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)

2008
Annual Report

Contents

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

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

LEGAL ADVISERS AS TO HONG KONG LAW

Squire, Sanders & Dempsey
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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.xinyiglass.com

SHARE INFORMATION

Place of listing: The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares (the "Shares")
Financial year end: 31 December
Share price as at the date of this annual report: HK$3.31
Market capitalisation as at the date of this annual report: Approximately HK$5,571 million

KEY DATES

Closure of register of members: 19 May 2009 to 22 May 2009 (both days inclusive)
Date of Annual General Meeting: 22 May 2009
Proposed date of payment of final dividend: 1 June 2009

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 2008.

In comparison with 2007, our Group's turnover grew significantly, up by approximately 40.4% to roughly HK$3,894.3 million in 2008. Our net profit attributable to equity holders of the Company also grew by around 5.7%, to approximately HK$709.2 million in 2008. Basic earnings per share were 41.9 HK cents, compared with 41.1 HK cents last year.

We are highly pleased with the results achieved by the Group and therefore propose payment of a final dividend of 9.0 HK cents per ordinary share upon approval at the forthcoming Annual General Meeting.

I present below an overview of the business of the Group during 2008 and key development highlights for the coming year.

A YEAR OF COSTS FLUCTUATION AND FINANCIAL TSUNAMI

During the year, all our business segments reported strong growth. Turnover from the automobile glass business grew by approximately 14.4% to approximately HK$1,964.3 million, which accounted for approximately 50.4% of the Group's total turnover. This was mainly attributable to the substantial increase in sales of automobile glass products to overseas markets, such as Australia and Europe. Construction glass turnover grew by approximately 15.0% to approximately HK$650.8 million, which accounted for approximately 16.7% 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 commercial buildings and public facilities-related construction glass market. The float glass and ultra clear photovoltaic glass business also grew significantly by approximately 160.1% to approximately HK$1,279.2 million, which accounted for approximately 32.9% of the Group's total turnover. Such strong demand was largely driven by overseas and South China markets, as well as the Group expanded float glass capacity. Ultra clear photovoltaic glass, our newly launched product, has received high recognition from customers as a result of the strong demand for solar related photovoltaic market. The gross profit margin was approximately 31.1% (2007: 38.6%) while the net profit margin was approximately 18.2% (2007: 24.2%).

2008 was full of challenges. The industry faced difficulties as a result of the global financial tsunami, the Renminbi's appreciation, the reduction of the export tax rebate, the recession of the US economy and the escalating fuel and raw material costs. The Group nevertheless achieved satisfactory results by leveraging economies of scale, high product quality with diversified product lines and flexible global sales and operational management strategies.

APPRECIATION OF RENMINBI — INCREASE IN THE PRC SALES RATIO

Although the Renminbi appreciated by approximately 5.6% in 2008, our sales in the PRC amounted to approximately 48.9% of the Group's total turnover that was used to settle Renminbi expenses. Other sales denominated in foreign currencies were mainly used to settle costs expenses incurred in the US dollar, Euro or Hong Kong dollar. By using the Hong Kong dollar as the reporting and functional currency in our consolidated financial statements, this "natural hedging" arrangement allowed us to mitigate any adverse impact as a result of foreign exchange rate fluctuations. It also mitigated the impact from the economic downturn in North America. All of these facilitated the Group to achieve solid sales growth in this year.

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

On 1 July 2007, the PRC government reduced the export tax rebate on automobile and construction glass products from 13.0% to 5.0% and that of float glass products from 11.0% to 5.0%. All sectors of the glass industry were affected by this new policy, and as a result, the Group's overall gross margin dropped from 38.6% in 2007 to 31.1% for the year of 2008.

The US economy is in recession, which has significantly impacted the housing and new car markets. However, as the automobile glass products sold by us in North America are aimed at the aftermarket sector serving replacement purposes, the weak US economy has no significant adverse impact on the demand for our automobile glass products. However, our construction glass business was hit by the slow housing market and sales to North America were down by approximately 8.2% to HK$774.5 million for the year of 2008.

The Group continued to explore other overseas markets. In 2008, our revenue generated from the European market increased by approximately 93.7% to HK$555.5 million. Revenue from other overseas markets also increased by approximately 51.7% to HK$660.7 million.

IMPROVED PRODUCTIVITY AND ECONOMIES OF SCALE TO MITIGATE THE INCREASES IN ENERGY AND MATERIAL COSTS

Since the fourth quarter of 2007, the selling prices of heavy oil, the fuel for float glass production, and soda ash, a principal raw material, have risen significantly and thus reduced our overall gross profit margin.

However, with our strong experience in operations management combined with the improvements in the production process, we enhanced our productivity and yield rate to combat the overall production and energy cost rises. The Group's daily production capacity of float glass increased from 1,200 daily melting tons in the middle of 2007 to 2,600 daily melting tons by end of 2007. The new ultra clear glass production line also provided the Group with additional daily production capacity of 300 melting tons from January 2008. The economies of scale enhanced the Group's purchasing power, reduced the average fuel consumption rate and the fixed unit cost, and thus the Group was able to mitigate the impact of increased costs on the gross profit margin.

Since the third quarter of 2008, the international crude oil price gradually decreased to the lowest price level towards the end of the year. The soda ash price also dropped in the fourth quarter. We therefore expect the production cost pressure will be gradually eliminated in 2009.

IMPROVED OPERATIONS MANAGEMENT CAPABILITY REWARDED WITH MARKET RECOGNITION

Our dedication in providing high quality glass products and improving operational efficiency and management capability has been rewarded with market recognition. In December 2008, our subsidiary, Xinyi Automobile Glass (Shenzhen) Company Limited, was awarded the "2008 Shenzhen Mayer Quality Award" with a cash prize of RMB 3.0 million.

Starting on 29 October 2008, the shares of the Company were included as a constituent of the Hang Seng Composite Index, Hang Seng Mainland Composite Index, Hang Seng Composite Industry Index - Consumer Goods, Hang Seng Freefloat Composite Index and Hang Seng Mainland Freefloat Index. We were also named as Forbes Asia's Annual "Best 200 Under a Billion" for the second consecutive year in 2008. We ranked the 23rd by revenue, the 16th by net profit and the 40th by market capitalisation.

OUTLOOK FOR 2009

In the coming year, we will continue to strengthen our operations management capabilities, thus becoming fully armed to tackle challenges resulting from the global financial tsunami. In view of the PRC Government's four trillion economic stimulus plan, its policies to support automobile industry, the VAT refund scheme for new fixed asset investment in the PRC and the new energy saving standard for building construction, we will look towards establishing new production complex in the Yangtze River Delta region. As well, we will focus on developing new energy, environmental friendly and energy efficient glass products to meet the anticipated strong market demand for LOW-E glass, double glazing insulated glass and solar photovoltaic glass.

The commercial production of ultra clear photovoltaic glass, which is mainly used for photovoltaic power systems, successfully commenced in January 2008, and gained strong support from the market. The development of this new energy related product and thin film coating Transparent Conductive Oxide glass ("TCO" glass) will be our main focus in the future.

Since 1 November 2008, export VAT rebate rates for automobile glass and construction glass increased to 11.0%. It will strengthen our competitiveness on the export businesses. Moreover, the decrease in costs of raw materials and fuel will fuel the growth momentum and enhance flexibility of 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 2008. 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
30 March 2009

INTRODUCTION

The Group produces and sells a wide range of glass products, from automobile glass, construction glass, float glass including photovoltaic glass to other glass products for decorative and commercial applications. The Group has production facilities in Shenzhen, Dongguan, Wuhu and Tianjin in the PRC. According to the "*China Trade Information*", a monthly research report issued by Goodwill China Business Information Ltd., the Group has been the largest Chinese exporter of automobile glass products since 2004 in terms of export volume. In addition to the glass products, the Group also produces automobile rubber and plastic components. The Group is also engaged in construction projects in the PRC involving installation of glass curtain walls on buildings.

Founded in Hong Kong in 1989, the Group's automobile glass products are sold to customers in over 100 countries and territories, including the PRC, 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, construction contractors, construction glass and furniture and household appliances manufacturing and solar power system manufacturing.

BUSINESS REVIEW

The Group achieved a significant business growth during the financial year ended 31 December 2008. The sales and the net profit attributable to equity holders of the Company reached approximately HK$3,894.3 million and HK$709.2 million, respectively, representing a year-on-year increase of approximately 40.4% and 5.7%, as compared to approximately HK$2,774.6 million and HK$670.9 million for the financial year ended 31 December 2007. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 39.5% and 31.7%, respectively, during the period of the five years ended 31 December 2008.

Our major construction glass products "low-emission coated glass" continued to be one of the most popular products in 2008. Its environmentally-friendly and energy-saving capability are generally consistent with the national policy of the PRC. In order to capture the high-growth business opportunities, the Group installed the second low-emission coating glass production line in its Tianjin production complex in the first quarter of 2008 and the third low-emission coating glass production line in its Dongguan production complex in the fourth quarter of 2008. These two production lines are in full commercial operation in 2009.

Sales of float glass, including the new product of photovoltaic glass, were also a major growth driver in 2008. Demand for the float glass and the photovoltaic glass were strong both in the PRC and the overseas markets. With two new float glass production lines of daily melting capacity of up to 500 tons and 900 tons in operation since the second half of 2007 and the addition of a new photovoltaic glass line of daily melting capacity up to 300 tons in operation since January 2008, the Group substantially increased the sales volume in 2008.

OPERATIONAL REVIEW

SALES

Our sales increased by approximately 40.4% for the financial year ended 31 December 2008. The increase was principally due to the substantial growth of our float glass business and construction glass business in the PRC and the export business of automobile glass to Australia and European countries. In addition, the increased sales was also attributable to the launch of our new product, photovoltaic glass, and purchase orders from new customers as a result of our strengthened business development efforts.

The tables below illustrate our sales by products and by geographical regions:-

	Financial year ended 31 December			
	2008		2007	
	HK$'000	%	*HK$'000*	%
Sales				
Automobile glass products *(Note 1)*	**1,964,294**	**50.4**	1,716,803	61.9
Construction glass products *(Note 2)*	**650,829**	**16.7**	565,949	20.4
Float glass products *(Note 3)*	**1,279,160**	**32.9**	491,872	17.7
	3,894,283	**100.0**	2,774,624	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 construction glass products, furniture glass products and construction fee income received from curtain wall construction projects.

(3) Included sales of float glass and photovoltaic glass products.

	Financial year ended 31 December			
	2008		2007	
	HK$'000	%	*HK$'000*	%
Sales				
Greater China *(Note (a))*	**1,903,575**	**48.9**	1,208,344	43.6
North America	**774,519**	**19.9**	844,129	30.4
Europe	**555,533**	**14.2**	286,733	10.3
Others *(Note (b))*	**660,656**	**17.0**	435,418	15.7
	3,894,283	**100.0**	2,774,624	100.0

Notes:

(a) Greater China included the PRC and Hong Kong.

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

COST OF SALES

Consistent with the growth in sales, our cost of sales for the financial year ended 31 December 2008 was approximately HK$2,683.4 million, representing an increase of approximately 57.6%.

GROSS PROFIT

Our gross profit for the financial year ended 31 December 2008 was approximately HK$1,210.9 million, representing an increase of approximately 12.9%. However, the overall gross profit margin decreased from approximately 38.6% to 31.1% as a result of the reduction of the amount of rebate of the the PRC export tax on glass products to 5.0% from July 2007 and the significant increases in the production costs of float glass — heavy oil and soda ash.

OTHER INCOME

Our other income was approximately HK$38.1 million for the financial year ended 31 December 2008, as compared to approximately HK$25.1 million for the financial year ended 31 December 2007. The increase was principally due to a refund of the United States anti-dumping duty paid during the period between 2002 and 2006.

SELLING AND MARKETING COSTS

With effective cost control measures, our selling and marketing costs only increased by approximately 11.1% to approximately HK$318.2 million for the financial year ended 31 December 2008. Such increase was mainly due to our growth in sales.

ADMINISTRATIVE EXPENSES

Our administrative expenses slightly increased by approximately 25.8% to approximately HK$209.2 million for the financial year ended 31 December 2008, principally attributable to the increase in staff welfare and donations of approximately HK$24.6 million and HK$5.3 million, respectively.

FINANCE COSTS

Our finance cost decreased by approximately 28.8% to approximately HK$24.0 million for the financial year ended 31 December 2008. The decrease was principally due to the lower interest rates for bank borrowings for working capital and capital expenditures. Some of the interest expenses were capitalised in relation to the acquisition of plant and machinery at our production complex in Dongguan and Wuhu, but they were charged as expenses when the new production lines commenced during the year. Interest expenses of HK$32.1 million were capitalised under construction-in-progress for the financial year ended 31 December 2008.

TAXATION

Our income tax expense amounted to approximately HK$42.3 million for the financial year ended 31 December 2008. The effective tax rate slightly increased from approximately 4.3% to 5.6% for the financial year ended 31 December 2008, which was mainly due to the payment of PRC Corporate Income Tax instead of Foreign Enterprise Income Tax from 2008 by two members of the Group in the PRC.

EBITDA AND NET PROFIT FOR THE YEAR

During the financial year ended 31 December 2008, the Company's EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) reached approximately HK$1,001.5 million, representing an increase of approximately 14.6%, as compared to HK$874.1 million for the financial year ended 31 December 2007. The Company's EBITDA margin, calculated based on turnover for the financial year, was approximately 25.7%, as compared to approximately 31.5% for the financial year ended 31 December 2007.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2008 was approximately HK$709.2 million, representing an increase of approximately 5.7%, as compared to HK$670.9 million for the financial year ended 31 December 2007. Net profit margin decreased to approximately 18.2% for the financial year ended 31 December 2008 as a result of the reduction of the amount of rebate of the PRC export tax on glass products to 5.0% from July 2007 and the increase of production costs of float glass — heavy oil and soda ash.

DIVIDENDS

At a Board meeting held on 30 March 2009, the Directors proposed to declare a final dividend of 9.0 HK cents per Share for the financial year ended 31 December 2008. Together with the interim dividends of HK$185.6 million for 2008, the total dividend paid and payable represent a dividend pay-out ratio of approximately 47.5%. The Directors believe that this dividend level is appropriate in reflecting the substantial growth of the business of the Group during the financial year ended 31 December 2008.

CURRENT RATIO

Our current ratio for the financial year ended 31 December 2008 was approximately 1.1, as compared to 1.5 in the previous year. The slight decrease was due to an increase in trade and other payables and short-term bank borrowings as a result of the increased sales in 2008.

NET CURRENT ASSETS

As at 31 December 2008, we had net current assets of approximately HK$141.5 million, as compared to approximately HK$494.4 million as at 31 December 2007. The decrease was a result of the increase in construction-in-progress of our new Wuhu production complex.

FINANCIAL RESOURCES AND LIQUIDITY

During the financial year ended 31 December 2008, our primary sources of funding included cash generated from operating activities and the credit facilities provided by our principal banks in Hong Kong and the PRC. Net cash inflow from operating activities amounted to approximately HK$1,167.7 million (2007: HK$440.0 million) as a result of working capital management generating a net cash surplus from operations. As at 31 December 2008, we had cash and bank balances of approximately HK$442.6 million (2007: HK$316.2 million).

As at 31 December 2008, we had bank loans totaling approximately HK$1,206.5 million, representing an increase of approximately 76.5% as compare with 31 December 2007. The increase was principally due to the increased capital expenditures for the year.

Our net debt gearing ratio as at 31 December 2008, calculated by dividing the net bank debt by the total equity of the Group as at 31 December 2008, was approximately 17.4%. The increase was principally due to the increased capital expenditures for the year.

PLEDGE OF ASSETS

As at 31 December 2008, bank balance of approximately HK$6.9 million was pledged as collateral mainly to the United States Customs as a security of import duties.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Our business transactions are mainly denominated in Renminbi, U.S. dollar, Euro and Hong Kong dollar with operations mainly in Hong Kong and the PRC. As at 31 December 2008, our bank borrowings were denominated in Renminbi, U.S. dollar and Hong Kong dollar with effective interest bearing rates at the balance date were 5.5%, 2.9% and 1.7% per annum respectively. Our exposure to foreign exchange fluctuations was minimal and we have not experienced any material difficulties resulting from exchange rate fluctuations that had affected our operations or liquidity. We may use financial instrument for hedging purpose when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, we had 7,338 full-time employees of whom 6,463 were based in Greater China and 42 were based in other countries and territories. We maintain good relationship with our employees. We provide our staff with sufficient training on business knowledge including information on the applications of our products and skills in maintaining good client relationship. Remuneration packages offered to our staff are consistent with the prevailing market terms and are reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and performance of the individual employee.

Pursuant to the applicable laws and regulations, we participated in relevant defined contribution retirement schemes administrated by the relevant PRC government authorities for our staff employed in the PRC. For our employees in Hong Kong, we have made all the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

We also adopted a share option scheme on 18 January 2005. 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. For details of the scheme, please refer to the section "Report of the Directors - Share Option Scheme" of this report.

BUSINESS OUTLOOK

Globalization is the predominant trend in the world market. We notice that there are many overseas customers outsourcing their production of different glass products to us. We also anticipate the continuous growth in demand for automobile glass, construction glass, float glass, photovoltaic glass and TCO glass in coming years. The demand for environmentally friendly, energy saving and renewal energy products will continue to grow, especially in the PRC.

With the PRC's "Eleventh Five Years Plan" advocating environmental protection and energy conservation, demand for our low emission coated glass products is expected to soar. Also, the Ministry of Housing and Urban-rural Development of the PRC has released its implementation outlines to promote solar energy facilities in buildings on 23 March 2009. The outlines include providing subsidies to model projects of new buildings with solar energy facilities which stimulate the demand of photovoltaic glass and TCO glass.

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

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

DIRECTORS

EXECUTIVE DIRECTORS

LEE Yin Yee, M.H.（李賢義）, aged 56, is our Chairman and founder, responsible for our Group's business strategy. Mr. LEE Yin Yee has 20 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 46, 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 15 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 43, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for 20 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.

LEE Shing Kan（李聖根）, aged 29, 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 33, 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 54, 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.

NON-EXECUTIVE DIRECTORS

LI Ching Wai(李清懷), aged 51, 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 51, 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 53, 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 44, 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 75, is the vice chairman of BOC International Holdings Limited, the 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. 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 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 59, 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.

WONG Ying Wai Wilfred, S.B.S., JP,（王英偉）, aged 56, is the executive director and the executive deputy chairman of the board of the Hsin Chong Construction Group Limited and Synergis Holdings Limited. Prior joining the Hsin Chong Construction Group Limited, Mr. WONG is the vice chairman of Mission Hills Group and held several senior positions in both the public and private sectors. Mr. WONG Ying Wai, S.B.S., JP was the deputy chief executive of K. Wah International Limited. In 1998, Mr. WONG was appointed as the managing director of Henderson China Holdings Limited. Mr. WONG joined Shui On Holdings Limited in September 2000 as the group's vice-chairman and was the executive director, vice chairman and chief operating officer of Shui On Land Limited during the period between February 2004 and May 2007 Mr. WONG was formerly the vice chairman of Shui On Construction and Materials Limited and an executive director of Shui On Company Limited. Mr. WONG was also a non-executive director of CIG Yangtze Ports PLC during the period between November 2003 and May 2006.

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

SENIOR MANAGEMENT

William CHEN（陳未遠）, aged 78, 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.

YANG Jian Jun（楊建軍）, aged 48, is our director of research and development centre. Prior to joining our Group in May 2006, Mr. YANG Jian Jun was the director of the China National Safety Glass and Quartz Glass Testing Centre which is under the Glass Research Institute of China Building Materials Academy. Mr. YANG Jian Jun has over eighteen years' experience in glass and building materials research, quality management and testing. Mr. YANG Jian Jun graduated from Eastern China University of Science and Technology in 1982 with a bachelor degree in glass science and graduated from Beijing Aeronautics and Aviation University in 2003 with a master degree in solid mechanics.

LAU Sik Yuen（劉錫源）, aged 42, is our company secretary, chief financial officer and qualified accountant. Prior to joining our Group in April 2003, Mr. LAU Sik Yuen had over nineteen 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.

ZHA Xuesong（查雪松）, aged 37, 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.

Antonio P.K. TAM（譚炳均）, aged 57, is our head of international business development, president and a director of Xinyi Glass (North America) Inc., a director of Xinyi Auto Glass (North America) Corporation and a director of Xinyi Glass (America) Development Inc. Mr. Antonio P.K. TAM is responsible for planning our overseas automobile glass sales development strategy and overseeing our operation in North America. Prior to joining us in January 1997, Mr. Antonio P.K. TAM had more than seventeen years' experience in the trading of glass manufacturing machinery. Mr. Antonio P.K. TAM obtained a bachelor degree in science from The Chinese University of Hong Kong in 1974 and a master degree in science from the University of Rochester, U.S. in 1976.

CHEN Xi（陳曦）, aged 51, 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 48, 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.

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 2008, 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 17 of 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 2008, the Board held four meetings on 31 March 2008, 26 May 2008, 1 September 2008 and 29 November 2008, and all Directors had attended these meetings except Mr. LEE Shing Put, an executive Director who resigned with effect from 15 October 2008, was absent on 1 September 2008, Mr. LAM Kwong Siu, S.B.S. was absent on 29 November 2008, Mr. WONG Chat Chor Samuel was absent on 29 November 2008 and Mr. WONG Ying Wai, S.B.S., JP was absent on 29 November 2008. At least four Board meetings are scheduled for the financial year of 2009.

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 2008.

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, a meeting of the Remuneration Committee was held on 31 March 2008 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 2008 on 31 March 2008, 1 September 2008 and 24 November 2008 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. The Nomination Committee held one meeting during the year of 2008 on 10 October 2008 and all the committee members, except Mr. LEE Yin Yee, M.H., and Mr. TUNG Ching Sai, attended this meeting.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' REMUNERATION

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

INTERNAL CONTROL

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

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee of the Board, the Board has regularly reviewed the effectiveness of risk management and control activities of the Group during the financial year of 2008. During 2008, the Board has conducted an annual review of the effectiveness of the system of internal control of the Group with satisfactory results.

The Directors are pleased to present their report and the audited financial statements of the Group for the financial year ended 31 December 2008.

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 household glass products 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 2008 are set out in the consolidated income statement on page 41 in this report. During the financial year, an interim dividend of 11.0 HK cents per Share, amounting to a total of about HK$185.6 million, was paid to shareholders on 25 September 2008.

The Board proposes the payment of a final dividend of 9.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 22 May 2009. Subject to approval of the Directors' recommendation by shareholders at the Annual General Meeting, the final dividend will be paid on 1 June 2009.

The register of members will be closed from Tuesday, 19 May 2009 to Friday, 22 May 2009, 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, 18 May 2009.

RESERVES

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

FINANCIAL SUMMARY

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

INVESTMENT PROPERTIES

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$5.4 million (2007: HK$73,000).

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands as at 31 December 2008, share premium amounting to approximately HK$1,829.2 million (2007: HK$2,073.3 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 2008, the Company had distributable reserves available for distribution to shareholders amounting to approximately HK$155.6 million (2007: HK$175.8 million) other than mentioned above.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. *(Chairman)*
Mr. TUNG Ching Bor *(Vice chairman)*
Mr. TUNG Ching Sai *(Chief executive officer)*
Mr. LEE Shing Put *(resigned on 15 October 2008)*
Mr. LEE Shing Kan *(appointed on 15 October 2008)*
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. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

In accordance with article 112 of the Company's articles of association, Mr. LEE Shing Kan will retire and being eligible, will offer himself 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$250,000 for the year ended 31 December 2008, and HK$200,000 for the year ending 31 December 2009.

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$250,000 for each non-executive Director, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual remuneration of HK$250,000 for each independent non-executive Director, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM Kwong Siu, 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 hereof, the first tranche of 8,520,000 options were granted to employees of the Group, of which 4,188,500 options had lapsed, 4,331,500 options had been exercised, and 600,000 options had been granted to connected persons of the Group, being directors of subsidiaries of the Company. The exercise price of such options was HK$2.15 and all these options expired on 27 January 2009.

The second tranche of 13,552,000 options had been granted to employees of the Group, of which 1,464,000 had lapsed, and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$6.98 and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 30 June 2011, the outstanding un-exercised options shall lapse and the holders shall not be entitled to exercise the outstanding options to subscribe for any Shares.

The third tranche of 24,258,600 options had been granted to employees of the Group, of which 760,000 had lapsed, and 600,000 options had been granted to connected persons of the Company and its subsidiaries, being directors of subsidiaries of the Company. The exercise price of such options is HK$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 the Group during the exercise period. If any of the options proposed to be granted hereby have not been exercised by the holders on or before 19 April 2013, the outstanding un-exercised options shall lapse and the holders shall not be entitled to exercise the outstanding options to subscribe for any Shares.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 14 to 18 of this report.

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

As at 31 December 2008, 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)*	363,202,029	21.52%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
	Personal interest *(Note b)*	12,534,000	0.74%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	133,602,926	7.91%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
	Personal interest *(Note d)*	3,488,000	0.21%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	128,920,582	7.64%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
	Personal interest *(Note f)*	7,984,000	0.47%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	59,379,078	3.52%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note h)*	39,586,052	2.35%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
	Personal interest	200,000	0.01%
Mr. LI Man Yin	Interest of a controlled corporation *(Note i)*	39,586,052	2.35%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
	Personal interest *(Note j)*	300,000	0.02%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note k)*	54,430,822	3.22%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note l)*	39,586,052	2.35%
	Interest of a controlled corporation *(Note m)*	49,404,000	2.93%
	Personal interest	1,000,000	0.06%

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 2008, 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 2008, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

THE COMPANY

Long position in the Shares

Name of Substantial Shareholders	Number of Shares held	Nature of interest	Approximate percentage of the Company's issued share capital
Realbest	363,202,029	Registered and beneficial owner	21.52%
High Park	133,602,926	Registered and beneficial owner	7.91%
Copark	128,920,582	Registered and beneficial owner	7.64%
Telerich Investment Limited *(Note)*	126,675,367	Registered and beneficial owner	7.50%

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 2008, the persons who are, directly or indirectly, interested in 10%. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Glass (North America) Inc.	Polaron International Inc.	30,000 class A common shares	25.0%
	Mr. CHAN Chung Shun Alex	20,000 class A common shares	16.7%
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 2008, 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	5.2%
— the largest five customers combined	14.6%
Purchases	
— the largest supplier	12.6%
— the largest five suppliers combined	34.1%

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 2008 amounted to approximately HK$1,206.5 million (2007: HK$683.6 million). Particulars of the bank borrowings are set out in note 20 to the financial statements in this report.

REWARD FOR EMPLOYEES

As at 31 December 2008, we employed over 7,338 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 has been entered into by the Group which constituted connected transactions for the financial year ended 31 December 2008.

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 2008.

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 2008.

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

During the year ended 31 December 2008, the Company repurchased a total of 43,444,000 Shares at an aggregate consideration of HK$251.1 million on the Stock Exchange. Details of the repurchases of such Shares are as follows:

	Number ofPrice Per		Aggregate	
	SharesShare		Purchase	
Month of repurchase	Repurchased	Highest	Lowest	Price
		(HK$)	*(HK$)*	*(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
	43,444,000			251,083

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 from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

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

PUBLIC FLOAT

Based on information 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

No significant event has taken place subsequent to 31 December 2008.

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, 22 May 2009, at Harbour Room, Level 56, Island Shangri-La, Two Pacific Place, Supreme Court Road, Central, 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, 30 March 2009

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 115, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 2008 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, 30 March 2009

Consolidated Balance Sheet

As at 31 December 2008

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2008	2007
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	362,800	146,892
Property, plant and equipment	7	3,972,031	3,268,901
Investment property	8	10,927	9,460
Deposits for property, plant and equipment and land use rights		280,871	292,854
Intangible assets	9	90,048	81,372
Available-for-sale financial assets	11	569	532
Interest in an associate	12	15,889	11,374
		4,733,135	3,811,385
Current assets			
Inventories	13	612,134	510,690
Trade and other receivables	14	661,275	674,722
Amounts due from customers for contract work	15	48,828	57,524
Pledged bank deposits	16	6,854	6,702
Cash and cash equivalents	16	435,712	309,506
		1,764,803	1,559,144
Total assets		6,497,938	5,370,529
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	168,808	172,344
Share premium	17	1,829,174	2,073,287
Other reserves	18	728,323	454,085
Retained earnings			
- Proposed final dividend	30	151,475	168,683
- Others		1,491,552	1,176,680
		4,369,332	4,045,079
Minority interest		20,204	443
Total equity		4,389,536	4,045,522

Consolidated Balance Sheet

As at 31 December 2008
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2008	2007
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	484,079	259,949
Deferred income tax liabilities	21	1,044	331
		485,123	260,280
Current liabilities			
Trade payables, accruals and other payables	19	879,291	626,339
Amounts due to customers for contract work	15	71	609
Bank borrowings	20	722,391	423,608
Current income tax liabilities		21,526	14,171
		1,623,279	1,064,727
Total liabilities		2,108,402	1,325,007
Total equity and liabilities		6,497,938	5,370,529
Net current assets		141,524	494,417
Total assets less current liabilities		4,874,659	4,305,802

On behalf of the Board

LEE Yin Yee
Chairman

TUNG Ching Bor
Vice Chairman

The accompanying notes are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2008
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2008	2007
ASSETS			
Non-current assets			
Interests in subsidiaries	10	1,636,223	2,220,010
Current assets			
Amounts due from subsidiaries	10	542,128	205,127
Prepayments		310	61
Cash and cash equivalents	16	1,055	5,463
		543,493	210,651
Total assets		2,179,716	2,430,661
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	168,808	172,344
Share premium	17	1,829,174	2,073,287
Other reserves	18	23,552	7,675
Retained earnings			
- Proposed final dividend	30	151,475	168,683
- Others		4,099	7,164
Total equity		2,177,108	2,429,153
LIABILITIES			
Current liabilities			
Accruals and other payables	19	1,295	1,331
Amounts due to subsidiaries	10	1,128	—
Current income tax liabilities		185	177
Total liabilities		2,608	1,508
Total equity and liabilities		2,179,716	2,430,661

On behalf of the Board

LEE Yin Yee	TUNG Ching Bor
Chairman	*Vice Chairman*

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2008

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2008	2007
Revenue	5	3,894,283	2,774,624
Cost of sales	22	(2,683,403)	(1,702,269)
Gross profit		1,210,880	1,072,355
Other income	24	38,118	25,140
Other gains - net	25	46,129	81,439
Selling and marketing costs	22	(318,227)	(286,451)
Administrative expenses	22	(209,205)	(166,275)
Operating profit		767,695	726,208
Finance income	26	9,116	9,017
Finance costs	26	(24,029)	(33,762)
Share of profit of an associate	12	272	1,703
Profit before income tax		753,054	703,166
Income tax expense	27	(42,256)	(30,165)
Profit for the year	28	710,798	673,001
Attributable to:			
Equity holders of the Company		709,232	670,860
Minority interests		1,566	2,141
		710,798	673,001
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in Hong Kong cents per share)			
- Basic	29	41.9	41.1
- Diluted	29	41.8	41.0
Dividends	30	337,116	313,103

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2008

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	Attributable to equity holders of the Company					
		Share capital	Share premium	Other reserves	Retained earnings	Minority interest	Total
Balance at 1 January 2007		160,466	850,804	238,433	998,327	(1,707)	2,246,323
Currency translation differences		—	—	142,409	—	(52)	142,357
Profit for the year		—	—	—	670,860	2,141	673,001
Revaluation of investment property	8	—	—	624	—	—	624
Total recognised income for 2007		—	—	143,033	670,860	2,089	815,982
Transfer to reserve		—	—	66,119	(66,119)	—	—
Proceeds from shares issued	17	12,837	1,311,972	—	—	—	1,324,809
Share issuance costs	17	—	(15,078)	—	—	—	(15,078)
Repurchase of the Company's shares							
- Nominal value of shares repurchased and cancelled	17	(959)	—	959	(959)	—	(959)
- Premium paid on repurchase	17	—	(74,411)	—	—	—	(74,411)
Additional interest acquired from minority shareholders		—	—	—	—	61	61
Employee share option scheme							
- value of employee services	17	—	—	5,541	—	—	5,541
Dividend relating to 2006		—	—	—	(112,326)	—	(112,326)
Dividend relating to 2007	30	—	—	—	(144,420)	—	(144,420)
		11,878	1,222,483	72,619	(323,824)	61	983,217
Balance at 31 December 2007		172,344	2,073,287	454,085	1,345,363	443	4,045,522
Balance at 1 January 2008		172,344	2,073,287	454,085	1,345,363	443	4,045,522
Currency translation differences		—	—	201,227	—	(56)	201,171
Profit for the year		—	—	—	709,232	1,566	710,798
Total recognised income for 2008		—	—	201,227	709,232	1,510	911,969
Transfer to reserve		—	—	57,134	(57,134)	—	—
Proceeds from issue of share under a share option scheme	17	290	6,970	(1,024)	—	—	6,236
Repurchase of the Company's shares							
- Nominal value of shares repurchased and cancelled	17	(3,826)	—	3,826	—	—	—
- Premium paid on repurchase	17	—	(251,083)	—	—	—	(251,083)
Employee share option scheme							
- value of employee services	17	—	—	13,075	—	—	13,075
Contribution from minority shareholders		—	—	—	—	18,475	18,475
Dividend paid to minority shareholders		—	—	—	—	(224)	(224)
Dividend relating to 2007	30	—	—	—	(168,793)	—	(168,793)
Dividend relating to 2008	30	—	—	—	(185,641)	—	(185,641)
		(3,536)	(244,113)	73,011	(411,568)	18,251	(567,955)
Balance at 31 December 2008		168,808	1,829,174	728,323	1,643,027	20,204	4,389,536

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31December 2008
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2008	2007
Cash flows from operating activities			
Cash generated from operations	31	1,257,922	501,074
Interest paid		(56,080)	(36,839)
Income tax paid		(34,188)	(24,190)
Net cash generated from operating activities		1,167,654	440,045
Cash flows from investing activities			
Payment for capital expenditure		(856,683)	(1,354,492)
Proceeds from disposal of property, plant and equipment	31	7,530	20,469
Acquisition of intangible assets		(10,066)	—
Purchase of financial assets at fair value through profit or loss		(19,799)	(153,309)
Disposal of financial assets at fair value through profit or loss		12,484	199,572
Acquisition of a subsidiary	33	—	(153,777)
Settlement of purchase consideration payable on acquisition of subsidiary	33	(90,341)	—
Capital injected to an associate	12	(6,242)	—
Loans advanced to an associate	12	(33,523)	(20,448)
Loan repaid from an associate	12	35,835	23,139
Interest received		9,116	9,017
Net cash used in investing activities		(951,689)	(1,429,829)
Cash flows from financing activities			
Net proceeds from new shares issued		6,236	1,309,731
Proceeds from bank borrowings		1,575,179	905,044
Repayments of bank borrowings		(1,066,980)	(779,625)
(Increase)/decrease in pledged bank deposits		(152)	3,747
Contribution from minority shareholders		18,475	—
Shares purchased from minority shareholders		—	(2)
Repurchase of shares of the Company	17	(251,083)	(75,370)
Dividends paid to shareholders of the Company	30	(354,434)	(256,746)
Dividends paid to minority shareholders		(224)	—
Net cash (used in)/generated from financing activities		(72,983)	1,106,779
Net increase in cash and cash equivalents		142,982	116,995
Cash and cash equivalents at beginning of the year		309,506	162,330
Effect of foreign exchange rate changes		(16,776)	30,181
Cash and cash equivalents at end of the year	16	435,712	309,506

The accompanying notes are an integral part of these consolidated 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 and float glass products including photovoltaic glass, 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 was incorporated in the Cayman Islands. The shares of the Company were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment 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 where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(a) *Amendments and interpretations effective in 2008*

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

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

- HK(IFRIC) - Int 14, 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as none of the group companies operate a defined benefit pension scheme.

- HK(IFRIC) - Int 12, 'Service concession arrangements', deals primarily with public to private service concession arrangements for the delivery of the public services. It applies only to concession arrangements where the use of the infrastructure and significant residual interest in the infrastructure are controlled by the grantor. The interpretation does not have an impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(b) 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 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009.

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

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

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

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

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1(Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2010 in its separate financial statements. This amendment is not relevant to the Group.

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

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

- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009). HK(IFRIC) - Int 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC) - Int 15 is not significant to the Group's operations as all major revenue transactions are accounted for under HKAS 18 and not HKAS 11.

- HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). HK(IFRIC) - Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply HK(IFRIC) - Int 16 from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

(c) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

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

- HKAS 39 (amendment) 'Financial instruments: Recognition and measurement' - 'Eligible hedged items' (effective from 1 July 2009). This amendment is to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

(c) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations (Continued)*

- HK(IFRIC) - Int 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009). This interpretation applies to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  - a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
  - the dividend payable shall be measured at the fair value of the assets to be distributed.
  - the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss.

- HK(IFRIC) - Int 18, 'Transfers of assets from customers' (effective from 1 July 2009). This interpretation is particularly relevant for the utility sector. It clarifies the requirements of Hong Kong Financial Reporting Standards (HKFRS) for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

Apart from the above, the Hong Kong Institute of Certified Public Accountants has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. These amendments are primarily effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect adoption of these amendments to have a significant effect on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the 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 includes goodwill identified on acquisition, net of any accumulated impairment loss.

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 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. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 SEGMENT REPORTING

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and 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. 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 are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 FOREIGN CURRENCY TRANSLATION *(Continued)*

(c) Group companies

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

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

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

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 proceeds with carrying amount and recognised within other gains in the consolidated income statement.

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. Investment property is stated at fair value, representing open market value determined annually. 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 other gains.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 INTANGIBLE ASSETS

(a) Goodwill

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

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

(b) Trademark and customers relationship

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

(c) Capitalised exploration and evaluation expenditure

Capitalised exploration and evaluation expenditures 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 amortisation is charged during the exploration and evaluation phase.

2.8 LEASEHOLD LAND AND LAND USE RIGHTS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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 balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

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

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

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 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 difference on non-monetary securities are recognised in equity. Changes in the fair value of monetary securities and non-monetary securities classified as available-for-sale are recognised in equity.

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 'gains and losses from investment securities'.

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 income when the Group's right to receive payments is established.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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, the changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within 'other gains - net'.

2.12 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.

2.13 TRADE AND OTHER RECEIVABLES

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

2.14 CASH AND CASH EQUIVALENTS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 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 issued. 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.

2.16 TRADE PAYABLES

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

2.17 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.

2.18 FINANCIAL GUARANTEE

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 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 directly in equity. In this case, the tax is also recognised in equity.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 EMPLOYEE BENEFITS

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

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

The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(c) *Share-based compensation*

The Group 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, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At 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 of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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

(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)*

2.21 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.

2.22 GOVERNMENT GRANT

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

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

2.23 REVENUE RECOGNITION

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

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

(a) Sales of goods

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 REVENUE RECOGNITION *(Continued)*

(b) *Interest income*

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

(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.

(e) *Royalty income*

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

2.24 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.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 OPERATING LEASES

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

2.26 DIVIDEND DISTRIBUTION

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(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"), the United States Dollars 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, 16, 19 and 20 of this section respectively.

As at 31 December 2008, if RMB had strengthened/weakened by 1% (2007: 6%) against the HKD respectively with all other variables held constant, profit after income tax for the years would have been approximately HKD9,373,000 (2007: HKD10,107,000) 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 borrowings. Profit is more sensitive to movement in HKD/RMB exchange rates in 2008 than 2007 because of the increased amount of RMB-denominated sales and related receivables plus decreased amount of RMB-denominated borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its cash and 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 16 and 20 to the consolidated financial statements.

As at 31 December 2008, if the HKD interest rates on cash and cash equivalents, restricted cash balances and borrowings had been 25 (2007: 50) basis points higher/lower with all other variables held constant, profit after income tax for the years would have been approximately HK$1,570,000 (2007: HK$1,169,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2008, if the RMB interest rates on cash and cash equivalents, restricted cash balances and borrowings had been 50 (2007: 50) basis points higher/lower with all other variables held constant, profit after income tax for the years would have been approximately HK$242,000 (2007: HK$701,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2008, if the United States Dollars ("USD") interest rates on cash and cash equivalents, restricted cash balance and borrowings had been 50 (2007: 220) basis points higher/lower with all other variables held constant, profit after income tax for the years would have been approximately HK$179,000 (2007: HK$1,458,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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 follows:

	2008	2007
Trade and other receivables *(Note 14)*	661,275	674,722
Amounts due from customers for contract work *(Note 15)*	48,828	57,524
Pledged bank deposits *(Note 16)*	6,854	6,702
Cash and cash equivalents *(Note 16)*	435,712	309,506
Maximum exposure to credit risk	1,152,669	1,048,454

As at 31 December 2007 and 2008, all the bank deposits are deposited with major banks in Hong Kong and state-owned banks in the 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 majority of the Group's trade receivables and amounts due from customers for contract work are due for maturity within 90 days and largely comprise amounts receivable from business customers.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) *Liquidity risk*

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

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

At 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings *(Note 20)*	722,391	291,717	192,362	1,206,470
Interest payable	19,389	8,663	5,688	33,740
Trade and other payables *(Note 19)*	879,291	—	—	879,291
	1,621,071	300,380	198,050	2,119,501

At 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings *(Note 20)*	423,608	150,000	109,949	683,557
Interest payable	16,101	7,777	1,741	25,619
Trade and other payables *(Note 19)*	626,339	—	—	626,339
	1,066,048	157,777	111,690	1,335,515

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.

The directors monitor 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 2008 and 2007 were as follows:

	2008	2007
Total bank borrowings *(Note 20)*	1,206,470	683,557
Less: cash and bank deposits *(Note 16)*	(442,566)	(316,208)
Net debt	763,904	367,349
Total equity	4,389,536	4,045,522
Total capital	5,153,440	4,412,871
Gearing ratio	14.8%	8.3%

The increase in the gearing ratio during 2008 was mainly resulted from additional bank borrowings raised to finance capital expenditures.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION

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

The fair value of financial instruments that are not traded in an active market (such as interest rate swap) is calculated at the present value of the estimated future cash flows.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

(a) ESTIMATED IMPAIRMENT OF GOODWILL

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

(b) PROPERTY, PLANT AND EQUIPMENT, LEASEHOLD LAND AND LAND USE RIGHTS

(i) Useful lives

The Group's management determines the estimated useful lives and consequently the related depreciation charges for its property, plant and equipment, leasehold land and land use rights. 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, leasehold land and land use rights 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(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.

(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.

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION

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

	2008	2007
Revenue		
Sales of automobile glass	**1,964,294**	1,716,803
Sales of float glass	**1,279,160**	491,872
Sales of construction glass	**622,732**	453,830
Construction contract revenue	**28,097**	112,119
Total	**3,894,283**	2,774,624

Primary reporting format - business segments

At 31 December 2008, the Group was organised into three main business segments:

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

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 31 December 2008 are as follows:

	Automobile glass	Construction glass	Float glass	Group
Revenue				
Total gross segment revenue	1,964,294	650,829	1,793,760	4,408,883
Inter-segment revenue	—	—	(514,600)	(514,600)
External revenue	1,964,294	650,829	1,279,160	3,894,283
Segment results	480,629	117,861	207,569	806,059
Unallocated other income				3,866
Unallocated other gains - net				7,533
Unallocated costs				(49,763)
Operating profit				767,695
Finance income *(Note 26)*				9,116
Finance costs *(Note 26)*				(24,029)
Share of profit of an associate *(Note 12)*	—	—	272	272
Profit before income tax				753,054
Income tax expense *(Note 27)*				(42,256)
Profit for the year				710,798

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	Automobile glass	Construction glass	Float glass	Group
Revenue				
Total gross segment revenue	1,716,803	565,949	1,020,468	3,303,220
Inter-segment revenue	—	—	(528,596)	(528,596)
External revenue	1,716,803	565,949	491,872	2,774,624
Segment results	487,168	109,745	119,848	716,761
Unallocated other income				18,362
Unallocated other gains - net				38,335
Unallocated costs				(47,250)
Operating profit				726,208
Finance income *(Note 26)*				9,017
Finance costs *(Note 26)*				(33,762)
Share of profit of an associate *(Note 12)*	—	—	1,703	1,703
Profit before income tax				703,166
Income tax expense *(Note 27)*				(30,165)
Profit for the year				673,001

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December 2008				
	Automobile glass	Construction glass	Float glass	Unallocated	Group
Depreciation *(Note 7)*	**83,200**	**28,104**	**105,036**	**1,567**	**217,907**
Amortisation					
– land use rights *(Note 6)*	**1,896**	**470**	**4,233**	**74**	**6,673**
– intangible assets *(Note 9)*	**1,390**	**—**	**—**	**—**	**1,390**
Impairment of trade and other receivables, net *(Note 14)*	**456**	**559**	**—**	**—**	**1,015**

	Year ended 31 December 2007				
	Automobile glass	Construction glass	Float glass	Unallocated	Group
Depreciation *(Note 7)*	60,249	18,894	56,896	47	136,086
Amortisation					
– land use rights *(Note 6)*	1,403	305	875	424	3,007
– intangible assets *(Note 9)*	214	—	—	—	214
Impairment of trade and other receivables, net *(Note 14)*	8,948	3,423	—	—	12,371

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year are as follows:

	Automobile glass	Construction glass	Float glass	Unallocated	Group
Assets	2,109,146	1,147,658	3,031,319	193,926	6,482,049
Associate	—	—	15,889	—	15,889
Total assets	2,109,146	1,147,658	3,047,208	193,926	6,497,938
Liabilities	480,389	217,391	435,603	975,019	2,108,402
Capital expenditure	178,690	297,678	457,241	17	933,626

	Assets 2008	Liabilities 2008
Segment assets/liabilities	6,304,012	1,133,383
Unallocated:		
Property, plant and equipment	35,682	—
Prepayments	641	—
Available-for-sale financial assets	569	—
Bank balance and cash	157,034	—
Other payables	—	19,852
Current income tax liabilities	—	1,688
Current bank borrowings	—	703,479
Non-current bank borrowings	—	250,000
Total	6,497,938	2,108,402

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	Automobile glass	Construction glass	Float glass	Unallocated	Group
Assets	2,074,256	616,160	2,492,525	176,214	5,359,155
Associate	—	—	11,374	—	11,374
Total assets	2,074,256	616,160	2,503,899	176,214	5,370,529
Liabilities	526,571	183,801	302,334	312,301	1,325,007
Capital expenditure	397,376	330,491	985,458	142	1,713,467

	Assets 2007	Liabilities 2007
Segment assets/liabilities	5,194,315	1,012,706
Unallocated:		
Property, plant and equipment	35,824	—
Available-for-sale financial assets	532	—
Bank balance and cash	139,858	—
Other payables	—	7,728
Current income tax liabilities	—	7,124
Current bank borrowings	—	37,500
Non-current bank borrowings	—	259,949
Total	5,370,529	1,325,007

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

Segment liabilities consist primarily of trade payables, accruals and other payables and specific borrowings utilised in the identifiable segments but exclude general borrowings.

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

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

Secondary reporting format - geographical segments

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

Revenue

	2008	2007
Greater China	1,903,575	1,208,344
North America	774,519	844,129
Europe	555,533	286,733
Other countries	660,656	435,418
	3,894,283	2,774,624

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

Total assets

	2008	2007
Greater China	6,472,907	5,346,458
North America	20,936	22,866
Other countries	4,095	1,205
	6,497,938	5,370,529

Capital expenditure

	2008	2007
Greater China	933,538	1,703,236
North America	73	10,171
Other countries	15	60
	933,626	1,713,467

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:

	2008	2007
In Hong Kong, held on:		
Leases of between 10 to 50 years	2,876	2,950
In PRC, held on:		
Land use rights of between 10 to 50 years	359,924	143,942
	362,800	146,892

	2008	2007
Beginning balance	146,892	128,539
Exchange differences	9,954	7,950
Additions	212,627	—
Acquisition of a subsidiary *(Note 33)*	—	14,362
Amortisation of prepaid operating lease payments	(6,673)	(3,007)
Transfer to investment property *(Note 8)*	—	(952)
	362,800	146,892

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 2007					
Cost	114,214	528,637	1,404,611	18,225	2,065,687
Accumulated depreciation	—	(44,274)	(224,021)	(7,375)	(275,670)
Net book amount	114,214	484,363	1,180,590	10,850	1,790,017
Year ended 31 December 2007					
Opening net book amount	114,214	484,363	1,180,590	10,850	1,790,017
Exchange differences	7,322	28,925	75,221	709	112,177
Additions	1,203,159	9,475	33,656	3,031	1,249,321
Acquisition of subsidiary *(Note 33)*	942	—	265,317	432	266,691
Transfer upon completion	(816,213)	43,642	772,434	137	—
Disposals	—	(556)	(1,232)	(6)	(1,794)
Depreciation	—	(20,435)	(115,792)	(3,807)	(140,034)
Transfer to investment property *(Note 8)*	—	(7,477)	—	—	(7,477)
Closing net book amount	509,424	537,937	2,210,194	11,346	3,268,901
At 31 December 2007					
Cost	509,424	602,039	2,556,693	23,007	3,691,163
Accumulated depreciation	—	(64,102)	(346,499)	(11,661)	(422,262)
Net book amount	509,424	537,937	2,210,194	11,346	3,268,901
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

Depreciation expense of approximately HK$202,555,000 (2007: HK$124,163,000) has been charged in cost of sales and HK$15,352,000 (2007:HK$11,923,000) in administrative expenses and HK$15,210,000 (2007: HK$3,948,000) has been capitalised in inventories.

Government grants of approximately HK$153,486,000 relating to the purchase of property, plant and equipment are net off with the cost of the related assets.

All amounts in Hong Kong dollar thousands unless otherwise stated

8 INVESTMENT PROPERTY

	Group 2008	2007
Beginning balance	9,460	—
Transfer from land use rights *(Note 6)*	—	952
Transfer from building *(Note 7)*	—	7,477
Fair value gain at 1 January 2007 (included in revaluation reserve) *(Note 18)*	—	624
Fair value gain at 31 December (included in other gains)	1,467	407
	10,927	9,460

The investment property was revalued by management based on current price in an active market for nearby properties.

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

	2008	2007
In Hong Kong, held on:		
Lease of between 10 to 50 years	10,927	9,460

The Group's future aggregate minimum rentals receivable under an non-cancellable operating lease are as follows:

	2008	2007
Not later than 1 year	3,952	2,737
Later than 1 year and not later than 5 years	7,812	—
	11,764	2,737

The following amounts have been recognised in the consolidated income statement:

	2008	2007
Rental income *(Note 24)*	3,866	3,752
Direct operating expenses arising from investment property that generate rental income	(961)	(974)
	2,905	2,778

All amounts in Hong Kong dollar thousands unless otherwise stated

9 INTANGIBLE ASSETS

	Group				
	Goodwill	Trademark	Customer relationship	Capitalised exploration and evaluation expenditure	Total
Year ended 31 December 2007					
Acquisition of a subsidiary	55,876	20,306	5,404	—	81,586
Amortisation	—	(169)	(45)	—	(214)
	55,876	20,137	5,359	—	81,372
At 31 December 2007					
Valuation	55,876	20,306	5,404	—	81,586
Accumulated amortisation	—	(169)	(45)	—	(214)
Net book amount	55,876	20,137	5,359	—	81,372
Year ended 31 December 2008					
Opening	55,876	20,137	5,359	—	81,372
Addition	—	—	—	10,066	10,066
Amortisation	—	(1,098)	(292)	—	(1,390)
	55,876	19,039	5,067	10,066	90,048
At 31 December 2008					
Valuation	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)*

Impairment testing

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

The recoverable amount of the automobile glass CGU is determined based on a value-in-use calculation which uses cash flow projections based on financial information approved by management with estimated compound annual growth of 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 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.

10 INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
Investments, at cost	10	10
Amounts due from subsidiaries - non-current *(note (a))*	1,636,213	2,220,000
	1,636,223	2,220,010
Amounts due from subsidiaries *(note (b))*	542,128	205,127
Amounts due to subsidiaries *(note (b))*	1,128	—

Notes:

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(c) The following is a list of the principal subsidiaries as at 31 December 2008:

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 Co., Limited (Formerly known as Shenzhen China Southern 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%
Shenzhen Yuan Sheng Long Trading Company Limited	The PRC, limited liability company	Trading of float glass in the PRC	Registered and paid up capital of RMB1,800,000	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 RMB300,000,000	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 capital of US$29,800,000 with total paid up capital US$11,588,041	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$22,000,000 with total paid up capital US$20,900,400	100%
Xinyi Glass Technology (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered and paid up capital of HK$20,000,000	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 glass and ultra-clear photovoltaic glass in the PRC	Registered capital of US$30,000,000 with total paid up capital US$28,021,000	100%
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 (Germany) Limited	The British Virgin Islands, limited liability company	Sales agent in Europe	Authorised and paid up capital of 10,000 common shares of US$1 each	62.5%
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 25,000 common shares of EUR1 each	62.6%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Glass (North America) Inc.	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 120,000 common shares of CAD1 each	58.3%
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%
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 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 construction glass in the PRC	Registered capital of US$29,000,000 with total paid up capital US$11,026,500	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi PV (Anhui) Holdings Limited (Formerly known as "Xinyi Glass (Wuhu) Company Limited")	The PRC, limited liability company	Manufacturing of photovoltaic glass in the PRC	Registered and paid up capital of US$29,000,000	100%
YiDe Glass (Shenzhen) Development Company Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered and paid up capital of HK$30,000,000	100%

1 Shares held directly by the Company.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2008	2007
Beginning of the year	**532**	500
Exchange differences	**37**	32
End of the year	**569**	532

At 31 December 2008, 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 2008 and 2007. 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	
	2008	2007
Beginning of the year	11,374	11,932
Acquisition of additional interests	6,242	—
Share of profit of an associate	272	1,703
Exchange differences	313	430
Loan advance to an associate	33,523	20,448
Repayment from an associate	(35,835)	(23,139)
End of the year	15,889	11,374

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

Name	Particulars of issued shares held	Country of incorporation	% Interest held
Beihai Yiyang Mineral Company Limited	Register capital of RMB25,454,500	The PRC	45%

	2008	2007
Assets	30,772	10,961
Liabilities	17,588	3,835
Sales	15,568	6,206
Profit	272	1,703

All amounts in Hong Kong dollar thousands unless otherwise stated

13 INVENTORIES

	Group	
	2008	2007
Raw materials	304,433	276,660
Work in progress	35,273	41,557
Finished goods	272,428	192,473
	612,134	510,690

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$1,851,329,000 (2007: HK$1,073,735,000).

14 TRADE AND OTHER RECEIVABLES

	Group	
	2008	2007
Trade receivables *(note (a))*	511,581	517,840
Less: provision for impairment of receivables	(12,474)	(15,455)
	499,107	502,385
Bills receivable *(note (b))*	76,383	91,345
Trade and bills receivables - net	575,490	593,730
Prepayments, deposits and other receivables	85,785	80,992
	661,275	674,722

(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 2008 and 2007, the ageing analysis of the Group's trade receivables were as follows:

	2008	2007
0 - 90 days	458,850	459,455
91 - 180 days	23,139	35,331
181 - 365 days	14,274	8,668
1 - 2 years	10,049	9,961
Over 2 years	5,269	4,425
	511,581	517,840

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

	2008	2007
RMB	275,846	229,435
HKD	2,956	5,654
USD	210,538	282,409
Other currencies	22,241	342
	511,581	517,840

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

	2008	2007
At 1 January	15,455	4,207
Exchange differences	1,015	—
Provision for impairment of receivables *(Note 22)*	1,015	12,371
Receivables written off during the year as uncollectible	(5,011)	(1,123)
	12,474	15,455

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2008, trade receivables of approximately HK$150,456,000 (2007: HK$193,074,000) 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:

	2008	2007
0 - 90 days	**115,144**	144,224
91-180 days	**22,600**	35,299
181-365 days	**11,395**	8,182
1-2 years	**316**	5,027
Over 2 years	**1,001**	342
	150,456	193,074

As at 31 December 2008, trade receivables of approximately HK$21,815,000 (2007: HK$20,460,000) were impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$12,474,000 (2007: HK$15,455,000) were recognised. The Group does not hold any collateral over these balances.

The top five customers and the largest customer accounted for approximately 14% (2007: 23%) and 3% (2007: 7%) of the trade receivables balance as at 31 December 2008, 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.

All amounts in Hong Kong dollar thousands unless otherwise stated

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

	Group	
	2008	2007
Contract cost incurred plus attributable profits less foreseeable losses to date	**351,170**	291,844
Less: Progress billings to date	**(302,413)**	(234,929)
Net amounts due from customers for contract work	**48,757**	56,915

	2008	2007
Amounts due from customers for contract work	**48,828**	57,524
Amounts due to customers for contract work	**(71)**	(609)
Net amounts due from customers for contract work	**48,757**	56,915

16 CASH AND BANK DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
Cash at bank and in hand	**360,746**	292,873	**1,055**	5,463
Short-term bank deposits	**81,820**	23,335	**—**	—
	442,566	316,208	**1,055**	5,463

The effective interest rate on short-term bank deposits was 0.07% (2007: 4.3%); these short-term bank deposits have an average maturity of 4 days.

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

	Group	
	2008	2007
Total bank balances and cash *(note (a))*	**442,566**	316,208
Less: pledged bank deposits *(note (b))*	**(6,854)**	(6,702)
	435,712	309,506

All amounts in Hong Kong dollar thousands unless otherwise stated

16 CASH AND BANK DEPOSITS *(Continued)*

Notes:

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

	2008	2007
RMB	177,602	135,492
HKD	15,580	93,139
USD	217,842	69,217
Other currencies	24,688	11,658
	435,712	309,506

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 for securing banking facilities granted to the Group's subsidiaries.

All amounts in Hong Kong dollar thousands unless otherwise stated

17 SHARE CAPITAL AND PREMIUM

	Note	Number of shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
At 1 January 2007,					
31 December 2007 and 2008		2,500,000,000	250,000	—	250,000
Issued and fully paid:					
At 1 January 2007		1,604,662,000	160,466	850,804	1,011,270
New issue of shares	(a)	128,372,960	12,837	1,311,972	1,324,809
Share issuance costs		—	—	(15,078)	(15,078)
Repurchase of shares during the year	(b)	(9,594,000)	(959)	(74,411)	(75,370)
At 31 December 2007 and 1 January 2008		1,723,440,960	172,344	2,073,287	2,245,631
Issue of shares under					
a share option scheme	(c)	2,900,500	290	6,970	7,260
Repurchase of shares during the year	(b)	(38,266,000)	(3,826)	(251,083)	(254,909)
At 31 December 2008		1,688,075,460	168,808	1,829,174	1,997,982

17 SHARE CAPITAL AND PREMIUM *(Continued)*

Notes:

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

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

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

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

* These shares were repurchased on 31 December 2008 and cancelled in January 2009.

(c) Share options

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

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

In 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 April 2008 batch, no option was exercised from the date of the grant to 31 December 2008 and a total of 760,000 options were lapsed during the year ended 31 December 2008.

17 SHARE CAPITAL AND PREMIUM *(Continued)*

Notes: *(Continued)*

(c) Share options *(Continued)*

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

	2008		2007	
	Average exercise price in HK dollar per share	Options (thousands)	Average exercise price in HK dollar per share	Options (thousands)
At 1 January	5.22	21,354	2.15	7,950
Granted	4.67	24,259	6.98	13,552
Exercised	2.15	(2,901)	—	—
Lapsed	5.39	(2,776)	2.15	(148)
At 31 December	5.09	39,936	5.22	21,354

4,349,500 options were exercisable as at 31 December 2008.

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

Expiry date	Exercise price in HK dollar per share	Options (thousands)
26 January 2009	2.15	4,350
30 June 2011	6.98	12,088
19 April 2013	4.67	23,498

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$1.63 per option (2007: HK$2.27). The significant inputs into the model were weighted average share price of HK$4.67 (2007: HK$6.98) at the grant date, the exercise price shown above, annual volatility of 52.99% (2007: 45.65%), dividend yield of 3.43% (2007: 2.50%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was HK$39,639,000 (2007: HK$30,716,000). The attributable amounts charged to the consolidated income statements for the year ended 31 December 2008 was HK$13,075,000 (2007: HK$5,541,000).

All amounts in Hong Kong dollar thousands unless otherwise stated

18 RESERVES

	Group								
	Other reserves								
	Statutory reserve fund (Note a)	Enterprise expansion fund (Note a)	Foreign currency translation reserve	Capital reserve (Note b)	Share options reserve	Property revalua–tion reserve	Capital redemp–tion reserve	Total	Retained earnings
Balance at 1 January 2007	101,627	40,363	83,428	11,840	1,175	—	—	238,433	998,327
Profit for the year	—	—	—	—	—	—	—	—	670,860
Transfer from retained earnings	66,119	—	—	—	—	—	—	66,119	(66,119)
Property revaluation	—	—	—	—	—	624	—	624	—
Employee share option scheme:									
- value of employee services *(Note 17)*	—	—	—	—	5,541	—	—	5,541	—
Currency translation differences	6,487	2,576	133,346	—	—	—	—	142,409	—
Share repurchase *(Note 17)*	—	—	—	—	—	—	959	959	(959)
Dividend relating to 2006	—	—	—	—	—	—	—	—	(112,326)
Dividend relating to 2007	—	—	—	—	—	—	—	—	(144,420)
Balance at 31 December 2007	174,233	42,939	216,774	11,840	6,716	624	959	454,085	1,345,363
Representing:									
2007 proposed final dividend									168,683
Others									1,176,680
									1,345,363

All amounts in Hong Kong dollar thousands unless otherwise stated

18 RESERVES *(Continued)*

	Group								
	Other reserves								
	Statutory reserve fund (Note a)	Enterprise expansion fund (Note a)	Foreign currency translation reserve	Capital reserve (Note b)	Share options reserve	Property revalua–tion reserve	Capital redemp–tion reserve	Total	Retained earnings
Balance at 1 January 2008, as per above	174,233	42,939	216,774	11,840	6,716	624	959	454,085	1,345,363
Profit for the year	—	—	—	—	—	—	—	—	709,232
Transfer from retained earnings	57,134	—	—	—	—	—	—	57,134	(57,134)
Proceeds from issue of share under a share option scheme	—	—	—	—	(1,024)	—	—	(1,024)	—
Employee share option scheme:									
- value of employee services *(Note 17)*	—	—	—	—	13,075	—	—	13,075	—
Currency translation differences	11,937	2,969	186,321	—	—	—	—	201,227	—
Share repurchase *(Note 17)*	—	—	—	—	—	—	3,826	3,826	—
Dividend relating to 2007	—	—	—	—	—	—	—	—	(168,793)
Dividend relating to 2008	—	—	—	—	—	—	—	—	(185,641)
Balance at 31 December 2008	243,304	45,908	403,095	11,840	18,767	624	4,785	728,323	1,643,027
Representing:									
2008 proposed final dividend									151,475
Others									1,491,552
									1,643,027

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 the respective group companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2008, the boards of directors of the group companies resolved to appropriate approximately HK$57,134,000 (2007: HK$66,119,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the year ended 31 December 2007 and 2008.

All amounts in Hong Kong dollar thousands unless otherwise stated

18 RESERVES *(Continued)*

(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.

	Company			
	Other reserves			
	Share options reserve	Capital redemption reserve	Total	Retained earnings
Balance at 1 January 2007	1,175	—	1,175	112,536
Profit for the year	—	—	—	321,016
Employee share option scheme:				
- value of employee services *(Note 17)*	5,541	—	5,541	—
Share repurchase *(Note 17)*	—	959	959	(959)
Dividend relating to 2006	—	—	—	(112,326)
Dividend relating to 2007	—	—	—	(144,420)
Balance at 31 December 2007	6,716	959	7,675	175,847
Representing:				
2007 proposed final dividend				168,683
Others				7,164
				175,847
Balance at 1 January 2008, as per above	6,716	959	7,675	175,847
Profit for the year	—	—	—	334,161
Proceeds from issue of share under a share option scheme	(1,024)	—	(1,024)	—
Employee share option scheme:				
- value of employee services *(Note 17)*	13,075	—	13,075	—
Share repurchase *(Note 17)*	—	3,826	3,826	—
Dividend relating to 2007	—	—	—	(168,793)
Dividend relating to 2008	—	—	—	(185,641)
Balance at 31 December 2008	18,767	4,785	23,552	155,574
Representing:				
2008 proposed final dividend				151,475
Others				4,099
				155,574

All amounts in Hong Kong dollar thousands unless otherwise stated

19 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
Trade payables *(note (a))*	192,116	143,663	—	—
Bills payable *(note (b))*	277,823	41,102	—	—
	469,939	184,765	—	—
Accruals and other payables *(note (c))*	409,352	441,574	1,295	1,331
	879,291	626,339	1,295	1,331

Notes:

(a) At 31 December 2008 and 2007, the ageing analysis of the trade payables were as follows:

	Group	
	2008	2007
0 - 90 days	177,044	137,520
91-180 days	8,754	1,235
181-365 days	2,103	2,254
1-2 years	3,121	2,154
Over 2 years	1,094	500
	192,116	143,663

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

	Group	
	2008	2007
RMB	133,020	106,485
HKD	153	373
USD	58,802	35,063
Other	141	1,742
	192,116	143,663

Trade payables have maturities within 3 months.

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

All amounts in Hong Kong dollar thousands unless otherwise stated

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

Notes: (Continued)

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

	Group		Company	
	2008	2007	2008	2007
Payables for plant and equipment	**150,606**	115,780	—	—
Payable for acquisition of a subsidiary *(Note 33)*	—	90,341	—	—
Accruals for employee benefits and welfare	**63,352**	57,688	—	—
Payables for value-added tax	**50,687**	44,912	—	—
Utilities payables	**24,810**	30,387	—	—
Cross currency swap	**1,285**	—	—	—
Others	**118,612**	102,466	**1,295**	1,331
	409,352	441,574	**1,295**	1,331

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

20 BANK BORROWINGS

	Group	
	2008	2007
Non-current		
Secured	**734,079**	297,449
Less: Current portion	**(250,000)**	(37,500)
Shown as non-current liabilities	**484,079**	259,949
Current		
Secured	**381,399**	306,321
Unsecured	**90,992**	79,787
	472,391	386,108
Current portion of non-current borrowings	**250,000**	37,500
Shown as current liabilities	**722,391**	423,608
Total bank borrowings	**1,206,470**	683,557

All amounts in Hong Kong dollar thousands unless otherwise stated

20 BANK BORROWINGS *(Continued)*

At 31 December 2008, the Group's bank borrowings were repayable as follows:

	2008	2007
Within 1 year	722,391	423,608
Between 1 and 2 years	291,717	150,000
Between 2 and 5 years	192,362	109,949
	1,206,470	683,557

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

	2008	2007
HKD	680,847	337,449
RMB	227,480	281,914
USD	298,143	64,194
	1,206,470	683,557

Bank borrowings mature until 2012 and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2008.

US$38,400,000 was swapped into a fixed amount of 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:

	2008			2007		
	HK$	US$	RMB	HK$	US$	RMB
Bank borrowings	1.7%	2.9%	5.5%	4.2%	7.2%	5.5%

All amounts in Hong Kong dollar thousands unless otherwise stated

21 DEFERRED INCOME TAX

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

	Group	
	2008	2007
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	(819)	(1,189)
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after more than 12 months	1,863	1,520
	1,044	331

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

	Group	
	2008	2007
Beginning of the year	331	(3,676)
Charged to the consolidated income statement *(Note 27)*	713	4,007
End of the year	1,044	331

All amounts in Hong Kong dollar thousands unless otherwise stated

21 DEFERRED INCOME TAX *(Continued)*

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

Deferred tax liabilities:

	Group		
	Accelerated tax depreciation	Other	Total
At 1 January 2007	1,236	—	1,236
Charged to the consolidated income statement	116	168	284
At 31 December 2007	1,352	168	1,520
Charged/(credited) to the consolidated income statement	511	(168)	343
At 31 December 2008	1,863	—	1,863

Deferred tax assets:

	Group
	Tax losses
At 1 January 2007	(4,912)
Charged to the consolidated income statement	3,723
At 31 December 2007	(1,189)
Charged to the consolidated income statement	370
At 31 December 2008	(819)

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 recognised deferred income tax assets of approximately HK$6,550,000 (2007: HK$8,526,000) in respect of losses amounting to approximately HK$28,479,000 (2007: HK$44,874,000) that can be carried forward against future taxable income, approximately HK$8,563,000 (2007: HK$20,980,000) and approximately HK$19,916,000 (2007: Nil) of such losses will expire in 2012 and 2013 respectively and the remaining will expire in 2010 and 2011.

Deferred income tax liabilities of approximately HK$28,119,000 (2007: Nil) 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 2008, total unremitted earnings accounted to approximately HK$562,383,000 (2007: Nil).

All amounts in Hong Kong dollar thousands unless otherwise stated

22 EXPENSES BY NATURE

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

	2008	2007
Depreciation and amortisation	225,970	139,307
Employee benefit expenses *(Note 23)*	300,112	217,907
Cost of inventories *(Note 13)*	1,851,329	1,073,735
Other selling expenses (including transportation and advertising costs)	176,458	171,056
Operating lease payments in respect of land and buildings	4,048	3,722
Impairment of trade and other receivables, net	1,015	12,371
Auditors' remuneration	3,243	3,005
Other expenses, net	648,660	533,892
Total of cost of sales, selling and marketing costs and administrative expenses	3,210,835	2,154,995

23 EMPLOYEE BENEFIT EXPENSES

	2008	2007
Wages and salaries	274,571	202,826
Share-based payments	13,075	5,541
Pension costs - defined contribution plans *(note (a))*	12,466	9,540
	300,112	217,907

Notes:

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

23 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Notes: (Continued)

(b) Directors' and senior management's emoluments

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

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

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

The remuneration of every Director for the year ended 31 December 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

23 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Notes: (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2007: three) individual during the year are as follows:

	2008	2007
Basic salaries and allowances	3,140	4,244
Discretionary and performance bonus	613	3,505
Contributions to retirement benefit schemes	13	39
Employee share-based benefits *(note)*	231	257
	3,997	8,045

Note

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

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
HK$1,500,001 - HK$2,000,000	—	2
HK$3,500,001 - HK$4,000,000	1	—
HK$4,500,001 - HK$5,000,000	—	1
	1	3

(d) During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: HK$Nil).

All amounts in Hong Kong dollar thousands unless otherwise stated

24 OTHER INCOME

	2008	2007
Government grants *(note)*	—	14,110
Rental income	3,866	3,752
Royalty income	—	500
Anti-dumping duties refund	19,116	88
Others	15,136	6,690
	38,118	25,140

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

25 OTHER GAINS - NET

	2008	2007
(Losses)/gains on disposal of property, plant and equipment	(1,027)	18,675
(Losses)/gains on disposal of financial assets at fair value through profit or loss	(7,784)	31,148
Fair value gain on investment property	1,467	407
Fair value loss on cross currency swap	(1,285)	—
Net foreign exchange difference	54,758	31,209
	46,129	81,439

All amounts in Hong Kong dollar thousands unless otherwise stated

26 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

	2008	2007
Interest income on short-term bank deposits	7,695	8,212
Interest income on loan advanced to an associate	1,421	805
	9,116	9,017

FINANCE COSTS

	2008	2007
Interest on bank borrowings	56,080	36,839
Less: interest expense capitalised under construction in progress	(32,051)	(3,077)
	24,029	33,762

27 INCOME TAX EXPENSE

	2008	2007
Current income tax		
- Hong Kong profits tax *(note (a))*	11,928	6,382
- PRC corporate income tax *(note (b))*	28,962	19,765
- Overseas taxation	2,267	11
Over-provision in prior years	(1,614)	—
Deferred income tax *(Note 21)*	713	4,007
	42,256	30,165

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year.

All amounts in Hong Kong dollar thousands unless otherwise stated

27 INCOME TAX EXPENSE *(Continued)*

(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 rate for subsidiaries located in Shenzhen and Dongguan is 18% (2007: 15%) and 25% (2007: 24%), respectively.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the years ended 31 December 2008 and 2007 at the rates of taxation prevailing in the countries in which the Group operates.

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

	2008	2007
Profit before tax	753,054	703,166
Calculated at applicable tax rate of 22% (2007:19%)	165,672	133,602
Preferential tax rates on income of certain PRC subsidiaries	(112,474)	(99,049)
Over-provision in prior years	(1,614)	—
Tax losses for which no deferred income tax asset was recognised	4,434	3,465
Utilisation of previously unrecognised tax losses	(6,410)	(3,621)
Income not subject to tax	(9,583)	(6,644)
Expenses not deductible for tax purposes	2,231	2,412
Income tax expense	42,256	30,165

28 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$334,161,000 (2007: HK$321,016,000).

29 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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	709,232	670,860
Weighted average number of shares in issue (thousands)	1,692,130	1,632,107
Basic earnings per share (HK$ per share)	0.419	0.411

DILUTED

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

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	709,232	670,860
Weighted average number of shares in issue (thousands)	1,692,130	1,632,107
Adjustments for share options (thousands)	2,985	5,304
Weighted average number of shares for diluted earnings per shares (thousands)	1,695,115	1,637,411
Diluted earnings per share (HK$ per share)	0.418	0.410

All amounts in Hong Kong dollar thousands unless otherwise stated

30 DIVIDENDS

The dividends paid during each of the financial years ended 2008 and 2007 were HK$354,434,000 (21.0 HK cents per share) and HK$256,746,000 (16.0 HK cents per share), respectively. A final dividend in respect of the financial year ended 31 December 2008 of 9.0 HK cents per share (2007: 10.0 HK cents per share), amounting to a total dividend of HK$151,475,000 (2007: HK$168,683,000) for the financial year, is to be proposed at the Annual General Meeting to be held on 22 May 2009. These financial statements do not reflect this dividend payable.

	2008	2007
Interim dividend paid of 11.0 HK cents (2007: 9.0 HK cents) per share	185,641	144,420
Proposed final dividend of 9.0 HK cents (2007: 10.0 HK cents) per share	151,475	168,683
	337,116	313,103

31 CASH GENERATED FROM OPERATIONS

	2008	2007
Profit for the year	710,798	673,001
Adjustments for:		
- Income tax expense *(Note 27)*	42,256	30,165
- Depreciation and amortisation	225,970	139,307
- Losses/(gains) on disposal of property, plant and equipment	1,027	(18,675)
- Interest income *(Note 26)*	(9,116)	(9,017)
- Interest expense *(Note 26)*	24,029	33,762
- Share-based payments	13,075	5,541
- Losses/(gains) on disposal of financial assets at fair value through profit or loss	7,784	(31,148)
- Fair value loss on cross currency swap	1,285	—
- Fair value gain on investment property	(1,467)	(407)
- Share of profit of an associate *(Note 12)*	(272)	(1,703)
Changes in working capital:		
- Inventories	(86,234)	(102,939)
- Net amounts due from customers for contract work	8,158	3,142
- Trade and other receivables	13,447	(45,958)
- Trade payables, accruals and other payables	307,182	(173,997)
Cash generated from operations	1,257,922	501,074

All amounts in Hong Kong dollar thousands unless otherwise stated

31 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	2008	2007
Net book amount of property, plant and equipment *(Note 7)*	8,557	1,794
(Losses)/gains on disposal of property, plant and equipment	(1,027)	18,675
Proceeds from disposals of property, plant and equipment	7,530	20,469

Non-cash transaction

As at 31 December 2008, the Group had payable for property, plant and equipment of HK$150,606,000 (2007: HK$115,780,000) which was included in trade payables, accruals and other payables.

32 COMMITMENTS - GROUP

CAPITAL COMMITMENTS

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

	2008	2007
Property, plant and equipment		
Authorised but not contracted for	556,072	—
Contracted but not provided for	1,130,538	522,746
	1,686,610	522,746

OPERATING LEASE COMMITMENTS

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

	2008	2007
Not later than 1 year	2,456	1,746
Later than 1 year and not later than 5 years	3,032	2,723
Later than 5 years	169	474
	5,657	4,943

All amounts in Hong Kong dollar thousands unless otherwise stated

33 BUSINESS COMBINATIONS

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

Details of net assets acquired and goodwill are as follows:

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

33 BUSINESS COMBINATIONS *(Continued)*

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

	Fair value 2007	Acquiree's carrying amount 2007
Cash and cash equivalents	4,433	4,433
Property, plant and equipment *(Note 7)*	266,691	317,522
Land use rights *(Note 6)*	14,362	12,707
Trademark *(Note 9)*	20,306	—
Customer relationship *(Note 9)*	5,404	—
Inventories	32,722	32,722
Trade and other receivables	59,826	59,826
Trade payables, accruals and other payables	(75,812)	(75,812)
Bank borrowings	(135,257)	(135,257)
Net assets acquired	192,675	216,141
Purchase consideration settled in cash		177,660
Cash payments on debt and dividend payable assumed		70,891
Cash and cash equivalents in subsidiary acquired		(4,433)
Purchase consideration payable included in accruals and other payables and settled in 2008 *(Note 19)*		(90,341)
Cash outflow on acquisition		153,777

All amounts in Hong Kong dollar thousands unless otherwise stated

34 RELATED-PARTY TRANSACTIONS - GROUP

The following transactions were carried out with related parties:

(A) PURCHASES OF GOODS AND INTEREST FROM AN ASSOCIATE

	2008	2007
Purchases of goods		
- from Beihai Yiyang Mineral Company Limited	35,835	19,952
Loan interest income		
- from Beihai Yiyang Mineral Company Limited	1,421	805

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

	2008	2007
Receivables from Beihai Yiyang Mineral Company Limited, net	4,516	4,468

Above net receivable includes a loan advance to an associate amounting to RMB6.7 (2007: RMB6) million which is interest bearing at 12% (2007: 13%) per annum and has fixed terms of repayment. The remaining balance is unsecured, repayable in two months and bears no interest.

(C) KEY MANAGEMENT COMPENSATION

	2008	2007
Basic salaries and allowances	10,249	7,466
Discretionary and performance bonus	5,046	7,088
Contributions to retirement benefit schemes	61	60
Employee share-based benefits	1,108	529
	16,464	15,143

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				
	2008	2007	2006	2005	2004
Sales	3,894,283	2,774,624	1,933,173	1,380,777	1,028,334
Cost of sales	(2,683,403)	(1,702,269)	(1,232,981)	(901,749)	(654,781)
Gross profit	1,210,880	1,072,355	700,192	479,028	373,553
Other revenue	38,118	25,140	21,912	16,254	24,547
Other gains – net	46,129	81,439	10,193	3,461	1,737
Selling and marketing costs	(318,227)	(286,451)	(211,205)	(147,530)	(90,751)
Administrative expenses	(209,205)	(166,275)	(110,687)	(71,923)	(56,532)
Operating profit	767,695	726,208	410,405	279,290	252,554
Finance income	9,116	9,017	3,484	3,206	543
Finance costs	(24,029)	(33,762)	(11,533)	(2,614)	(1,456)
Share of profit/(loss) of an associate	272	1,703	(563)	(2)	—
Profit before income taxation	753,054	703,166	401,793	279,880	251,641
Income tax expense	(42,256)	(30,165)	(15,981)	(19,486)	(14,677)
Profit for the year	710,798	673,001	385,812	260,394	236,964
Minority interests	(1,566)	(2,141)	2,423	(280)	(1,129)
Profit attributable to equity holders of the Company	709,232	670,860	388,235	260,114	235,835
Dividends	337,116	313,103	176,512	123,435	128,344

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

	As at 31 December				
	2008	2007	2006	2005	2004 (Restated)
ASSETS					
Non-current assets					
Leasehold land and land use rights	362,800	146,892	128,539	120,785	120,616
Property, plant and equipment	3,972,031	3,268,901	1,790,017	1,263,353	636,023
Investment property	10,927	9,460	—	—	—
Deposits for property, plant and equipment and land use rights	280,871	292,854	121,109	232,385	158,067
Intangible assets	90,048	81,372	—	—	—
Available-for-sale financial assets	569	532	500	481	—
Investment securities	—	—	—	—	472
Interest in an associate	15,889	11,374	11,932	11,911	—
Deferred income tax assets	—	—	3,676	852	2,207
	4,733,135	3,811,385	2,055,773	1,629,767	917,385
Current assets					
Inventories	612,134	510,690	371,081	235,215	164,177
Trade and other receivables	661,275	674,722	568,938	375,955	276,252
Amounts due from customers for contract work	48,828	57,524	61,222	19,211	1,837
Financial assets at fair value through profit or loss	—	—	15,231	—	—
Pledged bank deposits	6,854	6,702	10,449	11,108	24,618
Cash and cash equivalents	435,712	309,506	162,330	129,779	223,709
	1,764,803	1,559,144	1,189,251	771,268	690,593
Total assets	6,497,938	5,370,529	3,245,024	2,401,035	1,607,978

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

	As at 31 December				
	2008	2007	2006	2005	2004 (Restated)
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	**168,808**	172,344	160,466	154,294	30,010
Share premium	**1,829,174**	2,073,287	850,804	670,681	—
Other reserves	**728,323**	454,085	238,433	122,493	64,723
Retained earnings					
- Proposed final dividend	**151,475**	168,683	112,326	77,147	77,147
- Others	**1,491,552**	1,176,680	886,001	722,947	625,106
	4,369,332	4,045,079	2,248,030	1,747,562	796,986
Minority interest	**20,204**	443	(1,707)	2,517	2,132
Total equity	**4,389,536**	4,045,522	2,246,323	1,750,079	799,118
LIABILITIES					
Non-current liabilities					
Bank borrowings	**484,079**	259,949	79,917	125,583	160,303
Deferred income tax liabilities	**1,044**	331	—	110	461
	485,123	260,280	79,917	125,693	160,764
Current liabilities					
Trade payables, accruals and other payables	**879,291**	626,339	570,749	306,916	202,336
Amounts due to customers for contract work	**71**	609	1,165	—	—
Bank borrowings	**722,391**	423,608	334,667	208,340	441,805
Current income tax liabilities	**21,526**	14,171	12,203	10,007	3,955
	1,623,279	1,064,727	918,784	525,263	648,096
Total liabilities	**2,108,402**	1,325,007	998,701	650,956	808,860
Total equity and liabilities	**6,497,938**	5,370,529	3,245,024	2,401,035	1,607,978
Net current assets	**141,524**	494,417	270,467	246,005	42,497
Total assets less current liabilities	**4,874,659**	4,305,802	2,326,240	1,875,772	959,882