 31 December 2009, if RMB had strengthened/weakened by 1% (2008: 1%) against the HKD with all other variables held constant, profit after income tax for the year would have been approximately HKD3,187,000 (2008: HKD891,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and cash equivalents, trade and other receivables and foreign exchange losses/gains on translation of RMB-denominated trade payables and borrowings. Profit is more sensitive to movement in HKD/RMB exchange rates in 2009 than 2008 because of the increased amount of RMB-denominated sales and related receivables netting off the effect of the decreased amount of RMB-denominated borrowings.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash 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 cash equivalents, restricted cash balances and borrowings have been disclosed in Note 17 and 21 to the consolidated financial statements.

As at 31 December 2009, if the HKD interest rates on cash and cash equivalents, restricted cash balances and borrowings had been 25 (2008: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HKD1,406,000 (2008: HKD1,570,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate 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 (Continued)*

As at 31 December 2009, if the RMB interest rates on cash and cash equivalents, restricted cash balances and borrowings had been 50 (2008: 50) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HKD770,000 (2008: HKD242,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2009, if the United States Dollars ("USD") interest rates on cash and cash equivalents, restricted cash balance and borrowings had been 25 (2008: 50) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HKD373,000 (2008: HKD179,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) *Price risk*

The Group is exposed to equity securities price risk arising from investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The Group's listed investments are mainly publicly traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Decisions to buy or sell financial assets at fair value through profit or loss are rested with assigned Directors and governed by specific investment guidelines. The Directors has monitoring the positions of its proprietary trading activities involving equities and derivatives. In addition, the Group's exposures are closely monitored by the finance department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

Assuming a 10% upward/downward movement in the Shanghai Stock Composite Index with all other variables held constant at the balance sheet date, the Group's post-tax profit for the year would have increased/decreased by approximately HK$650,000.

Assuming a 10% upward/downward movement in the Shenzhen Component Index with all other variables held constant at the balance sheet date, the Group's post-tax profit for the year would have increased/decreased by approximately HK$604,000.

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) Credit risk

The Group's credit risk arises from cash and cash equivalents, pledged bank deposits, trade and other receivables and amounts due from customers for contract work. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follow:

	2009	2008
Trade and other receivables *(Note 14)*	843,528	661,275
Amounts due from customers for contract work *(Note 15)*	27,057	48,828
Pledged bank deposits *(Note 17)*	11,446	6,854
Cash and cash equivalents *(Note 17)*	531,895	435,712
Maximum exposure to credit risk	1,413,926	1,152,669

As at 31 December 2008 and 2009, all the bank deposits are deposited with major banks in Hong Kong and state-owned banks in PRC. 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.

In respect of trade and other receivables and amounts due from customers for contract work, 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 credit period of the majority of the Group's trade receivables and amounts due from customers for contract work are 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 actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for 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 and the Company's non-derivative 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.

	Group			
At 31 December 2009	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Borrowings *(Note 21)*	**579,745**	**237,714**	**284,781**	**1,102,240**
Interest payable	**12,167**	**5,911**	**2,593**	**20,671**
Trade payables, accruals and other payables *(Note 20)*	**1,361,779**	**—**	**—**	**1,361,779**
	1,953,691	**243,625**	**287,374**	**2,484,690**

At 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings *(Note 21)*	722,391	291,717	192,362	1,206,470
Interest payable	19,389	8,663	5,688	33,740
Trade payables, accruals and other payables *(Note 20)*	879,291	—	—	879,291
Amounts due to customers for contract work *(Note 15)*	71	—	—	71
	1,621,142	300,380	198,050	2,119,572

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) Liquidity risk (Continued)

	Company			
At 31 December 2009	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Accruals and other payables	617	—	—	617
Amounts due to subsidiaries	2,196	—	—	2,196
Financial guarantee *(Note (i))*	431,713	243,625	287,374	962,712
	434,526	243,625	287,374	965,525

At 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Accruals and other payables	1,295	—	—	1,295
Amounts due to subsidiaries	1,128	—	—	1,128
	2,423	—	—	2,423

Note (i): These amounts are financial guarantees from the Company to its subsidiaries representing the hypothetical payment should the guarantees be crystalised. However based on the operating results, the Company does not expect them to be crystalised.

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 raise funding through capital market or bank borrowings as necessary.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	Group	
	2009	2008
Total bank borrowings *(Note 21)*	1,102,240	1,206,470
Less: cash and cash equivalents *(Note 17)*	(531,895)	(435,712)
Net debt	570,345	770,758
Total equity	5,430,586	4,389,536
Total capital	6,000,931	5,160,294
Gearing ratio	9.5%	14.9%

The decrease in the gearing ratio during 2009 was mainly resulted from the issuance of share capital of the Company.

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets, equity securities	—	—	569	569
Financial assets at fair value through profit or loss				
– Trading securities	14,330	—	—	14,330
	14,330	—	569	14,899
Liabilities				
Financial liabilities at fair value through profit and loss				
– Cross currency swap	—	1,138	—	1,138

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed on Shanghai Stock Exchange and Shenzhen Stock Exchange equity investments which are classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

Available-for-sale financial assets	
Opening balance and closing balance	569

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) PROPERTY, PLANT AND EQUIPMENT

(i) Useful lives

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets 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.

(ii) Impairment assessment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience.

(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.

(e) WRITE-DOWNS OF INVENTORIES TO NET REALISABLE VALUE

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(f) CURRENT AND DEFERRED INCOME TAX

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(g) FAIR VALUE OF INVESTMENT PROPERTIES

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent price of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(h) PROVISION FOR LEGAL CLAIM

In the normal course of business, the Group may be involved in legal proceedings. Where management considers that it is more likely than not that proceedings will result in the Group compensating third parties a provision is recognised for the best estimate of the amount expected to be paid. Where management considers that it is more likely than not that proceedings will not result in the Group compensating third parties or where it is not considered possible to provide a sufficiently reliable estimate of the amount expected to be paid, no provision is made for any potential liability under the litigation but the circumstances and uncertainties involved are disclosed as contingent liabilities. The assessment of the likely outcome of legal proceedings and the amount of any potential liability involves significant judgement.

5 SEGMENT INFORMATION

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

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

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

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Automobile glass	Construction glass	Float glass and photovoltaic glass	Unallocated	Total
Segment revenue	1,946,536	721,540	1,872,829	—	4,540,905
Inter-segment revenue	—	—	(582,948)	—	(582,948)
Revenue from external customers	1,946,536	721,540	1,289,881	—	3,957,957
Cost of sales	(1,124,803)	(424,989)	(946,255)	—	(2,496,047)
Gross profit	821,733	296,551	343,626	—	1,461,910
Depreciation of property, plant and equipment *(Note 7)*	91,446	43,172	117,134	1,003	252,755
Amortisation					
– leasehold land and land use rights *(Note 6)*	2,701	696	4,084	1,243	8,724
– intangible assets *(Note 9)*	1,373	—	393	—	1,766
Impairment of property, plant and equipment *(Note 24)*	—	1,119	—	—	1,119
Provision for impairment of trade and other receivables, net *(Note 14)*	10,257	(3)	751	—	11,005
Provision for legal claim *(Note 23)*	85,332	—	—	—	85,332
Total assets	2,121,740	1,242,002	4,324,687	321,270	8,009,699
Total assets included:					
Interest in an associate	—	—	—	13,589	13,589
Additions to non-current assets (other than financial instruments and deferred income tax assets)	163,907	169,068	1,084,302	12,826	1,430,103
Total liabilities	645,962	153,889	831,899	947,363	2,579,113

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment information for the year ended 31 December 2008 is as follows:

	Automobile glass	Construction glass	Float glass and photovoltaic glass	Unallocated	Group
Segment revenue	1,964,294	650,829	1,793,760	—	4,408,883
Inter-segment revenue	—	—	(514,600)	—	(514,600)
Revenue from external customers	1,964,294	650,829	1,279,160	—	3,894,283
Cost of sales	(1,214,422)	(452,222)	(1,016,759)	—	(2,683,403)
Gross profit	749,872	198,607	262,401	—	1,210,880
Depreciation of property, plant and equipment *(Note 7)*	83,200	28,104	105,036	1,567	217,907
Amortisation					
– leasehold land and land use rights *(Note 6)*	1,896	470	4,233	74	6,673
– intangible assets *(Note 9)*	1,390	—	—	—	1,390
Provision for impairment of trade and other receivables, net *(Note 14)*	456	559	—	—	1,015
Total assets	2,109,146	1,147,658	3,031,319	209,815	6,497,938
Total assets included:					
Interest in an associate	—	—	—	15,889	15,889
Additions to non-current assets (other than financial instruments and deferred income tax assets)	178,690	297,678	457,241	6,259	939,868
Total liabilities	480,389	217,391	435,603	975,019	2,108,402

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	2009	2008
Segment gross profit	1,461,910	1,210,880
Unallocated:		
Other income	33,628	38,118
Other gains - net	13,343	46,129
Selling and marketing costs	(268,169)	(318,227)
Administrative expenses	(323,321)	(209,205)
Provision for legal claim	(85,332)	—
Finance income	6,782	9,116
Finance costs	(15,216)	(24,029)
Share of profit of an associate	372	272
Profit before income tax	823,997	753,054

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

	Assets		Liabilities	
	2009	2008	2009	2008
Segment assets/(liabilities)	7,688,429	6,288,123	(1,631,750)	(1,133,383)
Unallocated:				
Property, plant and equipment	109,651	35,682	—	—
Interest in an associate	13,589	15,889	—	—
Available-for-sale financial assets	569	569	—	—
Deferred income tax assets	5,185	—	—	—
Prepayments, deposits and other receivables	44,648	641	—	—
Financial assets at fair value through profit or loss	14,330	—	—	—
Cash and cash equivalents	133,298	157,034	—	—
Accruals and other payables	—	—	(9,912)	(19,852)
Current income tax liabilities	—	—	—	(1,688)
Deferred tax liabilities	—	—	(5,113)	—
Current bank borrowings	—	—	(409,843)	(703,479)
Non-current bank borrowings	—	—	(522,495)	(250,000)
Total assets/(liabilities)	8,009,699	6,497,938	(2,579,113)	(2,108,402)

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	2009	2008
Sales of automobile glass	1,946,536	1,964,294
Sales of construction glass	721,540	650,829
Sales of float glass and photovoltaic glass	1,289,881	1,279,160
Total	3,957,957	3,894,283

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

	2009	2008
Greater China	2,205,511	1,903,575
North America	580,446	774,519
Europe	377,238	555,533
Other countries	794,762	660,656
	3,957,957	3,894,283

An analysis of the Group's non-current assets other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) by geographical area in which the assets are located is as follows:

	2009	2008
Greater China	5,885,095	4,724,556
North America	8,746	7,989
Other countries	42	21
	5,893,883	4,732,566

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:

	2009	2008
In Hong Kong, held on:		
Leases of between 10 to 50 years	2,801	2,876
In PRC, held on:		
Land use rights of between 10 to 50 years	661,566	359,924
	664,367	362,800

	2009	2008
Beginning balance	362,800	146,892
Exchange differences	(328)	9,954
Additions	310,619	212,627
Amortisation charge	(8,724)	(6,673)
	664,367	362,800

All amounts in Hong Kong dollar thousands unless otherwise stated

7 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
At 1 January 2008					
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
Year ended 31 December 2008					
Opening net book amount	509,424	537,937	2,210,194	11,346	3,268,901
Exchange differences	35,229	33,423	152,715	521	221,888
Additions	561,970	14,325	142,075	4,546	722,916
Transfer upon completion	(383,326)	174,008	209,289	29	—
Disposals	—	—	(7,790)	(767)	(8,557)
Depreciation	—	(24,349)	(204,499)	(4,269)	(233,117)
Closing net book amount	723,297	735,344	2,501,984	11,406	3,972,031
At 31 December 2008					
Cost	723,297	829,144	3,065,305	27,467	4,645,213
Accumulated depreciation	—	(93,800)	(563,321)	(16,061)	(673,182)
Net book amount	723,297	735,344	2,501,984	11,406	3,972,031

All amounts in Hong Kong dollar thousands unless otherwise stated

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Group				
	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
Year ended 31 December 2009					
Opening net book amount	723,297	735,344	2,501,984	11,406	3,972,031
Exchange differences	(466)	498	(2,267)	78	(2,157)
Additions	1,029,799	3,726	53,573	5,681	1,092,779
Transfer upon completion	(1,178,752)	300,972	874,241	3,539	—
Impairment	—	(1,082)	(37)	—	(1,119)
Disposals	—	(1,208)	(14,080)	(273)	(15,561)
Depreciation	—	(31,202)	(223,261)	(3,661)	(258,124)
Closing net book amount	573,878	1,007,048	3,190,153	16,770	4,787,849
At 31 December 2009					
Cost	573,878	1,132,134	3,968,141	35,377	5,709,530
Accumulated depreciation	—	(125,086)	(777,988)	(18,607)	(921,681)
Net book amount	573,878	1,007,048	3,190,153	16,770	4,787,849

Depreciation expense of approximately HK$237,837,000 (2008: HK$202,555,000) has been charged in cost of sales and HK$14,918,000 (2008: HK$15,352,000) in administrative expenses and HK$20,579,000 (2008: HK$15,210,000) has been capitalised in inventories.

Government grants of approximately HK$77,409,000 (2008: HK$153,486,000) relating to the purchase of property, plant and equipment were netted off with the cost of the related assets.

All amounts in Hong Kong dollar thousands unless otherwise stated

8 INVESTMENT PROPERTY

	Group	
	2009	2008
At 1 January	10,927	9,460
Fair value gain	21,302	1,467
As 31 December	32,229	10,927

The basis of the valuation of the investment property is fair value being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2009 revaluation was based on independent assessments made by Vigers Appraisal and Consulting Limited.

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

	2009	2008
In Hong Kong, held on:		
Lease of between 10 and 50 years	32,229	10,927

All amounts in Hong Kong dollar thousands unless otherwise stated

9 INTANGIBLE ASSETS

	Group				
	Goodwill	Trademark	Customer relationship	Capitalised exploration, evaluation and mining right expenditure	Total
At 1 January 2008					
Cost	55,876	20,306	5,404	—	81,586
Accumulated amortisation	—	(169)	(45)	—	(214)
Net book amount	55,876	20,137	5,359	—	81,372
Year ended 31 December 2008					
Opening net book amount	55,876	20,137	5,359	—	81,372
Additions	—	—	—	10,066	10,066
Amortisation charge	—	(1,098)	(292)	—	(1,390)
Closing net book amount	55,876	19,039	5,067	10,066	90,048
At 31 December 2008					
Cost	55,876	20,306	5,404	10,066	91,652
Accumulated amortisation	—	(1,267)	(337)	—	(1,604)
Net book amount	55,876	19,039	5,067	10,066	90,048

All amounts in Hong Kong dollar thousands unless otherwise stated

9 INTANGIBLE ASSETS *(Continued)*

	Group				
	Goodwill	Trademark	Customer relationship	Capitalised exploration, evaluation and mining right expenditure	Total
Year ended 31 December 2009					
Opening net book amount	55,876	19,039	5,067	10,066	90,048
Exchange differences	—	—	—	(9)	(9)
Additions	5,887	—	—	1,320	7,207
Amortisation charge	—	(1,084)	(289)	(393)	(1,766)
Closing net book amount	61,763	17,955	4,778	10,984	95,480
At 31 December 2009					
Cost	61,763	20,306	5,404	11,377	98,850
Accumulated amortisation	—	(2,351)	(626)	(393)	(3,370)
Net book amount	61,763	17,955	4,778	10,984	95,480

Amortisation charge of HK$1,766,000 (2008: HK$1,390,000) is included in administrative expenses in the consolidated income statement.

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segment. For the purposes of impairment testing, goodwill has been allocated to the automobile glass CGU.

The recoverable amount of the automobile glass CGU is determined based on value-in-use calculation which uses cash flow projections based on financial budget approved by management with estimated compound annual growth of 16% (2008: 20%). Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 2.7% (2008: 7.8%). 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.

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
Investments, at cost	10	10
Amounts due from subsidiaries - non-current *(note (a))*	2,154,650	1,636,213
	2,154,660	1,636,223
Amounts due from subsidiaries *(note (b))*	712,157	542,128
Amounts due to subsidiaries *(note (b))*	2,196	1,128

Notes:

(a) The amounts due from subsidiaries are unsecured, interest free and denominated in HKD. 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 with subsidiaries are unsecured, interest free, denominated in HKD and repayable on demand.

(c) The carrying amounts of amounts due from/(to) subsidiaries approximate their fair values.

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(d) The following is a list of the principal subsidiaries at 31 December 2009:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,000,000	100%
Xinyi Automobile Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$22,000,000	100%
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB353,807,000	100%
Xinyi Automobile Parts (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$23,980,000	100%
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$29,800,000	100%
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass and construction glass in the PRC	Registered and paid up capital of US$22,000,000	100%
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$50,000,000	100%
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float and ultra-clear photovoltaic glass in the PRC	Registered capital of US$60,000,000 with total paid up capital of US$35,502,000	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(d) The following is a list of the principal subsidiaries at 31 December 2009: *(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 (America) Development Inc.	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 120,000 common shares of CAD1 each	58.3%
Xinyi Glass Japan Company Limited	Japan, limited liability company	Sales agent in Japan	Authorised and paid up capital of 400 common shares of JP¥50,000 each	55%
Xinyi Glas Deutschland GmbH	Germany, limited liability company	Sales agent in Germany	Authorised and paid up capital of 100,000 common shares of EUR1 each	62.6%
Xinyi Glass (North America) Inc.[2]	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 100,000 common shares of CAD1 each	70%
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 10,000 common shares of CAD0.1 each	70%
Xinyi Plastic Products (Shenzhen) Development Company Limited	The PRC, limited liability company	Manufacturing of rubber trim for automobile glass in the PRC	Registered and paid up capital of HK$11,000,000	100%
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Trading in Hong Kong	Authorised and paid up 100,000 ordinary shares of HK$1 each	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(d) The following is a list of the principal subsidiaries at 31 December 2009: *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	Authorised and paid up 1,000 ordinary shares of HK$1,000 each	100%
XYG (HK) Limited	Hong Kong, limited liability company	Trading in Hong Kong	Authorised and paid up 1,000 ordinary shares of HK$10,000 each	100%
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	Authorised and paid up 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 and paid up 55,000 ordinary shares of US$1 each	100%
Xinyi EnergySmart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and construction glass in the PRC	Registered capital of US$58,500,000 with total paid up capital of US$37,386,000	100%
Xinyi PV (Anhui) Holdings Limited	The PRC, limited liability company	Manufacturing of photovoltaic glass in the PRC	Registered and paid up capital of US$58,000,000	100%
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US$98,800,000 with total paid up capital of US$30,926,000	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(d) The following is a list of the principal subsidiaries at 31 December 2009: *(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 (Dongguang) Company Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered and paid up capital of US$43,800,000	100%
Xinyi Curtain Wall Decorative Engineering (Shenzhen) Company Limited	The PRC, limited liability company	Installation of construction glass in the PRC	Registered and paid up capital of RMB1,000,000	100%
Xinyi Wenchang Mining Company Limited	The PRC, limited liability company	Mining and sale of silica in PRC	Registered capital of US$60,000,000 with total paid up capital of RMB33,521,000	55%

1 Shares held directly by the Company.

2 On 21 May 2009, this subsidiary repurchased and cancelled the ordinary shares from a minority shareholder at a consideration of CAD1,273,871, approximately HK$9,715,000. As a result, the Group's interest in the subsidiary increased from 58.3% to 70.0% and resulted in goodwill of approximately HK$5,887,000.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009	2008
Beginning of the year	569	532
Exchange differences	—	37
End of the year	569	569

At 31 December 2009, the carrying amounts for available-for-sale financial assets approximate to their fair values. 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 made on available-for-sale financial assets in 2009 and 2008. Avaliable-for-sale financial assets are denominated in RMB.

All amounts in Hong Kong dollar thousands unless otherwise stated

12 INTEREST IN AN ASSOCIATE

	Group	
	2009	2008
At 1 January	11,373	4,546
Exchange differences	2	313
Acquisition of additional interests	—	6,242
Share of profit of an associate	372	272
	11,747	11,373
Amount due from an associate	1,842	4,516
At 31 December	13,589	15,889

The Group's share of the results of its 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 Company Limited	Registered and paid capital of RMB25,454,500	The PRC	45%

	2009	2008
Assets	26,827	30,772
Liabilities	13,269	17,588
Sales	20,497	15,568
Profit	372	272

All amounts in Hong Kong dollar thousands unless otherwise stated

13 INVENTORIES

	Group	
	2009	2008
Raw materials	353,372	304,433
Work in progress	50,704	35,273
Finished goods	274,096	272,428
	678,172	612,134

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$1,736,896,000 (2008: HK$1,851,329,000) (Note 24).

14 TRADE AND OTHER RECEIVABLES

	Group	
	2009	2008
Trade receivables *(note (a))*	535,018	511,581
Less: provision for impairment of receivables	(12,392)	(12,474)
	522,626	499,107
Bills receivable *(note (b))*	111,735	76,383
Trade and bills receivables - net	634,361	575,490
Prepayments, deposits and other receivables	209,167	85,785
	843,528	661,275

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2009 and 2008, the ageing analysis of the Group's trade receivables were as follows:

	2009	2008
0 - 90 days	436,440	458,850
91 - 180 days	51,434	23,139
181 - 365 days	19,839	14,274
1 - 2 years	18,364	10,049
Over 2 years	8,941	5,269
	535,018	511,581

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

	2009	2008
RMB	303,034	275,846
HKD	3,917	2,956
USD	195,623	210,538
Other currencies	32,444	22,241
	535,018	511,581

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

	2009	2008
At 1 January	12,474	15,455
Exchange differences	(10)	1,015
Provision for impairment of trade receivables *(Note 24)*	11,005	1,015
Receivables written off during the year as uncollectible	(8,116)	(5,011)
Bad debt recovered during the year	(2,961)	—
At 31 December	12,392	12,474

The creation and release of provision for impaired receivables have been included in 'administrative expense' in the consolidated income statement (note 24). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2009, trade receivables of approximately HK$178,138,000 (2008: HK$150,456,000) 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:

	2009	2008
0 - 90 days	**119,890**	115,144
91-180 days	**30,989**	22,600
181-365 days	**10,328**	11,395
1-2 years	**15,044**	316
Over 2 years	**1,887**	1,001
	178,138	150,456

As at 31 December 2009, trade receivables of approximately HK$16,726,000 (2008: HK$21,815,000) were impaired and provided for. The individually impaired receivables are related to customers in unexpectedly 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$12,392,000 (2008: HK$12,474,000) were recognised. The Group does not hold any collateral over these balances.

The aging analysis of these receivable is as follows:

	2009	2008
0 - 90 days	**5,878**	4,039
91-180 days	**1,402**	538
181-365 days	**389**	2,878
1-2 years	**7,034**	9,734
Over 2 years	**2,023**	4,626
	16,726	21,815

The top five customers and the largest customer accounted for approximately 19% (2008: 17%) and 6% (2008: 8%) of the trade receivables balance as at 31 December 2009, 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.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

All amounts in Hong Kong dollar thousands unless otherwise stated

15 AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	Group	
	2009	2008
The aggregate costs incurred plus recognised profits less recognised losses to date	348,839	351,170
Less: Progress billings	(321,782)	(302,413)
Net amounts due from customers for contract work	27,057	48,757

	2009	2008
Amounts due from customers for contract work	27,057	48,828
Amounts due to customers for contract work	—	(71)
Net amounts due from customers for contract work	27,057	48,757

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
Market value of held-for-trading listed securities		
- Equity securities - PRC	14,330	—

Financial assets at fair value through profit or loss are presented within 'investing activities' as part of changes in working capital in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Other gains - net' in the consolidated income statements (note 27).

The fair value of all equity securities is based on their current bid prices in an active market.

All amounts in Hong Kong dollar thousands unless otherwise stated

17 CASH AND BANK DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
Cash at bank and on hand	**516,144**	360,746	**58**	1,055
Short-term bank deposits	**27,197**	81,820	**—**	—
	543,341	442,566	**58**	1,055

The effective interest rate on short-term bank deposits was 1.13% in 2009 (2008: 0.07%); these short-term bank deposits have an average maturity of 21 days.

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

	Group		Company	
	2009	2008	**2009**	2008
Total bank balances and cash *(note (a))*	**543,341**	442,566	**58**	1,055
Less: pledged bank deposits *(note (b))*	**(11,446)**	(6,854)	**—**	—
	531,895	435,712	**58**	1,055

Notes:

(a) The carrying amounts of the Group's cash and bank deposits are denominated in the following currencies:

	2009	2008
RMB	**270,964**	180,013
HKD	**75,244**	15,580
USD	**150,976**	222,285
Other currencies	**46,157**	24,688
	543,341	442,566

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 PRC are subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(b) The pledged bank deposits represent deposits pledged to banks as required by different regulatory bodies for securing the relevant tax duties.

All amounts in Hong Kong dollar thousands unless otherwise stated

18 SHARE CAPITAL AND PREMIUM

	Note	Number of Shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
At 1 January 2008,					
31 December 2008 and 2009		2,500,000,000	250,000	—	250,000
Issued and fully paid:					
At 1 January 2008		1,723,440,960	172,344	2,073,287	2,245,631
Issue of shares under an					
employees share option scheme	(a)	2,900,500	290	6,970	7,260
Repurchase and cancellation of shares	(b)	(38,266,000)	(3,826)	(251,083)	(254,909)
At 31 December 2008 and 1 January 2009		1,688,075,460	168,808	1,829,174	1,997,982
Issue of shares under an					
employees share option scheme	(a)	153,000	15	371	386
Cancellation of shares	(b)	(5,178,000)	(518)	518	—
Issuance of shares	(c)	90,000,000	9,000	504,258	513,258
At 31 December 2009		1,773,050,460	177,305	2,334,321	2,511,626

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(A) 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 options to any employee of the Group 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 Jan 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$2.15 per share. Options are conditional on the employee completing two year's service (the vesting period). The options are exercisable starting two years from the grant date. In relation to the batch granted in Jan 2006, a total of Nil (2008: 552,000) options were lapsed during the year ended 31 December 2009 and the remaining 4,196,500 (2008: Nil) options were expired during the year ended 31 December 2009.

In June 2007, 13,552,000 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 per share. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date. In relation to the batch granted in June 2007, no option was exercised from the date of the grant to 31 December 2009 and a total of 1,410,000 (2008: 1,464,000) options were lapsed during the year ended 31 December 2009.

In April 2008, 24,258,600 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$4.67 per share. Options are conditional on the employee completing four year's service (the vesting period). The options are exercisable starting four years from the grant date. In relation to the batch granted in April 2008, no option was exercised from the date of the grant to 31 December 2009 and a total of 3,158,000 (2008: 760,000) options were lapsed during the year ended 31 December 2009.

In March 2009, 11,143,500 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$3.44 per share. Options are conditional on the employee completing two year's service (the vesting period). The options are exercisable starting two years from the grant date. In relation to the batch granted in March 2009, no option was exercised from the date of the grant to 31 December 2009 and a total of 515,000 options were lapsed during the year ended 31 December 2009.

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(A) SHARE OPTIONS *(Continued)*

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

	2009		2008	
	Average exercise price in HK dollar per share	Options (thousands)	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	**5.09**	**39,936**	5.22	21,354
Granted	**3.44**	**11,144**	4.67	24,259
Exercised	**2.15**	**(153)**	2.15	(2,901)
Lapsed	**5.19**	**(5,083)**	5.39	(2,776)
Expired	**2.15**	**(4,197)**	—	—
At 31 December	**4.95**	**41,647**	5.09	39,936

No option was exercisable as at 31 December 2009 (2008: 4,349,500).

Options exercised in 2009 resulted in 153,000 shares (2008: 2,900,500 shares) being issued at a weighted average price of HK$2.15 each (2008: HK$2.15 each).

Share options outstanding 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)	
		2009	2008
26 January 2009	2.15	—	4,350
30 June 2011	6.98	**10,678**	12,088
31 March 2012	3.44	**10,628**	—
19 April 2013	4.67	**20,341**	23,498
		41,647	39,936

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$1.08 per option (2008: HK$1.63). The significant inputs into the model were weighted average share price of HK$3.44 (2008: HK$4.67) at the grant date, the exercise price shown above, annual volatility of 66.21% (2008: 52.99%), dividend yield of 5.81% (2008: 3.43%). 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. See note 25 for the total expense recognised in the income statement for share options granted to employee.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was HK$12,043,500 (2008: HK$39,639,000). The attributable amounts charged to the consolidated income statements for the year ended 31 December 2009 was HK$19,171,000 (2008: HK$13,075,000).

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(b) During the year ended 31 December 2008, the Company repurchased certain of its own shares and the shares repurchased on 31 December 2008 were cancelled in January 2009.

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
January 2008	37,144,000	7.00	5.93	234,898
July 2008	1,122,000	4.70	4.55	5,212
December 2008	5,178,000	2.22	1.96	10,973

(c) In June 2009, 90,000,000 Shares were allotted and issued by way of a placing at HK$5.80 each, totalling HK$522,000,000 and the related transaction costs amounting to HK$8,742,000 have been netted off with the deemed proceeds. These Shares rank pari passu in all respects with the then existing Shares in issue. The excess over the par value of the Shares were credited to the share premium account.

All amounts in Hong Kong dollar thousands unless otherwise stated

19 RESERVES

GROUP:

	2008							
	Statutory reserve fund (Note a)	Enterprise expansion fund (Note a)	Foreign currency translation reserve	Capital reserve (Note b)	Share option reserve	Property revalua-tion reserve	Capital redemp-tion reserve	Total
At 1 January 2008	174,233	42,939	216,774	11,840	6,716	624	959	454,085
Transfer from retained earnings	57,134	—	—	—	—	—	—	57,134
Employee share option scheme:								
- value of employee services *(Note 25)*	—	—	—	—	13,075	—	—	13,075
- proceeds from shares issued	—	—	—	—	(1,024)	—	—	(1,024)
Currency translation differences								
- group	11,937	2,969	186,044	—	—	—	—	200,950
- associate	—	—	277	—	—	—	—	277
Repurchase and cancellation of the Company's shares *(Note 18)*	—	—	—	—	—	—	3,826	3,826
At 31 December 2008	243,304	45,908	403,095	11,840	18,767	624	4,785	728,323

All amounts in Hong Kong dollar thousands unless otherwise stated

19 RESERVES *(Continued)*

GROUP:

	2009							
	Statutory reserve fund (Note a)	Enterprise expansion fund (Note a)	Foreign currency translation reserve	Capital reserve (Note b)	Share option reserve	Property revaluation reserve	Capital redemption reserve	Total
At 1 January 2009	243,304	45,908	403,095	11,840	18,767	624	4,785	728,323
Transfer from retained earnings	70,988	—	—	—	—	—	—	70,988
Employee share option scheme:								
- value of employee services *(Note 25)*	—	—	—	—	19,171	—	—	19,171
- proceeds from shares issued	—	—	—	—	(56)	—	—	(56)
- option expired	—	—	—	—	(1,138)	—	—	(1,138)
Currency translation differences								
- group	(221)	(42)	(6,658)	—	—	—	—	(6,921)
- associate	—	—	(324)	—	—	—	—	(324)
Repurchase and cancellation of the Company's shares *(Note 18)*	—	—	—	—	—	—	518	518
At 31 December 2009	314,071	45,866	396,113	11,840	36,744	624	5,303	810,561

Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in the PRC and regulations 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 respective subsidiaries. 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 group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2009, the boards of directors of the subsidiaries resolved to appropriate approximately HK$70,988,000 (2008: HK$57,134,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the year ended 31 December 2008 and 2009.

(b) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Reorganisation occurred in 2004 and the nominal value of the share capital of the Company issued in exchange thereof.

All amounts in Hong Kong dollar thousands unless otherwise stated

19 RESERVES *(Continued)*

COMPANY:

	Share option reserve	Capital redemption reserve	Total
At 1 January 2008	6,716	959	7,675
Employees share option scheme:			
- proceeds from shares issued	(1,024)	—	(1,024)
- value of employee services *(Note 25)*	13,075	—	13,075
Repurchase and cancellation of the Company's shares *(Note 18)*	—	3,826	3,826
At 31 December 2008	18,767	4,785	23,552
At 1 January 2009, as per above	18,767	4,785	23,552
Employees share option scheme:			
- proceeds from shares issued	(56)	—	(56)
- value of employee services *(Note 25)*	19,171	—	19,171
- option expired	(1,138)	—	(1,138)
Repurchase and cancellation of the Company's shares *(Note 18)*	—	518	518
At 31 December 2009	**36,744**	**5,303**	**42,047**

All amounts in Hong Kong dollar thousands unless otherwise stated

20 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2009	2008	2009	2008
Trade payables *(note (a))*	220,402	192,116	—	—
Bills payable *(note (b))*	460,966	277,823	—	—
	681,368	469,939	—	—
Accruals and other payables *(note (c))*	680,411	409,352	617	1,295
	1,361,779	879,291	617	1,295

Notes:

(a) At 31 December 2009 and 2008, the ageing analysis of the trade payables based on invoice date were as follows:

	Group	
	2009	2008
0 - 90 days	207,772	177,044
91-180 days	7,216	8,754
181-365 days	1,796	2,103
1-2 years	1,249	3,121
Over 2 years	2,369	1,094
	220,402	192,116

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

	Group	
	2009	2008
RMB	169,356	133,020
HKD	20	153
USD	50,115	58,802
Other currencies	911	141
	220,402	192,116

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

All amounts in Hong Kong dollar thousands unless otherwise stated

20 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

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

	Group		Company	
	2009	2008	**2009**	2008
Payables for property, plant and equipment	**201,198**	150,606	**—**	—
Accruals for employee benefits and welfare	**91,603**	63,352	**—**	—
Payables for value-added tax	**69,467**	50,687	**—**	—
Payables for utilities	**33,588**	24,810	**—**	—
Trading derivatives				
- cross currency swap	**1,138**	1,285	**—**	—
Others	**283,417**	118,612	**617**	1,295
	680,411	409,352	**617**	1,295

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

21 BANK BORROWINGS

	Group	
	2009	2008
Non-current		
Secured *(note (a))*	**835,776**	734,079
Less: Current portion	**(313,281)**	(250,000)
	522,495	484,079
Current		
Secured	**107,903**	381,399
Unsecured	**158,561**	90,992
	266,464	472,391
Current portion of non-current borrowings	**313,281**	250,000
	579,745	722,391
Total bank borrowings	**1,102,240**	1,206,470

Note:

(a) The bank borrowings were covered by corporate guarantees provided by the Company and cross guarantees provided by certain subsidiaries of the Group.

All amounts in Hong Kong dollar thousands unless otherwise stated

21 BANK BORROWINGS *(Continued)*

At 31 December 2009, the Group's bank borrowings were repayable as follows:

	2009	2008
Within 1 year	579,745	722,391
Between 1 and 2 years	237,714	291,717
Between 2 and 5 years	284,781	192,362
	1,102,240	1,206,470

Bank borrowings mature until 2013 and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2009 and 31 December 2008.

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

	2009	2008
HKD	673,272	680,847
RMB	119,318	227,480
USD	309,650	298,143
	1,102,240	1,206,470

Out of the USD denominated bank borrowings of HK$309,650,000, US$38,400,000 was swapped into HK$298,143,000 under a cross currency swap at the same maturity dates.

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

	2009			2008		
	HKD	USD	RMB	HKD	USD	RMB
Bank borrowings	1.1%	1.5%	4.6%	1.7%	2.9%	5.5%

All amounts in Hong Kong dollar thousands unless otherwise stated

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	Group	
	2009	2008
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	(8,819)	—
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after more than 12 months	5,113	1,044
Deferred tax (asset)/liabilities, net	(3,706)	1,044

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

	Group	
	2009	2008
Beginning of the year	1,044	331
(Credited)/charged to the consolidated income statement *(Note 29)*	(4,750)	713
End of the year	(3,706)	1,044

All amounts in Hong Kong dollar thousands unless otherwise stated

22 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax liabilities:

	Group			
	Accelerated tax depreciation	Fair value gains	Others	Total
At 1 January 2008	1,352	—	168	1,520
Charged/(credited) to the consolidated income statement	511	—	(168)	343
At 31 December 2008	1,863	—	—	1,863
(Credited)/charged to the consolidated income statement	(599)	4,553	—	3,954
At 31 December 2009	1,264	4,553	—	5,817

Deferred income tax assets:

	Group
	Tax losses
At 1 January 2008	(1,189)
Charged to the consolidated income statement	370
At 31 December 2008	(819)
Credited to the consolidated income statement	(8,704)
At 31 December 2009	(9,523)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$12,748,000 (2008: HK$6,550,000) in respect of losses amounting to approximately HK$53,118,000 (2008: HK$28,479,000) that can be carried forward against future taxable income, approximately HK$7,492,000 (2008: HK$8,563,000) and approximately HK$16,400,000 (2008: 19,916,000) of such losses will expire in 2012 and 2013 respectively and the remaining will expire in 2014.

All amounts in Hong Kong dollar thousands unless otherwise stated

22 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities of approximately HK$66,198,000 (2008: HK$28,119,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2009, total unremitted earnings amounted to approximately HK$1,323,967,000 (2008: HK$562,383,000).

23 PROVISION FOR LEGAL CLAIM

The movement of provision for legal claim is shown as follows:

	Group	
	2009	2008
At beginning of the year	—	—
Charged to the consolidated income statement	85,332	—
At end of the year	85,332	—

The amount represents a provision for a US legal claim brought against one Canadian subsidiary and one PRC subsidiary of the Group by an overseas competitor of the automobile glass segment.

As disclosed by the Group in its announcement dated 12 November 2009, a verdict was issued by a jury in the United States District Court for the Northern District of Ohio in the United States ("US") on 10 November 2009 against Xinyi Glass (North America), Inc. and Xinyi Automobile Glass (Shenzhen) Company Limited for infringements of certain patents held by Saint-Gobain (as defined in the announcement) in the US. The alleged infringements relate to the sales of profiled spacers affixed on certain windshield products by the Group to the US market during the period between June 2002 and June 2009 (being the last expiry date of the relevant patents held by Saint-Gobain).

The verdict requires the Group to pay damages to Saint-Gobain in an aggregate amount of approximately US$10.9 million (equivalent to approximately HK$85.3 million) which the Group has made full provision in the audited accounts for the year ended 31 December 2009. For prudence the directors believe the provision made is reasonable at current stage and with the legal advice available. The matter is currently in the post-trial motion stage in which the plaintiff has submitted motions to request the payment of additional amount of damages of US$21.9 million (equivalent to approximately HK$170.7 million), the interest accrued thereon of US$1.9 million (equivalent to approximately HK$15.1 million) and reimbursement of legal fees of US$4.3 million (equivalent to approximately HK$33.4 million). None of these motions has yet to be considered or accepted by the court, and Group disagrees with the requests set forth in the motions. The Group is taking all necessary steps to appeal the verdict and seek reversal of the verdict.

All amounts in Hong Kong dollar thousands unless otherwise stated

24 EXPENSES BY NATURE

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

	2009	2008
Amortisation of leasehold land and land use rights	8,724	6,673
Depreciation of property, plant and equipment	252,755	217,907
Amortisation of intangible assets	1,766	1,390
Employee benefit expenses *(Note 25)*	357,693	300,112
Cost of inventories *(Note 13)*	1,736,896	1,851,329
Other selling expenses (including transportation and advertising costs)	125,412	176,458
Operating lease payments in respect of land and buildings	4,509	4,048
Impairment of property, plant and equipment *(Note 7)*	1,119	—
Provision for impairment of trade and other receivables, net *(Note 14)*	11,005	1,015
Auditors' remuneration	3,366	3,243
Refunds of the overpaid export Value Add Tax ("VAT") *(note (i))*	(89,644)	(10,803)
Direct operating expenses arising from investment property that generate rental income	900	961
Other expenses, net	673,036	658,502
Total of cost of sales, selling and marketing costs and administrative expenses	3,087,537	3,210,835

Note (i): The amount represents refunds of the overpaid export VAT rebate to certain PRC subsidiaries of the Group in relation to a number of qualified export sales contracts. The related VAT was paid between July 2007 and October 2008. Such refunds were approved by the PRC national tax bureau in accordance with relevant tax law of the PRC. All of the refunds were recognised as 'cost of sales' in the period of receipt.

All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES

	2009	2008
Wages and salaries	321,282	274,571
Share options granted to employees	19,171	13,075
Pension costs - defined contribution plans *(note (i))*	17,240	12,466
	357,693	300,112

Note:

(i) Pension costs

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. 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

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(A) 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 2009 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
LEE Yin Yee	200	49	4,000	1	4,250
TUNG Ching Bor	200	1,034	1,000	12	2,246
TUNG Ching Sai	200	3,593	2,000	12	5,805
LEE Yau Ching	200	1,013	800	12	2,025
LEE Shing Kan	200	829	600	12	1,641
LI Man Yin	200	655	600	12	1,467
NG Ngan Ho	200	—	—	—	200
LI Ching Wai	200	—	—	—	200
SZE Nang Sze	200	—	—	—	200
LI Ching Leung	200	—	—	—	200
LAM Kwong Siu	225	—	—	—	225
WONG Chat Chor Samuel	225	—	—	—	225
WONG Ying Wai	225	—	—	—	225

All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
LEE Yin Yee	125	50	1,925	1	2,101
TUNG Ching Bor	125	875	433	12	1,445
TUNG Ching Sai	125	2,990	963	12	4,090
LEE Shing Put	—	10	—	—	10
LEE Yau Ching	125	928	385	12	1,450
LEE Shing Kan	125	704	289	12	1,130
LI Man Yin	125	555	289	12	981
NG Ngan Ho	125	—	—	—	125
LI Ching Wai	125	—	—	—	125
SZE Nang Sze	125	—	—	—	125
LI Ching Leung	125	—	—	—	125
LAM Kwong Siu	250	—	—	—	250
WONG Chat Chor Samuel	250	—	—	—	250
WONG Ying Wai	292	—	—	—	292

All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2008: one) individual during the year are as follows:

	2009	2008
Basic salaries and allowances	3,636	3,140
Discretionary and performance bonus	—	613
Employer's contribution to pension scheme	32	13
Share options granted *(note (i))*	266	231
	3,934	3,997

Note (i):

Share options granted represent fair value of share options issued under Share Option Scheme amortised to the consolidated income statement during the year disregarding whether the options have been vested/exercised.

(C) 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 loss of office (2008: HK$Nil).

All amounts in Hong Kong dollar thousands unless otherwise stated

26 OTHER INCOME

	2009	2008
Rental income	4,900	3,866
Anti-dumping duties refund	13,133	19,116
Others	15,595	15,136
	33,628	38,118

27 OTHER GAINS - NET

	2009	2008
Loss on disposal of property, plant and equipment	(10,577)	(1,027)
Impairment loss of property, plant and equipment	(1,119)	—
Fair value gains of financial assets at fair value through profit or loss	1,723	—
Gains/(losses) on disposal of financial assets at fair value through profit or loss	2,378	(7,784)
Fair value gains on investment property	21,302	1,467
Fair value gains/(losses) on cross currency swap	147	(1,285)
Net foreign exchange (losses)/gains	(511)	54,758
	13,343	46,129

All amounts in Hong Kong dollar thousands unless otherwise stated

28 FINANCE INCOME AND COSTS

FINANCE INCOME:

	2009	2008
Interest income on short-term bank deposits	5,282	7,695
Interest income on loan advanced to an associate *(Note 35)*	1,500	1,421
	6,782	9,116

FINANCE COSTS:

	2009	2008
Interest expense on bank borrowings	23,875	56,080
Less: interest expense capitalised under construction in progress	(8,659)	(32,051)
	15,216	24,029

29 INCOME TAX EXPENSE

	2009	2008
Current income tax		
- Hong Kong profits tax *(note (a))*	1,289	11,928
- PRC corporate income tax *(note (b))*	47,104	28,962
- Overseas income tax *(note (c))*	8,613	2,267
- Over-provision in prior years	(4,864)	(1,614)
Deferred income tax *(Note 22)*		
- Origination and reversal of temporary differences	(4,750)	713
	47,392	42,256

29 INCOME TAX EXPENSE *(Continued)*

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

(b) PRC corporate income tax

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

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

Under the new CIT Law, entities currently enjoying tax holidays will continue to enjoy them until they expire. The CIT rate applicable to the PRC subsidiaries under tax holiday and applying reduced CIT rate will be gradually increase to 25% in a 5-year period from 2008 to 2012. The applicable CIT rates for subsidiaries located in Shenzhen and Dongguan are 20% (2008: 18%) and 25% (2008: 25%), respectively.

One major subsidiary in Shenzhen enjoys High-tech enterprise income tax benefit and the tax rate is 15%.

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 31 December 2009 and 2008 at the rates of taxation prevailing in the countries in which the Group operates.

All amounts in Hong Kong dollar thousands unless otherwise stated

29 INCOME TAX EXPENSE *(Continued)*

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:

	2009	2008
Profit before tax	823,997	753,054
Calculated at weighted average tax rate of 24% (2008: 22%)	197,759	165,672
Preferential tax rates on income of certain PRC subsidiaries	(157,609)	(112,474)
Effect of different tax rates in other countries	4,393	—
Over-provision in prior years	(4,864)	(1,614)
Tax losses for which no deferred income tax asset was recognised	7,014	4,434
Utilisation of previously unrecognised tax losses	(514)	(6,410)
Income not subject to tax	(516)	(9,583)
Expenses not deductible for tax purposes	1,640	2,231
Recognised of previously unrecognised temporary difference	89	—
Tax charge	47,392	42,256

30 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$412,120,000 (2008: HK$334,161,000).

31 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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	773,526	709,232
Weighted average number of ordinary shares in issue (thousands)	1,734,942	1,692,130
Basic earnings per share (HK$ per share)	0.446	0.419

DILUTED:

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

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**773,526**	709,232
Weighted average number of ordinary shares in issue (thousands)	**1,734,942**	1,692,130
Adjustments for share options (thousands)	**4,417**	2,985
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,739,359**	1,695,115
Diluted earnings per share (HK$ per share)	**0.445**	0.418

All amounts in Hong Kong dollar thousands unless otherwise stated

32 DIVIDENDS

The dividends paid in 2009 and 2008 were HK$257,858,000 (HK$0.15 per share) and HK$354,434,000 (HK$0.21 per share), respectively. A final dividend in respect of the financial year ended 31 December 2009 of HK $0.15 per share (2008: HK$0.09 per share), amounting to a total dividend of HK$265,629,000 (2008: HK$151,475,000), is to be proposed at the forthcoming Annual General Meeting ("AGM"). These financial statements do not reflect this dividend payable.

	2009	2008
Interim dividend paid of HK$0.06 (2008: HK$0.11) per share	106,383	185,641
Proposed final dividend of HK $0.15 (2008: HK$0.09) per share	265,629	151,475
	372,012	337,116

33 CASH GENERATED FROM OPERATIONS

	2009	2008
Profit before income tax	823,997	753,054
Adjustments for:		
– Provision for legal claim	85,332	—
– Depreciation of property, plant and equipment	252,755	217,907
– Losses on disposal of property, plant and equipment	10,577	1,027
– Impairment losses of property, plant and equipment	1,119	—
– Amortisation of leasehold land and land use rights	8,724	6,673
– Amortisation of intangible assets	1,766	1,390
– Interest income	(6,782)	(9,116)
– Interest expense	15,216	24,029
– Share options granted to employees	19,171	13,075
– (Gains)/loss on disposal of financial assets at fair value through profit or loss	(2,378)	7,784
– Fair value gains of financial assets at fair value through profit or loss	(1,723)	—
– Fair value (gains) / losses on cross currency swap	(147)	1,285
– Fair value gain on investment property	(21,302)	(1,467)
– Share of profit of an associate	(372)	(272)
– Provision for impairment of trade and other receivables, net	11,005	1,015
Changes in working capital:		
– Inventories	(60,669)	(86,234)
– Trade and other receivables	(193,258)	12,432
– Net amounts due from customers for contract work	21,700	8,158
– Amount due from an associate	(1,290)	—
– Trade payables, accruals and other payables	432,043	307,182
Cash generated from operations	1,395,484	1,257,922

All amounts in Hong Kong dollar thousands unless otherwise stated

33 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	2009	2008
Net book amount of property, plant and equipment *(Note 7)*	15,561	8,557
Loss on disposal of property, plant and equipment	(10,577)	(1,027)
Proceeds from disposal of property, plant and equipment	4,984	7,530

NON-CASH TRANSACTION

As at 31 December 2009, the Group had payable for property, plant and equipment of HK$201,198,000 (2008: HK$150,606,000) which was included in trade payables, accruals and other payables.

34 COMMITMENTS

CAPITAL COMMITMENTS

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

	2009	2008
Property, plant and equipment		
Authorised but not contracted for	1,674,190	556,072
Contracted but not provided for	905,717	1,130,538
	2,579,907	1,686,610

OPERATING LEASE COMMITMENTS

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

	2009	2008
Not later than 1 year	4,040	2,456
Later than 1 year and not later than 5 years	5,896	3,032
Later than 5 years	—	169
	9,936	5,657

All amounts in Hong Kong dollar thousands unless otherwise stated

34 COMMITMENTS *(Continued)*

OPERATING LEASE COMMITMENTS *(Continued)*

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements are as follows:

	2009	2008
Not later than 1 year	4,254	3,952
Later than 1 year and not later than 5 years	3,558	7,812
	7,812	11,764

35 RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(A) PURCHASES OF GOODS AND INTEREST FROM AN ASSOCIATE

	2009	2008
Purchases of goods		
– from Beihai Yiyang Mineral Company Limited	26,252	35,835
Loan interest income (Note 28)		
– from Beihai Yiyang Mineral Company Limited	1,500	1,421

(B) YEAR-END BALANCES ARISING FROM PURCHASES OF GOODS

	2009	2008
Loan advance to an associate (note (i))	5,670	9,634
Amount due to an associate (note (ii))	(3,828)	(5,118)

Note (i): The loan balance is denominated in RMB, bears interest at 12% (2008: 12%) per annum and has fixed terms of repayment.

Note (ii): The remaining balance is denominated in RMB, unsecured, interest free and repayable in 60 days.

(C) KEY MANAGEMENT COMPENSATION

	2009	2008
Basic salaries and allowances	11,853	10,249
Discretionary and performance bonus	10,680	5,046
Employer's contributions to pension scheme	81	61
Share options granted	1,156	1,108
	23,770	16,464

36 BONUS ISSUE

To celebrate the fifth anniversary of the listing of the Shares on the Stock Exchange in February 2005, in addition to the proposed final cash dividend set forth above, the Directors also proposed, subject to the conditions below, a bonus issue (the "Bonus Issue") to the Shareholders on the basis of one (1) new bonus Share for every existing Share held by the Shareholders (for the avoidance of doubt, the new Shares to be issued under the Bonus Issue will not be entitled to the final cash dividend for the financial year ended 31 December 2009 stated above). The Bonus Issue will be conditional upon:-

(a) the approval of the Shareholders at the forthcoming AGM to increase the authorised share capital of the Company;

(b) the approval of the Shareholders of the Bonus Issue at the AGM ; and

(c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new bonus Shares to be issued pursuant to the Bonus Issue.

The Directors believe that the Bonus Issue represents part of the investment return to the long-term support from the Shareholders. The Bonus Issue will also allow the Shareholders to enjoy the results of the business growth of the Group by way of capitalisation of a portion of the share premium account.

A circular containing details of the Bonus Issue and the notice of AGM will be despatched to the Shareholders as soon as possible.

37 EVENTS AFTER THE BALANCE SHEET DATE

(a) In January 2010, the Company repurchased certain of its own Shares on the Stock Exchange.

These repurchase 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$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid HK$'000
January 2010	2,190,000	6.69	6.54	14,436

(b) On 10 March 2010, Xinyi Automobile Glass (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with a third party to dispose of its entire shareholding of 100% interest in Xinyi Curtain Wall Decorative Engineering (Shenzhen) Company Limited ("Xinyi CW"). Xinyi CW was a subsidiary principally engaging in the installation of construction glass business. The management do not expect such disposal will incur significant loss to the Group.

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

Selective financial summary, including selective income statement data and balance sheet data for the past five years is presented below.

	Year ended 31 December				
	2009	2008	2007	2006	2005
Sales	3,957,957	3,894,283	2,774,624	1,933,173	1,380,777
Cost of sales	(2,496,047)	(2,683,403)	(1,702,269)	(1,232,981)	(901,749)
Gross profit	1,461,910	1,210,880	1,072,355	700,192	479,028
Other revenue	33,628	38,118	25,140	21,912	16,254
Other gains – net	13,343	46,129	81,439	10,193	3,461
Selling and marketing costs	(268,169)	(318,227)	(286,451)	(211,205)	(147,530)
Administrative expenses	(323,321)	(209,205)	(166,275)	(110,687)	(71,923)
Provision for legal claim	(85,332)	—	—	—	—
Operating profit	832,059	767,695	726,208	410,405	279,290
Finance income	6,782	9,116	9,017	3,484	3,206
Finance costs	(15,216)	(24,029)	(33,762)	(11,533)	(2,614)
Share of profit/(loss) of an associate	372	272	1,703	(563)	(2)
Profit before income taxation	823,997	753,054	703,166	401,793	279,880
Income tax expense	(47,392)	(42,256)	(30,165)	(15,981)	(19,486)
Profit for the year	776,605	710,798	673,001	385,812	260,394
Minority interests	(3,079)	(1,566)	(2,141)	2,423	(280)
Profit attributable to equity holders of the Company	773,526	709,232	670,860	388,235	260,114
Dividends	372,012	337,116	313,103	176,512	123,435