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)

ANNUAL REPORT 2010

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. LAU Sik Yuen, *HKICPA, AICPA*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

AUDITOR

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

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: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares (the "**Shares**")
Financial year end: 31 December
Share price as at the date of this annual report: HK$6.35
Market capitalisation as at the date of this annual report: Approximately HK$22,337.4 million

KEY DATES

Closure of register of members: 3 May 2011 to 6 May 2011 (both days inclusive)
Date of Annual General Meeting: 6 May 2011
Proposed final dividend payable date: On or before 18 June 2011

Chairman's Statement

DEAR SHAREHOLDERS

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**"), I am pleased to announce the full-year audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2010.

In comparison with 2009, our Group's turnover rose by about 60.8% to approximately HK$6,364.3 million in 2010. Our net profit attributable to equity holders of the Company also grew by around 103.1%, to approximately HK$1,571.2 million in 2010. Basic earnings per share were 44.43 HK cents, compared with 22.06 HK cents last year.

We are highly pleased with the results achieved by the Group and therefore propose payment of a final dividend of 13 HK cents per Share upon approval at the forthcoming Annual General Meeting.

I present below an overview of the business of the Group during 2010 and key development highlights for the coming year.

STRONG ECONOMIC MOMENTUM IN CHINA — MODEST RECOVERY IN OVERSEAS MARKETS

During the year under review, our business segments reported remarkable growth. Domestic sales in the Peoples' Republic of China ("**PRC**") achieved outstanding growth and represented about 66.5% of the Group's total turnover.

Revenue from the automobile glass business increased by about 22.2% to approximately HK$2,378.8 million, which accounted for about 37.4% of the Group's total turnover. This was mainly attributable to the stable growth in the sales of global automobile aftermarket glass products and our Company actively exploring overseas markets. Construction glass turnover grew by 28.3% to approximately HK$926.0 million, which accounted for about 14.6% of the Group's total turnover. This was mainly attributable to the fast growth of PRC building construction and strong demand for energy saving low-emission coating ("**LOW-E**") glass. The float glass business grew by about 83.2% to approximately HK$1,981.8 million, which accounted for around 31.1% of the Group's total turnover. This significant increase was largely driven by the high growth of the automobile glass and construction glass markets. Solar glass also grew by about 418.5% to approximately HK$1,077.8 million, which accounted for about 16.9% of the Group's total turnover. The outstanding growth resulted from the global market's focus on green and renewable energy sources leading to strong market demand. The Group's gross profit margin rose slightly to about 40.1% (2009: 36.9%) while the Group's net profit margin increased more strongly to about 24.7% (2009: 19.5%).

The year 2010 was full of opportunities and yet volatile. Although the PRC economy continued its fast growth, the industry faces changes in national policy, tougher competition, inflationary pressure, escalating fuel and raw material costs, etc. In the global setting, the US fiscal policy of quantitative easing, the European financial crisis and the unstable political environment in the Middle East have created a complicated economic situation. The Group nevertheless achieved remarkable results through a variety of measures. The most important measures were leveraging economies of scale, improving production techniques and workflow, implementing better cost control on raw materials and inventory, introducing high quality products with an optimised high value-added product mix, developing high technological and market driven glass products, and executing flexible global sales and operational management strategies to benefit from the different supportive policies in the PRC.

VOLATILE EUROPEAN ECONOMIES AND CURRENCY — EXPLORATION OF DIFFERENT EXPORT SALES CHANNELS AND INCREASE IN PROPORTION OF CHINA SALES

During the year, the European economy and currency were seriously hit by the economic turmoil. Although the US economy enjoyed a modest recovery, the Group actively explored different overseas markets, such as Australia, South America, the Middle East and Africa to offset the decreased demand from Europe and to gain overseas market share.

Sales to North America increased by approximately 28.8% to approximately HK$747.5 million while sales to Europe rose by approximately 19.8% to approximately HK$451.8 million for the year under review. The Group's improved performance was attributable to the increase in overall demand with sales orders reaching a high level in the North America market.

Also, the Group has actively explored other overseas markets in 2010, revenue from these markets increased by approximately 17.6% to approximately HK$934.9 million. More significantly, through the business opportunities presented by the strong economic momentum in Greater China, the Group's sales here also increased by approximately 91.8% to approximately HK$4,230.1 million.

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

Since the end of 2009, the selling price of heavy oil, the fuel for the industrial production of float glass and solar glass, has kept increasing. Therefore, the Group plans to use clean natural gas, a fuel with lower and more stable cost, for its new float glass and solar glass production lines in Wuhu, Jiangmen and Tianjin. Also, the Group plans to convert the existing float glass and solar glass production lines in Dongguan to use natural gas by mid-2011 to improve our overall cost structure.

Through our strong experience in operations management combined with production process improvements, we have enhanced our productivity and yield rate to minimise the overall production and energy costs. The Group's daily production capacity of high quality float glass increased from 3,100 daily melting tonnes at the end of 2009 to 4,700 daily melting tonnes by mid-2010. The two new float glass production lines in our Wuhu production complex have also provided the Group with an additional daily production capacity of 1,600 melting tonnes in the first half of 2010. The economies of scale have enhanced the Group's purchasing power and reduced the average fuel consumption rate and the fixed unit cost, thus mitigating the impact of any potential cost pressure on gross profit margins in the future.

Also, the Group plans to install the environmentally friendly low temperature recycling residual heat power cogeneration system in Dongguan and other new production complexes to enhance our overall production cost structure.

OPPORTUNITIES IN THE SOLAR GLASS BUSINESS

The Group's businesses in automobile glass, construction glass and float glass maintained a satisfactory gross margin level during the year. As fossil fuels gradually amortised and international crude oil prices kept rising, solar power related products benefited from the clean and renewal energy policies of different countries. It has led to a strong demand for solar power products since end of 2009 that has positively contributed to the outstanding revenue and profit performances of solar glass and the overall Group profitability in 2010.

Chairman's Statement

OUTLOOK FOR 2011

In 2011, we continue to strengthen efficiency of our operational management in order to tackle the challenges and inflation pressure resulting from the post global financial tsunami period, including Governmental policy changes in the PRC, the policy to promote the building materials industry in PRC rural areas, the new energy-saving standards for building construction, the low income affordable housing scheme and the "Golden Sun" model home project.

We will strengthen our research and development capability to enhance the development of new products and product quality. Our new production complexes in the Yangtze River Delta, the Pearl River Delta and the Bohai region will commence operations before the end of 2011. Another new production complex at Yingkou, located in northeastern China, plans to commence operations by the end of 2012. We will focus on development of high quality float glass, new energy and environmentally-friendly and energy efficient glass products to meet the anticipated strong market demand for high quality float glass, LOW-E glass, double glazing insulated glass, solar glass and ultra thin electronic glass products. We expect that second and third tier PRC cities will also have a strong demand for high quality float glass and Low-E glass in the future.

With the overwhelming global demand, the solar glass mainly used for solar module systems has achieved an outstanding revenue and profit results in 2010. The Group is building four new solar glass production lines in Wuhu and Tianjin to capture the continued growth in the demand on solar power systems.

The Group plans to build an ultra-thin electronic glass production line in Wuhu to capture demand from the growing market for high technology electronic products. We believe this new high technology glass products will be another future growth driver.

CONCLUSION

The Group has proactively and aggressively tackled challenges in a variety of business environments and has optimised our performance with the support of our staff and customers, consequently reaping benefits from opportunities that have arisen as the global economy revives. We remain optimistic about our future development and will continue to adhere to business strategies that have proven to be highly successful. Striving to maintain our leading position, we will continue our efforts to 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 during the review period. I would also like to thank our senior management team and our staff, as well as business partners and customers for their valuable contributions to our success during the year under review.

LEE Yin Yee, M.H.
Chairman

28 February 2011

Management's Discussion and Analysis

INTRODUCTION

The Group manufactures and sells a wide range of glass products, including automobile glass, energy-saving construction glass, high quality float glass, solar glass as well as other glass products for commercial applications. The Group has production facilities in Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province and Tianjin City in the PRC. In addition to the glass products, the Group also manufactures automobile rubber and plastic components.

The Group's glass products are sold to customers in more than 100 countries and territories, including PRC, Hong Kong, the United States, Canada, Australia and New Zealand, as well as the Middle East, Europe, Africa and Central and South America. The Group's customers include companies in the businesses of automobile glass manufacturing, automobile glass wholesale and distribution, automobile repair, motor vehicle manufacturing, construction and furniture glass manufacturing, float glass wholesale and distribution and solar module manufacturing.

BUSINESS REVIEW

The performance of the Group during 2010 was outstanding, principally because of the strong domestic demand in the PRC and the modest economic recovery of overseas markets. The sales and the net profit attributable to equity holders of the Company reached approximately HK$6,364.3 million and HK$1,571.2 million, respectively, representing a year-on-year increase of approximately 60.8% and 103.1%, compared to approximately HK$3,958.0 million and HK$773.5 million, respectively for the financial year ended 31 December 2009. The compound annual growth rate of the Group's sales and net profit attributable to equity holders of the Company was approximately 34.7% and 41.8%, respectively, during the five years ended 31 December 2010.

The high quality float glass and solar glass products were the Group's most popular lines with most significant growth rate in 2010. The high growth of the Group's float glass business in the PRC domestic market was due to the strong demand in the building industry and the automobile industry in 2010. The Group captured these business opportunities with two high quality new float glass production lines with daily melting capacity of 700 and 900 tonnes respectively which commenced operation in the second quarter of 2010.

Sales of solar glass was another major growth driver for the year. The solar glass business rode on the global market's trend to locate green and renewable energy sources.

OPERATIONAL REVIEW

SALES

The sales of the Group increased by approximately 60.8% for the financial year ended 31 December 2010. The rise was principally due to the high growth of the Group's different glass businesses in global markets, especially the float glass and the solar glass markets in the PRC. The automobile glass business improved mainly due to the recovery of overseas markets while the increase of construction glass sales was mainly attributable to higher demand for energy saving low-e glass in the domestic PRC market.

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

	Financial year ended 31 December			
	2010		2009	
	HK$'000	%	*HK$'000*	%
Sales				
Automobile glass products *(Note (a))*	**2,378,772**	**37.4**	1,946,536	49.2
Construction glass products	**926,016**	**14.6**	721,540	18.2
Float glass products	**1,981,759**	**31.1**	1,082,022	27.3
Solar glass products	**1,077,767**	**16.9**	207,859	5.3
	6,364,314	**100.0**	3,957,957	100.0

Notes:

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

	Financial year ended 31 December			
	2010		2009	
	HK$'000	%	*HK$'000*	%
Sales				
Greater China *(Note (a))*	**4,230,085**	**66.5**	2,205,511	55.7
North America	**747,489**	**11.7**	580,446	14.7
Europe	**451,816**	**7.1**	377,238	9.5
Others *(Note (b))*	**934,924**	**14.7**	794,762	20.1
	6,364,314	**100.0**	3,957,957	100.0

Notes:

(a) China and Hong Kong.

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

COST OF SALES

By using cheaper and clean fuel "natural gas" for float glass and solar glass production, with improved production efficiency and better cost control, the cost of sales for the financial year ended 31 December 2010 was approximately HK$3,809.3 million, representing an increase of approximately 52.6%, lower than the percentage of increase in sales.

GROSS PROFIT

The Group's gross profit for the financial year ended 31 December 2010 was approximately HK$2,555.0 million, representing a surge of approximately 74.8%. The overall gross profit margin rose from approximately 36.9% to 40.1% as a result of the lower cost of sales and better combination of high value-added products, while the gross margins of float glass and solar glass improved significantly during the year of 2010.

OTHER LOSSES

The Group's other losses were approximately HK$9.5 million for the financial year ended 31 December 2010, compared to the gains of approximately HK$13.3 million for the financial year ended 31 December 2009. The decrease was principally due to the loss from the disposal of a subsidiary which engaged in the curtain wall installation contracting business during the year.

OPERATIONAL REVIEW

SELLING AND MARKETING COSTS

In line with the increase of sales with higher freight and advertising costs, the Group's selling and marketing costs climbed by around 36.2% to approximately HK$365.2 million for the financial year ended 31 December 2010.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses rose by around 25.5% to approximately HK$405.9 million for the financial year ended 31 December 2010, principally attributable to the increase in staff and welfare costs.

FINANCE COSTS

The Group's finance costs dropped by around 55.1% to approximately HK$6.8 million for the financial year ended 31 December 2010. The Company actively replaced Renminbi bank borrowings with Hong Kong dollar long-term bank borrowings to benefit from the lower finance costs in 2010. Also, a portion of interest expense was capitalised in relation to the acquisition of plant and machinery at the production complexes in Jiangmen, Tianjin and Wuhu, but it will be depreciated together with the related property, plant and equipment when the new production lines commenced commercial operation. Interest expense of approximately HK$26.1 million was capitalised under construction-in-progress for the financial year ended 31 December 2010.

TAXATION

The Group's income tax expense amounted to approximately HK$320.7 million for the financial year ended 31 December 2010. The effective tax rate increased from approximately 5.8% to 16.9% for the financial year ended 31 December 2010, which was mainly because most of our PRC subsidiaries were enjoying a tax holiday with a half exemption of the PRC's unified tax rate and there was a withholding tax amounting to approximately HK$83.4 million on the distributable profit of the Group's PRC subsidiaries and associates in 2010.

EBITDA AND NET PROFIT FOR THE YEAR

During the financial year ended 31 December 2010, the Company's EBITDA (i e, earnings before interest, taxation, depreciation and amortisation) reached approximately HK$2,243.3 million, an increase of approximately 103.5% compared to HK$1,102.5 million for the financial year ended 31 December 2009. The Company's EBITDA margin, calculated based on turnover for the financial year ended 31 December 2010, was approximately 35.2% compared to approximately 27.9% for the financial year ended 31 December 2009.

Net profit attributable to equity holders of the Company for the financial year ended 31 December 2010 was approximately HK$1,571.2 million, an increase of approximately 103.1%, compared to HK$773.5 million for the financial year ended 31 December 2009. Net profit margin climbed to approximately 24.7% for the financial year ended 31 December 2010 as a result of better product combination, improved production efficiency and the use of cheaper and clean fuel "natural gas" for the new float glass and solar glass productions.

SETTLEMENT OF PATENT INFRINGEMENT LITIGATION

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

FINAL DIVIDEND

At the meeting of the Board held on 28 February 2011, the Directors proposed to declare a final cash dividend of 13 HK cents per share of HK$0.1 each of the Company (the "**Share**") for the financial year ended 31 December 2010. Together with the interim cash dividend of approximately HK$283.3 million for 2010, the total dividend paid and payable represent a dividend pay-out ratio of approximately 47.1%. The Directors believe that this dividend level is appropriate in reflecting the growth of the net profit of the Group for the financial year ended 31 December 2010.

CURRENT RATIO

The Group's current ratio for the financial year ended 31 December 2010 was approximately 1.41, compared to 1.03 in the previous year. The improvement was due to an increase in trade and other receivables and a reversal of provision for a legal claim for the year.

NET CURRENT ASSETS

As at 31 December 2010, the Group had net current assets of approximately HK$871.3 million, compared to approximately HK$54.9 million as at 31 December 2009. The increase was a result of improved cash position and better management of bank borrowings.

FINANCIAL RESOURCES AND LIQUIDITY

During the financial year ended 31 December 2010, the Group's primary sources of funding included cash generated from operating activities and the credit facilities provided by the Group's principal banks in Hong Kong and China. Net cash inflow from operating activities amounted to approximately HK$1,350.0 million (2009: HK$1,322.6 million) as a result of better working capital management generating a net cash surplus from operations. As at 31 December 2010, the Group had cash and bank balances (including pledged bank deposits) of approximately HK$642.0 million (2009: HK$543.3 million).

As at 31 December 2010, the Group had bank loans totaling approximately HK$2,724.5 million, representing an increase of approximately 147.2% from balance as at 31 December 2009. The increase was principally due to the addition of the Group's second syndicated term loan with amount of HK$1.1 billion and other bilateral term loans.

The Group's net debt gearing ratio as at 31 December 2010 was approximately 31.8% (31 December 2009: 10.5%). This ratio is calculated by dividing the net bank debt, which is calculated as total borrowings less cash and cash equivalents (excluding pledged bank deposits), by the total equity of the Group as at 31 December 2010. The increase was principally due to new long-term bank debts obtained for capital expenditures in Jiangmen, Tianjin and Wuhu during the year.

PLEDGE OF ASSETS

As at 31 December 2010, bank balance of approximately HK$1.7 million was pledged as collateral mainly to United States Customs as a security of import duties and for the standby letter of credit issued by a PRC bank.

Management's Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2010, the Group had 11,614 full-time employees of whom 11,505 were based in Greater China and 109 were based in other countries and territories. The Group maintains good relationship with all the employees. The Group provides the employees with sufficient training on business knowledge including information on the applications of the Group´s products and skills in maintaining good client relationship. Remuneration packages offered to the Group´s employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration the Group´s performance and performance of individual employee.

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

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

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

The 2nd tranche of 24,230,000 options (restated) were granted to employees of the Group, of which 9,568,000 options (restated) have been exercised, 7,321,000 (restated) have lapsed and 1,200,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.49 (restated) per Share and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 30 June 2011 shall lapse.

The 3rd tranche of 48,517,200 options (restated) were granted to employees of the Group of which 10,223,000 options (restated) have lapsed and 1,620,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$2.34 (restated) per Share and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 19 April 2013 shall lapse.

The 4th tranche of 22,288,000 options (restated) were granted to employees of the Group of which 2,314,000 options have lapsed and 888,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$1.72 (restated) per Share and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of subsidiaries the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2012 shall lapse.

The 5th tranche of 36,898,000 options were granted to employees of the Group of which 1,487,000 options have lapsed and 888,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.55 per Share and the option holders may exercise the options between 1 April 2013 and 31 March 2014, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2014 shall lapse.

DIRECTORS

EXECUTIVE DIRECTORS

LEE Yin Yee, M.H.(李賢義), aged 58, is our Chairman and founder, responsible for our Group's business strategy. Mr. LEE Yin Yee has 22 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 48, 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 11 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Tenth Chinese People's Political Consultative Conference of Anhui Province since 1 January 2011 and also a member of 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 45, is our executive Director and chief executive officer. Mr. TUNG Ching Sai has been with us for 22 years since our inception in November 1988 and is responsible for overseeing our daily operations. Mr. TUNG Ching Sai is a committee member of The Chinese People’s Political Consultative Conference of Fujian Province, vice chairman of the China Architectural and Industrial Glass Association, the chairman of the Shenzhen Federation of Young Entrepreneurs, the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur and was awarded the "Young Industrialist Awards of Hongkong 2006". Mr. TUNG graduated from the Sun Yat-Sen University with a executive master degree of business administration. Mr. TUNG Ching Sai is the brother-in-law of Mr. LEE Yin Yee, brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Sai was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. TUNG Ching Sai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. TUNG Ching Sai has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

LEE Shing Kan (李聖根), aged 31, 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 35, is our executive Director. Mr. LEE Yau Ching is responsible for planning our overall operations strategy and overseeing Group's operations. 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 56, 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 in the PRC handling retail sales, and also in the trading of automobile parts industry. Mr. LI Man Yin was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. LI Man Yin has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Man Yin has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

LI Ching Wai (李清懷), aged 53, 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 53, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. SZE Nang Sze has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. SZE Nang Sze has not held any directorship in other publicly listed companies in the last three years.

LI Ching Leung (李清涼), aged 54, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu production complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005. Save as disclosed above, Mr. LI Ching Leung has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Leung has not held any directorship in other publicly listed companies in the last three years.

NG Ngan Ho (吳銀河), aged 46, 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.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Kwong Siu, S.B.S. (林廣兆), aged 76, is the vice chairman of BOC International Holdings Limited, the honorary chairman of the board of Hong Kong Federation of Fujian Association, the Life Honorary Chairman 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 which was withdrawal of listing on 5 November 2008, BOC International Holdings Limited since October 2001, CITIC Bank International Limited (Formerly known as CITIC Ka Wah Bank Limited) since January 2002, Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002, China Overseas Land & Investment Limited since September 2003 and Fujian Holdings Limited since December 2003 and Yuzhou Properties Company Limited since October 2009. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. CITIC International Financial Holdings Limited (withdrawal of listing on 5 November 2008), China Overseas Land & Investment Limited, Fujian Holdings Limited and Yuzhou Properties Company Limited are companies whose shares are being listed on the Stock Exchange. Save as disclosed above, Mr. LAM Kwong Siu, S.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LAM Kwong Siu, S.B.S. has not held any directorship in other publicly listed companies in the last three years.

WONG Chat Chor Samuel (王則左), aged 60, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, the president of the Hong Kong Institute of Arbitrators 2002 and 2003, a member of the International Chamber of Commerce ("ICC") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Dalian, Tsingdao, Guangzhou, Suzhou and Huizhou of China. In addition, Mr. WONG Chat Chor Samuel is also a director of Nan Fung (Singapore) Pte Limited and the chairman of the BPC Group of Companies, Malaysia. Mr. WONG Chat Chor Samuel is also a member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, the PRC. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degrees in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004. Save as disclosed above, Mr. WONG Chat Chor Samuel has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. WONG Chat Chor Samuel has not held any directorship in other publicly listed companies in the last three years.

Profile of Directors and Senior Management

Mr. WONG, Ying Wai, Wilfred, S.B.S., JP (王英偉), aged 58, is the executive deputy chairman of Hsin Chong Construction Group Limited and Synergis Holdings Limited, two main board Hong Kong listed companies in construction and property management businesses respectively; He is also the chairman of Pinnacle State Group and the non-executive Chairman of Yangtze China Investment Company Limited, a company whose shares are listed on the London AIM and which makes direct investments in growth businesses in the mainland China.

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

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

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

Mr. WONG has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

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

Profile of Directors and Senior Management

SENIOR MANAGEMENT

William CHEN (陳未遠), aged 80, is our senior float glass technology consultant and has joined our Group since March 2003. Prior to joining our Group, Mr. William CHEN had worked in the glass technology industry for over 39 years. Mr. William CHEN was granted a special subsidy by the State Council in 1991 for his contribution to glass engineering technology.

LAU Sik Yuen (劉錫源), aged 44, is our Group company secretary, chief financial officer and qualified accountant. Prior to joining our Group in April 2003, Mr. LAU Sik Yuen had over thirteen years' experience in auditing and financial accounting. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for over 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 and a member of the American Institute of Certified Public Accountants.

YANG Jian Jun (楊建軍), aged 50, is our Group director of research and development centre. Prior to joining our Group in May 2006, Mr. YANG Jian Jun was the director of the China National Safety Glass and Quartz Glass Testing Centre which is under the Glass Research Institute of China Building Materials Academy. Mr. YANG Jian Jun has over nineteen years' experience in glass and building materials research, quality management and testing. Mr. YANG Jian Jun graduated from Eastern China University of Science and Technology in 1982 with a bachelor degree in glass science and graduated from Beijing Aeronautics and Aviation University in 2003 with a master degree in solid mechanics.

ZHA Xue Song (查雪松), aged 39, is Group vice president of ultra-thin electronics glass division since November 2010. Mr. ZHA had been working for Xinyi Automobile Glass Overseas Market Division for more than fourteen years. Prior to joining our Group in March 1996, Mr. ZHA Xue Song 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 Xue Song has completed the course of Postgraduate Certificate in International Laws at Shenzhen University in 2002. Mr. ZHA Xue Song was graduated with an executive master degree of business administration in Peking University in 2007.

ZHANG Ming (張明), aged 50, is the Group vice president of solar glass division and is responsible for overseeing and implementing solar 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.

XU Bi Zhong (許必忠) aged 42, is the Group vice president of float glass division and is responsible for overseeing and implementing float glass operation and sales. Mr. XU Bi Zhong obtained a diploma of administrative management from Shenzhen University. Prior to joining our Group in May 2004, Mr. XU Bi Zhong worked for a float glass trading company and a float glass plant in PRC for over twelve years.

CHEN Xi (陳曦), aged 53, is the Group vice president of transparent conductive oxide ("TCO") glass division. Mr. CHEN Xi graduated from Sichuan Industrial Institute in 1983 and is qualified as a senior mechanical engineer. Prior to joining our Group in March 2003, Mr. CHEN Xi worked for a construction glass company in the PRC for more than nine years and worked for machinery industry for more than six years.

XIAO Wen Fan (肖文范), aged 48, is the Group vice president of automobile glass domestic division and is responsible for overseeing and implementing automobile glass domestic operation and sales. Mr. XIAO Wen Fan has obtained qualification as a senior engineer. Mr. XIAO Wen Fan graduated from Wuhan University of Technology in June 1989 with a master degree in ship mechanics engineering. Prior to joining our Group in September 2007, Mr. XIAO had worked in Asahi Glass Group for two years and worked for China Southern Glass Group for over fourteen years.

YANG Yi (楊逸), aged 38, is the Group vice president of construction glass division and is responsible for overseeing and implementing construction glass operation and sales. Mr. YANG Yi obtained a diploma of applied material from South China University of Technology. Prior to joining our Group in July 2001, Mr. YANG Yi worked for a float glass plant in PRC for eight years.

HUANG Ding Xuan (黃定軒), aged 40, is appointed as the Group chief operations officer on 28 February 2011. Dr. HUANG Ding Xuan joined the Group in April 2007 and was appointed as the Head of the Group Administration Office in October 2007. In September 2009, Dr. HUANG left the Group and became the head of the management science department of Guilin University of Technology. Dr. HUANG rejoined the Group in November 2010. Dr. HUANG obtained a doctor's degree in management science and engineering from Tongji University in April 2007.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and in full compliance with the applicable laws and regulations. During the financial year ended 31 December 2010, 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 13 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 2011. 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 2011. 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 2010, the Board held four meetings on 29 March 2010, 28 May 2010, 2 August 2010 and 18 October 2010, respectively and all Directors had attended these meetings. At least four Board meetings are scheduled for the financial year ending 31 December 2011.

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 CODE 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 enquires with the Directors regarding their compliance with the Model Code. The Company has been informed that there is an enquiry made by the Stock Exchange to Full Guang and certain Directors, namely Mr. LEE Yin Yee, Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LI Man Yin, Mr. NG Ngan Ho, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. LI Ching Wai, on certain purchase of Shares in the afternoon on 30 March 2010. Full Guang purchased certain Shares on-market in the afternoon of 30 March 2010 subsequent to the release of the relevant results announcement. The Company's 2009 annual results announcement was originally planned to be published in the evening of 29 March 2010, and the original black-out period lasted until 29 March 2010. The results announcement was published in the morning of 30 March 2010 which inadvertently extended the black-out period to 30 March 2010. The enquiry made by the Stock Exchange has yet to be completed.

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 of and determining the award of bonuses to Directors and senior management. Its terms of reference are available on request. During the year ended 31 December 2010, a meeting of the Remuneration Committee was held on 29 March 2010 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, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. Its terms of reference are available on request. The Audit Committee held 3 meetings during the year of 2010 on 29 March 2010, 2 August 2010 and 21 December 2010, respectively 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, S.B.S., 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, M.H. The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are available on request. There was no Nomination Committee meeting held during the year of 2010 as the Company had no need to consider the appointment of Directors during this period.

DIRECTORS' 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 37 of this report.

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 2010. During 2010, 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 2010.

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, solar glass products, automobile glass products, construction and a variety of related products in the PRC. Particulars of the subsidiaries of the Company are set forth in note 10 to the financial statements of the Group in this report.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2010 are set out in the consolidated income statement on page 44 in this report. During the financial year, an interim dividend of 8.0 HK cents per Share, amounting to a total of about HK$283.3 million, was paid to shareholders on 9 September 2010.

The Board proposes the payment of a final dividend of 13.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 6 May 2011. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before 18 June 2011.

The register of members of the Company will be closed from Tuesday, 3 May 2011 to Friday, 6 May 2011, 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 4:30 p.m. on Friday, 29 April 2011.

RESERVES

Details of movements in the reserves of the Group during the financial year are set out in note 19 to the financial statements in this report.

FINANCIAL SUMMARY

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

INVESTMENT PROPERTIES

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

Report of the Directors

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$4,122,000 (2009: HK$280,000).

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands as at 31 December 2010, share premium amounting to approximately HK$2,016.8 million (2009: HK$2,334.3 million) was 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 2010, the Company had distributable reserves available for distribution to Shareholders amounting to approximately HK$480.0 million (2009: HK$310.5 million) other than mentioned above.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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 2010, and HK$250,000 for the year ending 31 December 2011.

Save for the annual remuneration of HK$250,000 for each non-executive Director in 2010, 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 in 2010, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP, and their mutual agreement with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

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

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

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

(c) the nominal value of a Share.

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

As at the date of this announcement, the 1st tranche of 17,040,000 options (restated) were granted to employees of the Group. The exercise price of these options was HK$1.08 (restated) and all these options expired on 27 January 2009.

The 2nd tranche of 24,230,000 options (restated) were granted to employees of the Group, of which 9,568,000 options (restated) have been exercised, 7,321,000 (restated) have lapsed and 1,200,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.49 (restated) and the option holders may exercise the options between 1 July 2010 and 30 June 2011, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 30 June 2011, they shall lapse.

The 3rd tranche of 48,517,200 options (restated) were granted to employees of the Group of which 10,223,000 options (restated) have lapsed and 1,620,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$2.34 (restated) and the option holders may exercise the options between 20 April 2012 and 19 April 2013, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 19 April 2013, they shall lapse.

The 4th tranche of 22,288,000 options (restated) were granted to employees of the Group of which 2,314,000 options (restated) have lapsed and 888,000 options (restated) have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$1.72 (restated) and the option holders may exercise the options between 1 April 2011 and 31 March 2012, provided that the holders are employees of subsidiaries of the Company during the exercise period. If any of the options granted have not been exercised by the holders on or before 31 March 2012, they shall lapse.

The 5th tranche of 36,898,000 options were granted to employees of the Group of which 1,487,000 options have lapsed and 888,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company. The exercise price of these options is HK$3.55 per Share and the option holders may exercise the options between 1 April 2013 and 31 March 2014, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2014 shall lapse.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set out on pages 13 to 19 of this report.

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

As at 31 December 2010, 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, M. H.	Interest of a controlled corporation *(Note a)*	708,054,058	20.13%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
	Personal interest *(Note b)*	25,560,000	0.73%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	260,455,852	7.41%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
	Personal interest *(Note d)*	17,352,000	0.49%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	241,091,164	6.85%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
	Personal interest *(Note f)*	51,788,000	1.47%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	115,758,156	3.29%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note h)*	106,227,000	3.02%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note i)*	77,172,104	2.19%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
	Personal interest	2,200,000	0.06%
Mr. LI Man Yin	Interest of a controlled corporation *(Note j)*	77,172,104	2.19%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
	Personal interest *(Note k)*	1,400,000	0.04%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note l)*	77,172,104	2.19%
	Interest of a controlled corporation *(Note n)*	47,268,000	1.34%
	Personal interest	2,000,000	0.06%
	Personal interest *(Note m)*	400,000	0.01%
Mr. WONG Chat Chor Samuel	Personal interest	80,000	0.00%

Notes:

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

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

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

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

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

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

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

(h) Mr. 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.

(i) 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.

(j) 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.

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

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

(m) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.

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

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

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

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

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

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

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

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

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

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

(x) 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 2010, 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 2010, 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	708,054,058	Registered and beneficial owner	20.13%
High Park	260,455,852	Registered and beneficial owner	7.41%
Copark	241,091,164	Registered and beneficial owner	6.85%
Telerich Investment Limited (Note)	245,643,378	Registered and beneficial owner	6.98%

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 2010, the persons who are, directly or indirectly, interested in 10%. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Glass (North America) Inc.	Polaron International Inc.	30,000 class A common shares	30.0%
Xinyi Auto Glass (North America) Corporation	Polaron International Inc.	30,000 class A common shares	30.0%
Xinyi Glass (America) Development Inc.	Mr. TAM Peng Kuan Antonio	30,000 common shares	25.0%
	Mr. LAU Chee Wai Daniel	20,000 common shares	16.7%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT	2,500 common shares	25.0%
	Polaron International Inc.	1,250 common shares	12.5%
Xinyi Glass Japan Company Limited	Polaron International Inc.	40 common shares	10.0%
	Mr. CHO Shotie	140 common shares	35.0%
Xinyi Glas Deutschland GmbH	Mr. Wolfgang Walter WILLNAT	not applicable	25.0%
	Polaron International Inc.	not applicable	12.5%

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2010, 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	5.5%
— the largest five customers combined	12.5%

Purchases

— the largest supplier	5.7%
— the largest five suppliers combined	21.5%

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 2010 amounted to approximately HK$2,724.5 million (2009: HK$1,102.2 million). Particulars of the bank borrowings are set out in note 21 to the financial statements in this report.

REWARD FOR EMPLOYEES

As at 31 December 2010, we employed over 11,614 employees in the PRC, Hong Kong, Canada, Germany and Japan. Our employees are remunerated with monthly salary, subject to annual review and discretionary bonuses. Our employees are also entitled, subject to eligibility, to retirement fund and provident fund and to participate in the Share Option Scheme. We place strong emphasis on nurturing a continuous learning culture amongst the employees and implement a variety of programs to promote training.

CONNECTED TRANSACTIONS

No significant related party transaction had been entered into by the Group which constituted connected transactions for the financial year ended 31 December 2010.

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 2010.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. 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 2010.

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

During the year ended 31 December 2010, the Company repurchased a total of 36,386,000 Shares at an aggregate consideration of approximately HK$187.3 million on the Stock Exchange. These repurchased Shares were cancelled before 31 December 2010. Details of the repurchase of such Shares are as follows:

Month of repurchase	Number of repurchased Shares	Highest price per Share	Lowest price per Share	Aggregate consideration paid HK$'000
January 2010	2,190,000	6.69	6.54	14,436
September 2010	24,670,000	5.06	4.34	118,379
October 2010	6,000,000	6.08	5.41	34,067
November 2010	3,526,000	5.87	5.75	20,428
	36,386,000			187,310

In June 2010, the Company allotted and issued 1,770,860,460 Shares by way of bonus issue (the "**Bonus Issue**") on the basis of one new bonus Share for every existing Share held by the shareholders.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2010.

Report of the Directors

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

On 28 February 2011, the Board considered the feasibility of a proposed spin-off of its solar glass business for separate listing on the main board of the Stock Exchange. In this connection, the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules on 28 February 2011. No final decision has been made by the Company as to whether and when the proposed spin-off will proceed. There is also no assurance that the Stock Exchange will approve the proposed spin-off to proceed.

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified its willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 6 May 2011, at Unit A, 29/F, Admiralty Centre I, 18 Harcourt Road, Admiralty, Hong Kong, at 10:00 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be dispatched to the shareholders in due course.

On Behalf of the Board

LEE Yin Yee, M.H.
Chairman

Hong Kong, 28 February 2011

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 39 to 133, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

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 2010, 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, 28 February 2011

Consolidated Balance Sheet

As at 31 December 2010

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	894,157	664,367
Property, plant and equipment	7	6,485,962	4,787,849
Investment property	8	32,086	32,229
Deposits for property, plant and equipment and land use rights		449,227	300,369
Intangible assets	9	98,796	95,480
Available-for-sale financial assets	11	588	569
Investments in associates	12	16,212	11,747
Loan to an associate	12	36,353	1,842
Deferred income tax assets	22	3,819	8,819
		8,017,200	5,903,271
Current assets			
Inventories	13	820,345	678,172
Loans to associates	12	3,129	—
Trade and other receivables	14	1,533,840	843,528
Amounts due from customers for contract work	15	—	27,057
Financial assets at fair value through profit or loss	16	—	14,330
Pledged bank deposits	17	1,725	11,446
Cash and bank balances	17	640,259	531,895
		2,999,298	2,106,428
Total assets		11,016,498	8,009,699

Consolidated Balance Sheet

As at 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	18	**351,709**	177,305
Share premium	18	**2,016,842**	2,334,321
Other reserves	19	**1,198,142**	810,561
Retained earnings			
– Proposed final dividend	32	**457,222**	265,629
– Others		**2,512,352**	1,822,698
		6,536,267	5,410,514
Non-controlling interests		**19,627**	20,072
Total equity		**6,555,894**	5,430,586
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	**2,253,975**	522,495
Deferred income tax liabilities	22	**78,637**	5,113
		2,332,612	527,608
Current liabilities			
Provision for legal claim	23	**—**	85,332
Amount due to an associate	12	**2,910**	—
Trade payables, accruals and other payables	20	**1,507,658**	1,361,779
Current income tax liabilities		**146,901**	24,649
Bank borrowings	21	**470,523**	579,745
		2,127,992	2,051,505
Total liabilities		**4,460,604**	2,579,113

Consolidated Balance Sheet

As at 31 December 2010

All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	**2010**	2009
Total equity and liabilities		**11,016,498**	8,009,699
Net current assets		**871,306**	54,923
Total assets less current liabilities		**8,888,506**	5,958,194

The financial statements on pages 39 to 133 were approved by the Board of Directors on 28 February 2011 and were signed on its behalf.

LEE Yin Yee, M.H.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 50 to 133 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
ASSETS			
Non-current assets			
Interests in subsidiaries	10	2,154,660	2,154,660
Current assets			
Amounts due from subsidiaries	10	738,238	712,157
Prepayments	14	356	67
Cash and bank balances	17	3,686	58
		742,280	712,282
Total assets		2,896,940	2,866,942
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	18	351,709	177,305
Share premium	18	2,016,842	2,334,321
Other reserves	19	43,443	42,047
Retained earnings			
– Proposed final dividend	32	457,222	265,629
– Others		22,803	44,827
Total equity		2,892,019	2,864,129

Balance Sheet

As at 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
LIABILITIES			
Current liabilities			
Accruals and other payables	20	871	617
Current income tax liabilities		110	—
Amounts due to subsidiaries	10	3,940	2,196
Total liabilities		4,921	2,813
Total equity and liabilities		2,896,940	2,866,942

The financial statements on pages 39 to 133 were approved by the Board of Directors on 28 February 2011 and were signed on its behalf.

LEE Yin Yee, M.H.
Chairman

TUNG Ching Bor
Vice-chairman

The notes on pages 50 to 133 are an integral part of these financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
Revenue	5	6,364,314	3,957,957
Cost of sales	24	(3,809,267)	(2,496,047)
Gross profit		2,555,047	1,461,910
Other income	26	85,048	33,628
Other (losses)/gains – net	27	(9,476)	13,343
Selling and marketing costs	24	(365,186)	(268,169)
Administrative expenses	24	(405,897)	(323,321)
Reversal of provision/(provision) for legal claim	23	36,816	(85,332)
Operating profit		1,896,352	832,059
Finance income	28	3,111	6,782
Finance costs	28	(6,839)	(15,216)
Share of profits of associates	12	514	372
Profit before income tax		1,893,138	823,997
Income tax expense	29	(320,726)	(47,392)
Profit for the year		1,572,412	776,605
Profit attributable to:			
Equity holders of the Company		1,571,198	773,526
Non-controlling interests		1,214	3,079
		1,572,412	776,605
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
– Basic	31	44.43	22.06
– Diluted	31	44.01	22.01
Dividends	32	740,560	372,012

The notes on pages 50 to 133 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	2010	2009
Profit for the year	1,572,412	776,605
Other comprehensive income:		
Currency translation differences	240,533	(6,606)
Other comprehensive income for the year, net of tax	240,533	(6,606)
Total comprehensive income for the year	1,812,945	769,999
Total comprehensive income attributable to:		
Equity holders of the Company	1,810,915	766,281
Non-controlling interests	2,030	3,718
Total comprehensive income for the year	1,812,945	769,999

The notes on pages 50 to 133 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

		Attributable to the equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2009		168,808	1,829,174	728,323	1,643,027	4,369,332	20,204	4,389,536
Comprehensive income								
Profit for the year		—	—	—	773,526	773,526	3,079	776,605
Other comprehensive income								
Currency translation differences								
– group		—	—	(6,921)	—	(6,921)	639	(6,282)
– associate		—	—	(324)	—	(324)	—	(324)
Total other comprehensive income		—	—	(7,245)	—	(7,245)	639	(6,606)
Total comprehensive income		—	—	(7,245)	773,526	766,281	3,718	769,999
Transactions with owners								
Proceeds from shares issued	18	9,000	504,258	—	—	513,258	—	513,258
Repurchase and cancellation of the Company's shares								
– nominal value of shares	18	(518)	518	518	(518)	—	—	—
Employees share option scheme:								
– proceeds from shares issued	18	15	371	(56)	—	330	—	330
– value of employee services	25	—	—	19,171	—	19,171	—	19,171
– option expired		—	—	(1,138)	1,138	—	—	—
Contribution from non-controlling interests		—	—	—	—	—	333	333
Shares repurchased and cancelled from non-controlling interests		—	—	—	—	—	(3,828)	(3,828)
Transfer to reserve		—	—	70,988	(70,988)	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	(355)	(355)
Dividends relating to 2008		—	—	—	(151,475)	(151,475)	—	(151,475)
Dividends relating to 2009	32	—	—	—	(106,383)	(106,383)	—	(106,383)
Total transactions with owners		8,497	505,147	89,483	(328,226)	274,901	(3,850)	271,051
Balance at 31 December 2009		177,305	2,334,321	810,561	2,088,327	5,410,514	20,072	5,430,586

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2010

All amounts in Hong Kong dollar thousands unless otherwise stated

		Attributable to the equity holders of the Company						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010		177,305	2,334,321	810,561	2,088,327	5,410,514	20,072	5,430,586
Comprehensive income								
Profit for the year		—	—	—	1,571,198	1,571,198	1,214	1,572,412
Other comprehensive income								
Currency translation differences								
– group		—	—	239,717	—	239,717	816	240,533
Total comprehensive income		—	—	239,717	1,571,198	1,810,915	2,030	1,812,945
Transactions with owners								
Repurchase and cancellation of the Company's shares	18	(3,639)	(183,671)	3,639	(3,639)	(187,310)	—	(187,310)
Employees share option scheme:								
– proceeds from share issued	18	957	43,278	(10,843)	—	33,392	—	33,392
– value of employee services	25	—	—	17,723	—	17,723	—	17,723
– release on forfeiture of share options		—	—	(9,123)	9,123	—	—	—
Bonus issue of shares	18	177,086	(177,086)	—	—	—	—	—
Disposal of a subsidiary		—	—	(3,274)	3,274	—	—	—
Transfer to reserve		—	—	149,742	(149,742)	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	(2,475)	(2,475)
Dividends relating to 2009	32	—	—	—	(265,629)	(265,629)	—	(265,629)
Dividends relating to 2010	32	—	—	—	(283,338)	(283,338)	—	(283,338)
Total transactions with owners		174,404	(317,479)	147,864	(689,951)	(685,162)	(2,475)	(687,637)
Balance at 31 December 2010		351,709	2,016,842	1,198,142	2,969,574	6,536,267	19,627	6,555,894

The notes on pages 50 to 133 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
Cash flows from operating activities			
Cash generated from operations	33	1,502,878	1,395,484
Interest paid		(32,933)	(23,875)
Income tax paid		(119,950)	(49,019)
Net cash generated from operating activities		1,349,995	1,322,590
Cash flows from investing activities			
Purchase of land use rights		(225,819)	(275,230)
Purchase of property, plant and equipment		(1,971,709)	(1,088,415)
Proceeds from disposal of property, plant and equipment	33	7,010	4,984
Proceeds from disposal of a subsidiary		6,250	—
Purchase of intangible assets	9	(7,983)	(1,320)
Purchase of financial assets at fair value through profit or loss		(11,427)	(35,341)
Disposal of financial assets at fair value through profit or loss		25,218	25,112
Capital injected to associates	12	(6,824)	—
Loan advanced to an associate		(38,706)	(2,863)
Loan repayment from an associate		1,066	8,327
Dividend received from an associate		2,873	—
Decrease / (increase) in pledged bank deposits		9,721	(4,592)
Increase in bank deposits with maturity over three months		(75,639)	—
Interest received		3,111	5,282
Net cash used in investing activities		(2,282,858)	(1,364,056)

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010
All amounts in Hong Kong dollar thousands unless otherwise stated

	Note	2010	2009
Cash flows from financing activities			
Proceeds from bank borrowings		2,315,323	1,017,617
Repayments of bank borrowings		(693,065)	(1,121,640)
Contribution from non-controlling interests		—	333
Shares repurchased and cancelled from non-controlling interests		—	(9,715)
Proceeds from issuance of ordinary shares		33,392	513,588
Repurchase of shares of the Company	18	(187,310)	—
Dividends paid to shareholders of the Company		(548,967)	(257,858)
Dividends paid to non-controlling interests		(2,475)	(355)
Net cash generated from financing activities		916,898	141,970
Net (decrease)/increase in cash and cash equivalents		(15,965)	100,504
Cash and cash equivalents at beginning of the year		531,895	435,712
Effect of foreign exchange rate changes		48,690	(4,321)
Cash and cash equivalents at end of the year	17	564,620	531,895

The notes on pages 50 to 133 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

All amounts in Hong Kong dollar thousands unless otherwise stated

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") is principally engaged in the production and sale of automobile glass, construction glass, float glass and solar glass products, which are carried out internationally, through the production complexes located in Mainland China (the "**PRC**").

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

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 28 February 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

All amounts in Hong Kong dollar thousands unless otherwise stated

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Changes in accounting policy and disclosures

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

(i) The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group:

		Effective for accounting periods beginning on or after
HKAS 17 (Amendment)	Leases	1 July 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK - Int 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	Immediate effect from 29 November 2010
HKFRSs (Amendments)	First annual improvements project published in October 2008 and second annual improvements project published in May 2009 by HKICPA	1 July 2009

(ii) The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant to the Group's operations:

		Effective for accounting periods beginning on or after
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) - Int 18	Transfer of assets from customers	1 July 2009

All amounts in Hong Kong dollar thousands unless otherwise stated

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Changes in accounting policy and disclosures (Continued)

(b) *New standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning on or after 1 January 2010 and have not been early adopted.*

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) - Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRSs (Amendments)	Third annual improvements project published in May 2010 by HKICPA	1 July 2010

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION

(a) Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.8).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 CONSOLIDATION *(Continued)*

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. See note 2.9 for the impairment of non-financial assets including goodwill.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 SEGMENT REPORTING

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

2.4 FOREIGN CURRENCY TRANSLATION

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 FOREIGN CURRENCY TRANSLATION

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. 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 LEASEHOLD LAND AND LAND USE RIGHTS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains - net" in the consolidated income statement.

2.7 INVESTMENT PROPERTY

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other (losses)/gains - net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 INTANGIBLE ASSETS

(a) Goodwill

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

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

(b) Trademark, customer relationship and patent

Trademark, customer relationship and patent acquired in a business combination are recognised at fair value at the acquisition date. Trademark, customer relationship and patent have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademark, customer relationship and patent over their estimated useful lives of 10 - 20 years.

(c) Capitalised exploration, evaluation and mining right expenditure

Capitalised exploration, evaluation and mining right expenditure are stated at cost less accumulated amortisation and impairment losses. Cost incurred during the exploration and evaluation phases are amortised using the straight-line method over the periods of the agreement of the mining right of 29 years. Once commercial reserves are found, exploration and evaluation assets are tested for impairment and the costs are amortised using the units of production method according to the proved reserves.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration, evaluation and mining right expenditure's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of their fair value less costs to sell and their value in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

2.10 FINANCIAL ASSETS

2.10.1 *Classification*

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2.15 and 2.16).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 FINANCIAL ASSETS *(Continued)*

2.10.2 *Recognition and measurement*

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

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

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

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

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

2.11 OFFSETTING FINANCIAL INSTRUMENTS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

Impairment testing of trade and other receivables is described in note 2.15.

2.13 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

2.14 INVENTORIES

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

2.15 TRADE AND OTHER RECEIVABLES

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, less pledged bank deposits.

2.17 SHARE CAPITAL

Ordinary shares are classified as equity.

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

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

2.18 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 end of the reporting period.

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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 PROVISIONS

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

2.21 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 end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 EMPLOYEE BENEFITS *(Continued)*

(c) *Share-based payments*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

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

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

When the options are exercised, the Company issues new shares. 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.

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

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

(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)*

2.22 TRADE PAYABLES

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

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

2.23 FINANCIAL GUARANTEE

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

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

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

2.24 GOVERNMENT GRANT

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

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred government grants. They are netted off with the cost of acquisition when the attached conditions are met and are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 REVENUE RECOGNITION

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

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

(b) Interest income

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

(c) Rental income

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

(d) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 CONSTRUCTION CONTRACTS

A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset.

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 end of the reporting period 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 within 'trade and other receivables'.

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

2.27 LEASES

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

2.28 DIVIDEND DISTRIBUTION

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("**RMB**") and HKD. Foreign exchange risk arises from future commercial transactions, acquired assets and liablilites and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade receivables, restricted cash balances, cash and cash equivalents, trade payables and bank borrowings are disclosed in Notes 14, 17, 20 and 21 to the consolidated financial statements.

As at 31 December 2010, if RMB had strengthened/weakened by 1% (2009: 1%) against the HKD with all other variables held constant, profit after income tax for the year would have been approximately HKD4,394,000 (2009: HKD3,187,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and cash equivalents, trade and other receivables less foreign exchange losses/gains on translation of RMB-denominated trade payables and borrowings. Profit is more sensitive to movement in HKD/RMB exchange rates in 2010 than 2009 because of the increased amount of RMB-denominated sales and related receivables netting off the effect of the 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 interest rate risk is mainly attributable to its cash and cash equivalents, restricted cash balances and bank 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 bank borrowings have been disclosed in Notes 17 and 21 to the consolidated financial statements.

As at 31 December 2010, if the HKD interest rates on cash and cash equivalents, restricted cash balances and bank borrowings had been 25 (2009: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HKD1,041,000 (2009: HKD899,840) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

As at 31 December 2010, if the RMB interest rates on cash and cash equivalents, restricted cash balances and bank borrowings had been 25 (2009: 50) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HKD859,000 higher/lower, mainly as a result of higher/lower interest income on bank deposits (2009: HKD770,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings).

As at 31 December 2010, if the United States Dollars ("**USD**") interest rates on cash and cash equivalents, restricted cash balance and bank borrowings had been 25 (2009: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HKD377,000 (2009: HKD373,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(a) Market risk (Continued)

(iii) Price risk

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

As at 31 December 2009, the Group's listed investments were mainly publicly traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Decisions to buy or sell financial assets at fair value through profit or loss are rested with assigned Directors and governed by specific investment guidelines. The Directors have been monitoring the positions of its proprietary trading activities involving equities and derivatives. In addition, the Group's exposures are closely monitored by the finance department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

No financial assets at fair value through profit or loss were held as at 31 December 2010. As at 31 December 2009, assuming a 10% upward/downward movement in the Shanghai Stock Composite Index with all other variables held constant at the balance sheet date, the Group's post-tax profit for the year would have increased/decreased by approximately HK$650,000. Also, assuming a 10% upward/downward movement in the Shenzhen Component Index with all other variables held constant at the balance sheet date, the Group's post-tax profit for the year would have increased/decreased by approximately HK$604,000.

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(b) *Credit risk*

The Group's credit risk arises from cash and bank balances, pledged bank deposits, trade and other receivables, deposits for property, plant and equipment and land use rights, loans to associates 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:

	2010	2009
Deposits for property, plant and equipment and land use rights	**449,227**	300,369
Loans to associates *(Note 12)*	**39,482**	1,842
Trade and other receivables *(Note 14)*	**1,533,840**	843,528
Amounts due from customers for contract work *(Note 15)*	**—**	27,057
Pledged bank deposits *(Note 17)*	**1,725**	11,446
Cash and bank balances *(Note 17)*	**640,259**	531,895
Maximum exposure to credit risk	**2,664,533**	1,716,137

As at 31 December 2009 and 2010, most of 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, deposits for property, plant and equipment and land use rights, loans to associates and amounts due from customers for contract work, the Group has policies in place to ensure that the loans, deposits or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and its customers.

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) *Liquidity risk*

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

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

	Group			
At 31 December 2010	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Bank borrowings *(Note 21)*	**470,523**	**832,806**	**1,421,169**	**2,724,498**
Interest payable	**37,550**	**28,587**	**16,440**	**82,577**
Trade payables, accruals and other payables *(Note 20)*	**1,507,658**	**—**	**—**	**1,507,658**
Amount due to an associate *(Note 12)*	**2,910**	**—**	**—**	**2,910**
	2,018,641	**861,393**	**1,437,609**	**4,317,643**
At 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Bank borrowings *(Note 21)*	579,745	237,714	284,781	1,102,240
Interest payable	12,167	5,911	2,593	20,671
Trade payables, accruals and other payables *(Note 20)*	1,361,779	—	—	1,361,779
	1,953,691	243,625	287,374	2,484,690

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 FINANCIAL RISK FACTORS *(Continued)*

(c) Liquidity risk (Continued)

Company

At 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Accruals and other payables	871	—	—	871
Amounts due to subsidiaries	3,940	—	—	3,940
Financial guarantee *(Note (a))*	441,173	861,393	1,437,609	2,740,175
	445,984	861,393	1,437,609	2,744,986

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

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

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

The gearing ratios at 31 December 2010 and 2009 were as follows:

	Group	
	2010	2009
Total bank borrowings *(Note 21)*	2,724,498	1,102,240
Less: cash and bank balances *(Note 17)*	(640,259)	(531,895)
Net debt	2,084,239	570,345
Total equity	6,555,894	5,430,586
Gearing ratio	31.8%	10.5%

The increase in the gearing ratio during 2010 was mainly resulted from the increase of bank borrowings for the expansion of the Group.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010 and 2009.

At 31 December 2010	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity securities	—	—	588	588
Liabilities				
Financial liabilities at fair value through profit and loss				
– Forward contracts	—	3,550	—	3,550
– Cross currency swap	—	226	—	226
	—	3,776	—	3,776

At 31 December 2009	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity securities	—	—	569	569
Financial assets at fair value through profit or loss				
– Trading securities	14,330	—	—	14,330
	14,330	—	569	14,899
Liabilities				
Financial liabilities at fair value through profit and loss				
– Cross currency swap	—	1,138	—	1,138

All amounts in Hong Kong dollar thousands unless otherwise stated

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 FAIR VALUE ESTIMATION *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 at 31 December 2009 comprised primarily equity instruments listed on Shanghai Stock Exchange and Shenzhen Stock Exchange which were classified as trading securities.

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

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2010 and 2009.

Available-for-sale financial assets

At 1 January and 31 December 2009	569
Exchange differences	19
At 31 December 2010	588

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

(A) ESTIMATED IMPAIRMENT OF GOODWILL

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

(B) PROPERTY, PLANT AND EQUIPMENT

(i) Useful lives

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

(ii) Impairment assessment

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

(C) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(D) 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.

(E) CURRENT AND DEFERRED INCOME TAX

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

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. The releasibility of the deferred income tax liabilities and assets mainly depend on the Company's dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

(F) FAIR VALUE OF INVESTMENT PROPERTIES

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT *(Continued)*

(F) FAIR VALUE OF INVESTMENT PROPERTIES *(Continued)*

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

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

(G) PROVISION FOR LEGAL CLAIM

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

5 SEGMENT INFORMATION

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

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

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

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	2,378,772	926,016	2,820,584	1,077,767	—	7,203,139
Inter-segment revenue	—	—	(838,825)	—	—	(838,825)
Revenue from external customers	2,378,772	926,016	1,981,759	1,077,767	—	6,364,314
Cost of sales	(1,440,561)	(574,378)	(1,275,842)	(518,486)	—	(3,809,267)
Gross profit	938,211	351,638	705,917	559,281	—	2,555,047
Depreciation charge of property, plant and equipment *(Note 24)*	87,934	61,766	138,240	32,233	4,381	324,554
Amortisation charge						
– leasehold land and land use rights *(Note 6)*	2,704	881	11,047	2,000	74	16,706
– intangible assets *(Note 9)*	1,706	—	406	—	—	2,112
Impairment charge of goodwill *(Note 27)*	2,943	—	—	—	—	2,943
(Reversal of provision)/provision for impairment of trade receivables, net *(Note 14)*	(121)	(37)	—	4,004	—	3,846
Reversal of provision for legal claim *(Note 23)*	(36,816)	—	—	—	—	(36,816)
Total assets	2,531,211	1,567,418	5,051,788	1,649,398	216,683	11,016,498
Total assets included:						
Investments in associates	—	—	—	—	16,212	16,212
Loans to associates	—	—	—	—	39,482	39,482
Additions to non-current assets (other than financial instruments and deferred income tax assets)	114,815	179,822	1,451,973	506,475	16,984	2,270,069
Total liabilities	469,942	154,911	919,706	161,245	2,754,800	4,460,604

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	1,946,536	721,540	1,664,970	207,859	—	4,540,905
Inter-segment revenue	—	—	(582,948)	—	—	(582,948)
Revenue from external customers	1,946,536	721,540	1,082,022	207,859	—	3,957,957
Cost of sales	(1,124,803)	(424,989)	(801,908)	(144,347)	—	(2,496,047)
Gross profit	821,733	296,551	280,114	63,512	—	1,461,910
Depreciation charge of property, plant and equipment *(Note 24)*	91,446	43,172	103,302	13,832	1,003	252,755
Amortisation charge						
– leasehold land and land use rights *(Note 6)*	2,701	696	2,948	1,136	1,243	8,724
– intangible assets *(Note 9)*	1,373	—	393	—	—	1,766
Impairment loss of property, plant and equipment *(Note 27)*	—	1,119	—	—	—	1,119
Provision for impairment of trade receivables, net *(Note 14)*	10,133	(2,840)	—	751	—	8,044
Provision for legal claim *(Note 23)*	85,332	—	—	—	—	85,332
Total assets	2,121,740	1,242,002	3,110,756	1,213,931	321,270	8,009,699
Total assets included:						
Investment in an associate	—	—	—	—	11,747	11,747
Loan to an associate	—	—	—	—	1,842	1,842
Additions to non-current assets (other than financial instruments and deferred income tax assets)	163,907	169,068	712,396	371,906	12,826	1,430,103
Total liabilities	645,962	153,889	722,788	109,111	947,363	2,579,113

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	2010	2009
Segment gross profit	2,555,047	1,461,910
Unallocated:		
Other income	85,048	33,628
Other (losses)/gains - net	(9,476)	13,343
Selling and marketing costs	(365,186)	(268,169)
Administrative expenses	(405,897)	(323,321)
Reversal of provision/(provision) for legal claim	36,816	(85,332)
Finance income	3,111	6,782
Finance costs	(6,839)	(15,216)
Share of profits of associates	514	372
Profit before income tax	1,893,138	823,997

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

	Assets		Liabilities	
	2010	2009	2010	2009
Segment assets/(liabilities)	10,799,815	7,688,429	(1,705,804)	(1,631,750)
Unallocated:				
Property, plant and equipment	76,141	109,651	—	—
Investments in associates	16,212	11,747	—	—
Balances with associates	39,482	1,842	(2,910)	—
Available-for-sale financial assets	588	569	—	—
Deferred income tax assets	3,819	8,819	—	—
Prepayments, deposits and other receivables	4,664	41,014	—	—
Financial assets at fair value through profit or loss	—	14,330	—	—
Cash and cash equivalents	75,777	133,298	—	—
Accruals and other payables	—	—	(15,409)	(9,912)
Current income tax liabilities	—	—	(111)	—
Deferred income tax liabilities	—	—	(78,637)	(5,113)
Current bank borrowings	—	—	(403,758)	(409,843)
Non-current bank borrowings	—	—	(2,253,975)	(522,495)
Total assets/(liabilities)	11,016,498	8,009,699	(4,460,604)	(2,579,113)

All amounts in Hong Kong dollar thousands unless otherwise stated

5 SEGMENT INFORMATION *(Continued)*

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

	2010	2009
Sales of automobile glass	2,378,772	1,946,536
Sales of construction glass	926,016	721,540
Sales of float glass	1,981,759	1,082,022
Sales of solar glass	1,077,767	207,859
Total	6,364,314	3,957,957

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

	2010	2009
Greater China	4,230,085	2,205,511
North America	747,489	580,446
Europe	451,816	377,238
Other countries	934,924	794,762
	6,364,314	3,957,957

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

	2010	2009
Greater China	7,965,216	5,883,253
North America	10,774	8,746
Other countries	450	42
	7,976,440	5,892,041

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:

	2010	2009
In Hong Kong, held on:		
Leases of between 10 to 50 years	2,727	2,801
In PRC, held on:		
Land use rights of between 10 to 50 years	891,430	661,566
	894,157	664,367

	2010	2009
At 1 January	664,367	362,800
Exchange differences	23,350	(328)
Additions	223,146	310,619
Amortisation of prepaid operating lease payments (Note 24)	(16,706)	(8,724)
At 31 December	894,157	664,367

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 2009					
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
Year ended 31 December 2009					
Opening net book amount	723,297	735,344	2,501,984	11,406	3,972,031
Exchange differences	(466)	498	(2,267)	78	(2,157)
Additions	1,029,799	3,726	53,573	5,681	1,092,779
Transfers	(1,178,752)	300,972	874,241	3,539	—
Impairment charge (Note 27)	—	(1,082)	(37)	—	(1,119)
Disposals	—	(1,208)	(14,080)	(273)	(15,561)
Depreciation charge	—	(31,202)	(223,261)	(3,661)	(258,124)
Closing net book amount	573,878	1,007,048	3,190,153	16,770	4,787,849
At 31 December 2009					
Cost	573,878	1,132,134	3,968,141	35,377	5,709,530
Accumulated depreciation	—	(125,086)	(777,988)	(18,607)	(921,681)
Net book amount	573,878	1,007,048	3,190,153	16,770	4,787,849

All amounts in Hong Kong dollar thousands unless otherwise stated

7 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Group				
	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
Year ended 31 December 2010					
Opening net book amount	573,878	1,007,048	3,190,153	16,770	4,787,849
Exchange differences	19,830	34,888	113,363	512	168,593
Additions	1,778,567	8,397	96,068	226	1,883,258
Transfers	(972,548)	172,560	799,988	—	—
Disposals	—	—	(7,969)	(426)	(8,395)
Disposal of a subsidiary	—	—	(506)	(3)	(509)
Depreciation charge	—	(42,281)	(298,945)	(3,608)	(344,834)
Closing net book amount	1,399,727	1,180,612	3,892,152	13,471	6,485,962
At 31 December 2010					
Cost	1,399,727	1,370,595	5,087,583	35,675	7,893,580
Accumulated depreciation	—	(189,983)	(1,195,431)	(22,204)	(1,407,618)
Net book amount	1,399,727	1,180,612	3,892,152	13,471	6,485,962

Depreciation expense of approximately HK$309,463,000 (2009: HK$237,837,000) has been charged in cost of sales and HK$15,091,000 (2009: HK$14,918,000) in administrative expenses and HK$40,859,000 (2009: HK$20,579,000) has been capitalised in inventories.

Government grants of approximately HK$200,915,000 (2009: HK$77,409,000) relating to the purchase of property, plant and equipment have been netted off with the cost of the related assets.

Notes to the Consolidated Financial Statements

All amounts in Hong Kong dollar thousands unless otherwise stated

8 INVESTMENT PROPERTY

	Group	
	2010	2009
At 1 January	32,229	10,927
Fair value (losses)/gains	(143)	21,302
As 31 December	32,086	32,229

The Group obtains independent valuations from Vigers Appraisal and Consulting Limited for its investment property at least annually. The basis of the valuation of the investment property is fair value which is being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

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

	2010	2009
In Hong Kong, held on:		
Lease of between 10 and 50 years	32,086	32,229

All amounts in Hong Kong dollar thousands unless otherwise stated

9 INTANGIBLE ASSETS

	Group				
	Goodwill	Trademark	Customer relationship	Capitalised exploration, evaluation and mining right expenditure	Total
At 1 January 2009					
Cost	55,876	20,306	5,404	10,066	91,652
Accumulated amortisation	—	(1,267)	(337)	—	(1,604)
Net book amount	55,876	19,039	5,067	10,066	90,048
Year ended 31 December 2009					
Opening net book amount	55,876	19,039	5,067	10,066	90,048
Exchange differences	—	—	—	(9)	(9)
Additions	5,887	—	—	1,320	7,207
Amortisation charge (Note 24)	—	(1,084)	(289)	(393)	(1,766)
Closing net book amount	61,763	17,955	4,778	10,984	95,480
At 31 December 2009					
Cost	61,763	20,306	5,404	11,377	98,850
Accumulated amortisation	—	(2,351)	(626)	(393)	(3,370)
Net book amount	61,763	17,955	4,778	10,984	95,480

All amounts in Hong Kong dollar thousands unless otherwise stated

9 INTANGIBLE ASSETS *(Continued)*

	Group					
	Goodwill	Trademark	Customer relationship	Patent	Capitalised exploration, evaluation and mining right expenditure	Total
Year ended 31 December 2010						
Opening net book amount	61,763	17,955	4,778	—	10,984	95,480
Exchange differences	—	—	—	—	388	388
Additions	—	—	—	7,983	—	7,983
Amortisation charge (Note 24)	—	(1,084)	(289)	(333)	(406)	(2,112)
Impairment charge (Note 27)	(2,943)	—	—	—	—	(2,943)
Closing net book amount	58,820	16,871	4,489	7,650	10,966	98,796
At 31 December 2010						
Cost	61,763	20,306	5,404	7,983	11,779	107,235
Accumulated amortisation and impairment	(2,943)	(3,435)	(915)	(333)	(813)	(8,439)
Net book amount	58,820	16,871	4,489	7,650	10,966	98,796

Amortisation charge of HK$2,112,000 (2009: HK$1,766,000) has been included in administrative expenses in the consolidated income statement.

IMPAIRMENT TESTS FOR GOODWILL

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

The recoverable amount of the automobile glass CGU is determined based on value-in-use calculation. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering five-year period with estimated compound annual growth rate of 14% (2009: 16%). 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 3.1% (2009: 2.7%). The discount rate used is pre-tax and reflect specific risks relating to this cash generating unit. From the impairment testing, impairment charge of approximately HK$ 2,943,000 (2009: Nil) was identified.

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN AND AMOUNTS DUE FROM / TO SUBSIDIARIES

	Company	
	2010	2009
Investments, at cost	10	10
Amounts due from subsidiaries - non-current *(note (a))*	2,154,650	2,154,650
	2,154,660	2,154,660
Amounts due from subsidiaries *(note (b))*	738,238	712,157
Amounts due to subsidiaries *(note (b))*	3,940	2,196

Notes:

(a) The amounts due from subsidiaries are unsecured, interest free and denominated in HKD. The directors of the Company have resolved not to request repayment for the next twelve months from the end of reporting date and considered them as quasi-equity contributions.

(b) The amounts with subsidiaries are unsecured, interest free, denominated in HKD and repayable on demand. The carrying amounts of amounts due from/(to) subsidiaries approximate their fair values.

(c) The following is a list of the principal subsidiaries at 31 December 2010:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,403,049	100%
Xinyi Automobile Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$22,000,000	100%
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB353,807,000	100%
Xinyi Automobile Parts (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$23,980,000	100%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN AND AMOUNTS DUE FROM / TO SUBSIDIARIES *(Continued)*

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2010: *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$29,800,000	100%
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass and construction glass in the PRC	Registered and paid up capital of US$61,800,000	100%
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$50,000,000	100%
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float and ultra-clear solar glass in the PRC	Registered capital of US$60,000,000 with total paid up capital of US$59,502,413	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 Japan Company Limited	Japan, limited liability company	Sales agent in Japan	Authorised and paid up capital of 400 common shares of JP¥50,000 each	55%
Xinyi Glas Deutschland GmbH	Germany, limited liability company	Sales agent in Germany	Authorised and paid up capital of 100,000 common shares of EUR1 each	62.6%
Xinyi Glass (North America) Inc.[2]	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 100,000 common shares of CAD1 each	70%

All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN AND AMOUNTS DUE FROM / TO SUBSIDIARIES *(Continued)*

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2010: *(Continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Sales agent in Canada	Authorised and paid up capital of 100,000 common shares of CAD0.1 each	70%
Xinyi Plastic Products (Shenzhen) Development Company Limited	The PRC, limited liability company	Manufacturing of rubber trim for automobile glass in the PRC	Registered and paid up capital of HK$11,000,000	100%
Xinyi Automobile Glass Company Limited	Hong Kong, limited liability company	Trading in Hong Kong	Authorised and paid up 100,000 ordinary shares of HK$1 each	100%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	Authorised and paid up 1,000 ordinary shares of HK$1,000 each	100%
XYG (HK) Limited	Hong Kong, limited liability company	Trading in Hong Kong	Authorised and paid up 1,000 ordinary shares of HK$10,000 each	100%
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	Authorised and paid up 10,000 ordinary shares of HK$1 each	100%
Xinyi Automobile Glass (BVI) Company Limited[1]	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up 55,000 ordinary shares of US$1 each	100%
Xinyi EnergySmart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and construction glass in the PRC	Registered capital of US$58,500,000 with total paid up capital of US$58,500,000	100%

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All amounts in Hong Kong dollar thousands unless otherwise stated

10 INTERESTS IN AND AMOUNTS DUE FROM / TO SUBSIDIARIES *(Continued)*

Notes: (Continued)

(c) The following is a list of the principal subsidiaries at 31 December 2010: *(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	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered capital of US$87,900,000 with total paid up capital of US$87,830,996	100%
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered capital of US$98,800,000 with total paid up capital of US$67,634,497	100%
Xinyi Glass Engineering (Dongguang) Company Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered and paid up capital of US$43,800,000	100%
Xinyi Wenchang Mining Company Limited	The PRC, limited liability company	Mining and sale of silica in the PRC	Registered capital of US$60,000,000 with total paid up capital of RMB33,521,000	55%

1 Shares held directly by the Company.

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

All amounts in Hong Kong dollar thousands unless otherwise stated

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
Beginning of the year	569	569
Exchange differences	19	—
End of the year	588	569

At 31 December 2010, the carrying amounts for available-for-sale financial assets approximate their fair values. All available-for-sale financial assets are unlisted equity securities. There were no disposals or impairment made on available-for-sale financial assets in 2010 and 2009. These financial assets are denominated in RMB.

12 INTERESTS IN AND BALANCES WITH ASSOCIATES

	Group	
	2010	2009
Investments in associates		
At 1 January	11,747	11,373
Exchange differences	—	2
Capital injection	6,824	—
Share of profits of associates	514	372
Dividend received	(2,873)	—
At 31 December	16,212	11,747
Loans to associates (note (a))		
– Current portion	3,129	—
– Non-current portion	36,353	1,842
	39,482	1,842
Amount due to an associate (note (b))	(2,910)	—

All amounts in Hong Kong dollar thousands unless otherwise stated

12 INTERESTS IN AND BALANCES WITH ASSOCIATES

Notes:

(a) Out of the total balances of HK$39,482,000 (2009: HK$1,842,000), an amount of HK$776,000 (2009: HK$1,842,000) is unsecured, bears interest at 12% (2009: 12%) per annum and is repayable by installments in 2011 and the remaining balance of HK$38,706,000 (2009: Nil) is unsecured, interest-free and repayable by installments up to 2020.

(b) The amount due to an associate is unsecured, interest-free and repayable on demand.

(c) The carrying amounts of balances with associates approximate their fair values.

(d) The following is a list of the principal associates at 31 December 2010:

Name	Particulars of issued share capital	Principal activities and place of operation	Interest held
Beihai Yiyang Mineral Company Limited	Registered and paid up capital of RMB25,454,500	Exploration, mining and trading of silica in the PRC	45%
Anqing Xingtai Mineral Company Limited	Registered and paid up capital of RMB3,000,000	Exploration, mining and trading of silica in the PRC	40%
Maoming City Yindi Construction Material Company Limited	Registered and paid up capital of RMB3,000,000	Exploration, mining and trading of silica in the PRC	30%
Dongyuan County Xinhuali Quartz Sand Company Limited	Registered and paid up capital of RMB500,000	Exploration, mining and trading of silica in the PRC	20%

The Group's share of the results of its associates, all of which are unlisted, and their aggregated assets and liabilities are as follows:

	2010	2009
Assets	**57,832**	26,827
Liabilities	**39,202**	13,269
Sales	**37,633**	20,497
Profits	**514**	372

All amounts in Hong Kong dollar thousands unless otherwise stated

13 INVENTORIES

	Group	
	2010	2009
Raw materials	**403,222**	353,372
Work in progress	**60,958**	50,704
Finished goods	**356,165**	274,096
	820,345	678,172

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$2,741,936,000 (2009: HK$1,736,896,000) (Note 24).

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
Trade receivables *(note (a))*	**714,827**	535,018	**—**	—
Less: provision for impairment of trade receivables *(note (b))*	**(16,145)**	(12,392)	**—**	—
	698,682	522,626	**—**	—
Bills receivable *(note (c))*	**321,655**	111,735	**—**	—
Trade and bills receivables - net	**1,020,337**	634,361	**—**	—
Prepayments, deposits and other receivables	**513,503**	209,167	**356**	67
	1,533,840	843,528	**356**	67

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2010 and 2009, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2010	2009
0 - 90 days	594,318	436,440
91 - 180 days	68,729	51,434
181 - 365 days	32,150	19,839
1 - 2 years	12,321	18,364
Over 2 years	7,309	8,941
	714,827	535,018

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

	2010	2009
RMB	357,967	303,034
HKD	1,684	3,917
USD	320,923	195,623
Other currencies	34,253	32,444
	714,827	535,018

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

	2010	2009
At 1 January	12,392	12,474
Exchange differences	507	(10)
Provision for impairment of trade receivables (Note 24)	3,846	8,044
Receivables written off during the year as uncollectible	(600)	(8,116)
At 31 December	16,145	12,392

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

All amounts in Hong Kong dollar thousands unless otherwise stated

14 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) As at 31 December 2010, trade receivables of approximately HK$157,946,000 (2009: HK$178,138,000) 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:

	2010	2009
0 - 90 days	**99,641**	119,890
91-180 days	**17,787**	30,989
181-365 days	**24,387**	10,328
1-2 years	**9,762**	15,044
Over 2 years	**6,369**	1,887
	157,946	178,138

As at 31 December 2010, trade receivables of approximately HK$38,061,000 (2009: HK$16,726,000) were impaired and partially provided for. The individually impaired receivables are related to customers in unexpected financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, a total provision for doubtful debts of approximately HK$16,145,000 (2009: HK$12,392,000) was recognised. The Group does not hold any collateral over these balances.

The aging analysis of these receivable is as follows:

	2010	2009
0 - 90 days	**26,753**	5,878
91-180 days	**548**	1,402
181-365 days	**2,377**	389
1-2 years	**4,837**	7,034
Over 2 years	**3,546**	2,023
	38,061	16,726

The top five customers and the largest customer accounted for approximately 28.5% (2009: 19%) and 19% (2009: 6%) of the trade receivables balance as at 31 December 2010, 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.

(c) The maturities of the bills receivable are within 6 months (2009: 6 months).

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

15 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group	
	2010	2009
The aggregate costs incurred plus recognised profits less recognised losses to date	—	348,839
Less: Progress billings	—	(321,782)
Net amounts due from customers for contract work	—	27,057

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
Market value of held-for-trading listed securities		
- Equity securities - PRC	—	14,330

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

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

17 CASH AND BANK BALANCES

	Group		Company	
	2010	2009	**2010**	2009
Cash at bank and on hand	**564,502**	516,144	**3,686**	58
Bank deposits with maturity less than three months	**118**	15,751	**—**	—
Bank deposits with maturity more than three months	**75,639**	—	**—**	—
	640,259	531,895	**3,686**	58
Pledged bank deposits *(Note (a))*	**1,725**	11,446	**—**	—
Total cash and bank balances	**641,984**	543,341	**3,686**	58

The effective interest rate on short-term bank deposits was 2.42% in 2010 (2009: 1.13%). These short-term bank deposits have an average maturity of 290 days (2009 : 21 days).

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

	2010	2009
RMB	**420,909**	270,964
HKD	**93,103**	75,244
USD	**97,511**	150,976
Other currencies	**30,461**	46,157
	641,984	543,341

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.

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

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All amounts in Hong Kong dollar thousands unless otherwise stated

17 CASH AND BANK BALANCES *(Continued)*

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

	Group		Company	
	2010	2009	**2010**	2009
Cash and bank balances	**641,984**	543,341	**3,686**	58
Less:				
- Pledged bank deposits	**(1,725)**	(11,446)	**—**	—
- Bank deposits with maturity more than three months	**(75,639)**	—	**—**	—
	564,620	531,895	**3,686**	58

All amounts in Hong Kong dollar thousands unless otherwise stated

18 SHARE CAPITAL AND PREMIUM

	Note	Number of Shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
At 1 January 2009 and 31 December 2009		2,500,000,000	250,000	—	250,000
Increase during the year		17,500,000,000	1,750,000	—	1,750,000
As at 31 December 2010		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
At 1 January 2009		1,688,075,460	168,808	1,829,174	1,997,982
Issue of shares under an employees share option scheme	(a)	153,000	15	371	386
Cancellation of shares	(b)	(5,178,000)	(518)	518	—
Issuance of shares	(c)	90,000,000	9,000	504,258	513,258
At 31 December 2009 and 1 January 2010		1,773,050,460	177,305	2,334,321	2,511,626
Issue of shares under an employees share option scheme	(a)	9,568,000	957	43,278	44,235
Repurchase and cancellation of shares during the year	(b)	(36,386,000)	(3,639)	(183,671)	(187,310)
Bonus issue of shares	(d)	1,770,860,460	177,086	(177,086)	—
At 31 December 2010		3,517,092,920	351,709	2,016,842	2,368,551

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(A) SHARE OPTIONS

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

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

In January 2006, 17,040,000 (restated) 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$1.08 (restated) per share. Options are conditional on the employee completing two year's service (the vesting period). The options are exercisable starting two years from the grant date. In relation to the batch granted in January 2006, all the remaining 8,394,000 (restated) options were expired during the year ended 31 December 2009.

In June 2007, 24,230,000 (restated) share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$3.49 (restated) per share. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date. In relation to the batch granted in June 2007, 9,568,000 options (2009: Nil) were exercised from the date of the grant to 31 December 2010 and a total of 7,321,000 (2009: 2,820,000 (restated)) options were lapsed during the year ended 31 December 2010.

In April 2008, 48,517,200 (restated) share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$2.34 (restated) per share. Options are conditional on the employee completing four year's service (the vesting period). The options are exercisable starting four years from the grant date. In relation to the batch granted in April 2008, no option (2009: Nil) was exercised from the date of the grant to 31 December 2010 and a total of 10,223,000 (2009: 6,316,000 (restated)) options were lapsed during the year ended 31 December 2010.

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(A) SHARE OPTIONS *(Continued)*

In March 2009, 22,288,000 (restated) 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$1.72 (restated) per share. Options are conditional on the employee completing two year's service (the vesting period). The options are exercisable starting two years from the grant date. In relation to the batch granted in March 2009, no option (2009: Nil) was exercised from the date of the grant to 31 December 2010 and 2,314,000 (2009: 1,030,000 (restated)) options were lapsed during the year ended 31 December 2010.

In March 2010, 36,898,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$3.55 per share. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date. In relation to the batch granted in March 2010, no option was exercised from the date of the grant to 31 December 2010 and a total of 1,487,000 options were lapsed during the year ended 31 December 2010.

Movements in the number of share options outstanding and their related weighted average exercise prices, after taking into account the effect of the bonus issue (as stated on note(d) below), are as follows:

	2010		2009	
	Average exercise price in HK dollar per share	Options (thousands)	Average exercise price in HK dollar per share *(restated)*	Options (thousands) *(restated)*
At 1 January (restated)	2.48	83,294	2.55	79,872
Granted	3.55	36,898	1.72	22,288
Exercised	3.49	(9,568)	1.08	(306)
Lapsed	2.71	(21,345)	2.60	(10,166)
Expired	—	—	1.08	(8,394)
At 31 December	2.75	89,279	2.48	83,294

Out of the 89,279,000 (2009: 83,294,000 (restated)) outstanding options, 4,467,000 (2009: nil) options were exercisable as at 31 December 2010 (2009: Nil). Options exercised in 2010 resulted in 9,568,000 shares (2009: 306,000 shares (restated)) being issued at a weighted average price at the time of exercise of HK$3.49 each (2009: HK$1.08 each (restated)).

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(A) SHARE OPTIONS *(Continued)*

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

Expiry date	Exercise price in HK dollar per share *(restated)*	Options (thousands) 2010	2009 *(restated)*
30 June 2011	3.49	**4,467**	21,356
31 March 2012	1.72	**18,942**	21,256
19 April 2013	2.34	**30,459**	40,682
31 March 2014	3.55	**35,411**	—
		89,279	83,294

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$1.38 per option (2009: HK$0.54). The significant inputs into the model were weighted average share price of HK$3.55 (2009: HK$1.72) at the grant date, the exercise price shown above, volatility of 63.19% (2009: 66.21%), dividend yield of 2.96% (2009: 5.81%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year. See note 25 for the total expense recognised in the consolidated income statement for share options granted to employees.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was HK$50,772,000 (2009: HK$12,044,000). The attributable amounts charged to the consolidated income statements for the year ended 31 December 2010 was HK$17,723,000 (2009: HK$19,171,000). The expected share option life is 3.5 years (2009: 2.5 years) and the annual risk-free interest rate is 1.42% (2009: 0.97%).

18 SHARE CAPITAL AND PREMIUM *(Continued)*

(b) On 31 December 2008, the Company repurchased 5,178,000 shares and these shares were cancelled in January 2009. During the year ended 31 December 2010, 36,386,000 shares repurchased by the Company were cancelled in 2010. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid HK$'000
January 2010	2,190,000	6.69	6.54	14,436
September 2010	24,670,000	5.06	4.34	118,379
October 2010	6,000,000	6.08	5.41	34,067
November 2010	3,526,000	5.87	5.75	20,428

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

(d) In June 2010, the Company allotted and issued 1,770,860,460 shares (2009: Nil) by way of bonus issue (the "**Bonus Issue**") on the basis of one new bonus share for every existing share held by the shareholders. The number of share options and their exercise prices (as stated in note (a) above) and the earnings per share (Note 31) are restated accordingly as a result of the Bonus Issue.

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All amounts in Hong Kong dollar thousands unless otherwise stated

19 RESERVES

GROUP:

	2009 Other reserves									
	Statutory reserve fund *(Note (a))*	Enterprise expansion fund *(Note (a))*	Foreign currency translations reserve	Capital reserve *(Note (b))*	Share option reserve	Property revaluation reserve	Capital redemption reserve	Sub-total	Retained earnings	Total
At 1 January 2009	243,304	45,908	403,095	11,840	18,767	624	4,785	728,323	1,643,027	2,371,350
Profit for the year	—	—	—	—	—	—	—	—	773,526	773,526
Currency translation differences										
– group	(221)	(42)	(6,658)	—	—	—	—	(6,921)	—	(6,921)
– associate	—	—	(324)	—	—	—	—	(324)	—	(324)
Repurchase and cancellation of the Company's shares, – nominal value of shares *(Note 18)*	—	—	—	—	—	—	518	518	(518)	—
Employee share option scheme:										
– proceeds from shares issued	—	—	—	—	(56)	—	—	(56)	—	(56)
– value of employee services *(Note 25)*	—	—	—	—	19,171	—	—	19,171	—	19,171
– option expired	—	—	—	—	(1,138)	—	—	(1,138)	1,138	—
Transfer to reserve	70,988	—	—	—	—	—	—	70,988	(70,988)	—
Dividends relating to 2008	—	—	—	—	—	—	—	—	(151,475)	(151,475)
Dividends relating to 2009	—	—	—	—	—	—	—	—	(106,383)	(106,383)
At 31 December 2009	314,071	45,866	396,113	11,840	36,744	624	5,303	810,561	2,088,327	2,898,888

All amounts in Hong Kong dollar thousands unless otherwise stated

19 RESERVES *(Continued)*

GROUP: *(Continued)*

	2010									
	Other reserves									
	Statutory reserve fund *(Note (a))*	Enterprise expansion fund *(Note (a))*	Foreign currency translations reserve	Capital reserve *(Note (b))*	Share option reserve	Property revaluation reserve	Capital redemption reserve	Sub-total	Retained earnings	Total
At 1 January 2010	314,071	45,866	396,113	11,840	36,744	624	5,303	810,561	2,088,327	2,898,888
Profit for the year	—	—	—	—	—	—	—	—	1,571,198	1,571,198
Currency translation differences – group	11,085	1,618	227,014	—	—	—	—	239,717	—	239,717
Repurchase and cancellation of the Company's shares, – nominal value of shares *(Note 18)*	—	—	—	—	—	—	3,639	3,639	(3,639)	—
Employee share option schemes:										
– proceeds from shares issued	—	—	—	—	(10,843)	—	—	(10,843)	—	(10,843)
– value of employee services *(Note 25)*	—	—	—	—	17,723	—	—	17,723	—	17,723
– release on forfeiture of share options	—	—	—	—	(9,123)	—	—	(9,123)	9,123	—
Disposal of a subsidiary	(2,695)	(579)	—	—	—	—	—	(3,274)	3,274	—
Transfer to reserve	149,742	—	—	—	—	—	—	149,742	(149,742)	—
Dividend relating to 2009	—	—	—	—	—	—	—	—	(265,629)	(265,629)
Dividend relating to 2010	—	—	—	—	—	—	—	—	(283,338)	(283,338)
At 31 December 2010	472,203	46,905	623,127	11,840	34,501	624	8,942	1,198,142	2,969,574	4,167,716

19 RESERVES *(Continued)*

GROUP: *(Continued)*

Notes:

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

During the year ended 31 December 2010, the boards of directors of the subsidiaries resolved to appropriate approximately HK$149,742,000 (2009: HK$70,988,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2010 and 2009.

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

All amounts in Hong Kong dollar thousands unless otherwise stated

19 RESERVES *(Continued)*

COMPANY:

	Share option reserve	Capital redemption reserve	Sub-total	Retained earnings	Total
At 1 January 2009	18,767	4,785	23,552	155,574	179,126
Profit for the year	—	—	—	412,120	412,120
Repurchase and cancellation of the Company's shares *(Note 18)*	—	518	518	(518)	—
Employees share option scheme:					
– proceeds from shares issued	(56)	—	(56)	—	(56)
– value of employee services *(Note 25)*	19,171	—	19,171	—	19,171
– option expired	(1,138)	—	(1,138)	1,138	—
Dividends relating to 2008	—	—	—	(151,475)	(151,475)
Dividends relating to 2009	—	—	—	(106,383)	(106,383)
At 31 December 2009	36,744	5,303	42,047	310,456	352,503
At 1 January 2010	36,744	5,303	42,047	310,456	352,503
Profit for the year	—	—	—	713,052	713,052
Repurchase and cancellation of the Company's shares *(Note 18)*	—	3,639	3,639	(3,639)	—
Employees share option scheme:					
– proceeds from shares issued	(10,843)	—	(10,843)	—	(10,843)
– value of employee services *(Note 25)*	17,723	—	17,723	—	17,723
– release on forfeiture of share options	(9,123)	—	(9,123)	9,123	—
Dividends relating to 2009	—	—	—	(265,629)	(265,629)
Dividends relating to 2010	—	—	—	(283,338)	(283,338)
At 31 December 2010	**34,501**	**8,942**	**43,443**	**480,025**	**523,468**

All amounts in Hong Kong dollar thousands unless otherwise stated

20 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2010	2009	2010	2009
Trade payables *(note (a))*	377,043	220,402	—	—
Bills payable *(note (b))*	200,342	460,966	—	—
	577,385	681,368	—	—
Accruals and other payables *(note (c))*	930,273	680,411	871	617
	1,507,658	1,361,779	871	617

Notes:

(a) At 31 December 2010 and 2009, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	Group	
	2010	2009
0 - 90 days	350,273	207,772
91-180 days	11,955	7,216
181-365 days	4,617	1,796
1-2 years	8,517	1,249
Over 2 years	1,681	2,369
	377,043	220,402

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

	Group	
	2010	2009
RMB	327,735	169,356
HKD	40	20
USD	49,026	50,115
Other currencies	242	911
	377,043	220,402

All amounts in Hong Kong dollar thousands unless otherwise stated

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

Notes: (Continued)

(b) Bills payable have maturities ranging within 6 months (2009: 6 months).

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

	Group		Company	
	2010	2009	**2010**	2009
Payables for property, plant and equipment	**232,838**	201,198	**—**	—
Accruals for employee benefits and welfare	**115,927**	91,603	**—**	—
Payables for value-added tax	**62,409**	69,467	**—**	—
Payables for utilities	**73,638**	33,588	**—**	—
Receipt in advance from customers	**166,710**	94,477	**—**	—
Trading derivatives – cross currency swap and foreign exchange forward contracts	**3,776**	1,138	**—**	—
Others	**274,975**	188,940	**871**	617
	930,273	680,411	**871**	617

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

Notes to the Consolidated Financial Statements

All amounts in Hong Kong dollar thousands unless otherwise stated

21 BANK BORROWINGS

	Group	
	2010	2009
Non-current		
Secured *(note (a))*	2,537,616	835,776
Less: Current portion	(283,641)	(313,281)
	2,253,975	522,495
Current		
Secured *(note (a))*	120,118	107,903
Unsecured	66,764	158,561
	186,882	266,464
Current portion of non-current borrowings, secured	283,641	313,281
	470,523	579,745
Total bank borrowings	2,724,498	1,102,240

Note:

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

All amounts in Hong Kong dollar thousands unless otherwise stated

21 BANK BORROWINGS *(Continued)*

At 31 December 2010 and 2009, the Group's bank borrowings were repayable as follows:

	2010	2009
Within 1 year	470,523	579,745
Between 1 and 2 years	832,806	237,714
Between 2 and 5 years	1,421,169	284,781
	2,724,498	1,102,240

Bank loans of approximately HK$2,657,733,000 (2009: HK$943,679,000) bear floating interest rates and bank loans of approximately HK$66,765,000 (2009: HK$158,561,000) bear fixed interest rates. These bank borrowings are repayable by instalments up to 2014 and the carrying amounts of bank borrowings approximate their fair values as at 31 December 2010 and 2009.

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

	2010	2009
HKD	2,435,826	673,272
RMB	11,764	119,318
USD	276,908	309,650
	2,724,498	1,102,240

Out of the total USD denominated bank borrowings of HK$276,908,000 (2009: HK$309,650,000), US$24,800,000 (2009: US$38,400,000) has been arranged to be swapped into HK$192,894,000 (2009: HK$298,143,000) under a cross currency swap at repayment dates.

The effective interest rates at the end of reporting date were as follows:

	2010			2009		
	HKD	USD	RMB	HKD	USD	RMB
Bank borrowings	1.45%	1.55%	5.31%	1.1%	1.5%	4.6%

Notes to the Consolidated Financial Statements

All amounts in Hong Kong dollar thousands unless otherwise stated

22 DEFERRED INCOME TAX

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

	Group	
	2010	2009
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**(3,819)**	(8,819)
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**78,637**	5,113
Deferred tax liabilities/(assets), net	**74,818**	(3,706)

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

	Group	
	2010	2009
Beginning of the year	**(3,706)**	1,044
Charged/(credited) to the consolidated income statement *(Note 29)*	**78,524**	(4,750)
End of the year	**74,818**	(3,706)

All amounts in Hong Kong dollar thousands unless otherwise stated

22 DEFERRED INCOME TAX *(Continued)*

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

Deferred tax liabilities:

	Group			
	Accelerated tax depreciation	Fair value gains	Undistributed profits of subsidiaries	Total
At 1 January 2009	1,863	—	—	1,863
(Credited)/charged to the consolidated income statement	(599)	4,553	—	3,954
At 31 December 2009	1,264	4,553	—	5,817
(Credited)/charged to the consolidated income statement	(47)	(23)	73,188	73,118
At 31 December 2010	**1,217**	**4,530**	**73,188**	**78,935**

Deferred tax assets:

	Group Tax losses
At 1 January 2009	(819)
Credited to the consolidated income statement	(8,704)
At 31 December 2009	(9,523)
Charged to the consolidated income statement	5,406
At 31 December 2010	**(4,117)**

All amounts in Hong Kong dollar thousands unless otherwise stated

22 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$720,000 (2009: HK$12,748,000) in respect of losses amounting to approximately HK$3,942,000 (2009: HK$53,118,000) that can be carried forward against future taxable income, approximately HK$1,087,000 (2009: HK$7,492,000), HK$1,025,000 (2009: HK$16,387,000), HK$Nil (2009: HK$ 28,460,000) and HK$134,000 (2009: HK$Nil) of such losses will expire in 2012, 2013, 2014 and 2015 respectively. The remaining balance of HK$ 1,696,000 (2009: HK$779,000) does not have expiry date.

Deferred income tax liabilities of approximately HK$57,638,000 (2009: HK$66,198,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries and associates in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2010, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK$1,152,760,000 (2009: HK$1,323,960,000).

23 PROVISION FOR LEGAL CLAIM

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

	Group	
	2010	2009
At beginning of the year	85,332	—
Transferred to other payables upon agreement of settlement amount	(48,516)	—
(Reversal of provision)/provision for legal claim	(36,816)	85,332
At end of the year	—	85,332

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

All amounts in Hong Kong dollar thousands unless otherwise stated

24 EXPENSES BY NATURE

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

	2010	2009
Amortisation charge of leasehold land and land use rights *(Note 6)*	16,706	8,724
Depreciation charge of property, plant and equipment	324,554	252,755
Amortisation charge of intangible assets *(Note 9)*	2,112	1,766
Employee benefit expenses *(Note 25)*	453,719	357,693
Cost of inventories *(Note 13)*	2,741,936	1,736,896
Other selling expenses (including transportation and advertising costs)	210,779	125,412
Operating lease payments in respect of land and buildings	4,974	4,509
Provision for impairment of trade receivables, net *(Note 14)*	3,846	8,044
Auditors' remuneration	4,269	3,366
Refunds of the overpaid export Value Added Tax ("VAT") *(note (a))*	—	(89,644)
Direct operating expenses arising from investment property that generate rental income	913	900
Other expenses, net	816,542	677,116
Total cost of sales, selling and marketing costs and administrative expenses	4,580,350	3,087,537

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

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All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES

	2010	2009
Wages and salaries	410,429	321,282
Share options granted to employees	17,723	19,171
Pension costs - defined contribution plans *(note (a))*	25,567	17,240
	453,719	357,693

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

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

All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(A) DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution to pension scheme	Total
LEE Yin Yee	250	49	4,680	2	4,981
TUNG Ching Bor	250	1,452	1,100	12	2,814
TUNG Ching Sai	250	5,046	2,200	12	7,508
LEE Yau Ching	250	1,387	880	12	2,529
LEE Shing Kan	250	1,150	680	12	2,092
LI Man Yin	250	980	680	12	1,922
NG Ngan Ho	250	—	—	—	250
LI Ching Wai	250	—	—	—	250
SZE Nang Sze	250	—	—	—	250
LI Ching Leung	250	—	—	—	250
LAM Kwong Siu	250	—	—	—	250
WONG Chat Chor Samuel	250	—	—	—	250
WONG Ying Wai	250	—	—	—	250

Notes to the Consolidated Financial Statements

All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

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

The remuneration of every Director for the year ended 31 December 2009 is set out below:

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

All amounts in Hong Kong dollar thousands unless otherwise stated

25 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2009: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2009: one) individual during the year are as follows:

	2010	2009
Basic salaries and allowances	3,744	3,636
Discretionary and performance bonus	—	—
Employer's contribution to pension scheme	25	32
Share options granted *(note (a))*	473	266
	4,242	3,934

Note (a):

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

(C) During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2009: HK$Nil).

26 OTHER INCOME

	2010	2009
Rental income	5,054	4,900
Anti-dumping duties refund	1,203	13,133
Government grants *(note (a))*	67,172	2,543
Others	11,619	13,052
	85,048	33,628

Note (a):

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

Notes to the Consolidated Financial Statements

All amounts in Hong Kong dollar thousands unless otherwise stated

27 OTHER (LOSSES) / GAINS - NET

	2010	2009
Losses on disposal of property, plant and equipment	(1,385)	(10,577)
Impairment loss of property, plant and equipment *(Note 7)*	—	(1,119)
Impairment charge of goodwill *(Note 9)*	(2,943)	—
Loss on disposal of a subsidiary	(12,163)	—
Fair value gains on financial assets at fair value through profit or loss	—	1,723
(Losses)/gains on disposal of financial assets at fair value through profit or loss	(539)	2,378
Fair value (losses)/gains on investment property	(143)	21,302
Fair value (losses)/gains on trading derivatives	(2,638)	147
Losses on disposal of trading derivatives	(497)	—
Other foreign exchange gains/(losses), net	10,832	(511)
	(9,476)	13,343

28 FINANCE INCOME AND COSTS

FINANCE INCOME:

	2010	2009
Interest income on short-term bank deposits	2,797	5,282
Interest income on loan advanced to an associate *(Note 35)*	314	1,500
	3,111	6,782

FINANCE COSTS:

	2010	2009
Interest expense on bank borrowings	32,933	23,875
Less: interest expense capitalised on qualifying assets	(26,094)	(8,659)
	6,839	15,216

All amounts in Hong Kong dollar thousands unless otherwise stated

29 INCOME TAX EXPENSE

	2010	2009
Current income tax		
– Hong Kong profits tax *(note (a))*	14,462	1,289
– PRC corporate income tax *(note (b))*	213,768	47,104
– Overseas income tax *(note (c))*	1,172	8,613
– Under/(over)-provision in prior years	12,800	(4,864)
Deferred income tax *(Note 22)*		
– Origination and reversal of temporary differences	78,524	(4,750)
	320,726	47,392

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

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

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

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

Under the new CIT Law, entities currently enjoying tax holidays will continue to enjoy them until they expire. The CIT rate applicable to the PRC subsidiaries under tax holiday and applying reduced CIT rate will gradually increase to 25% in 5-year period from 2008 to 2012. The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu and Dongguan are 22% (2009: 20%), 11% (2009: Nil) and 12.5% to 25% (2009: Nil to 12.5%), respectively.

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

(c) Overseas income tax

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

29 INCOME TAX EXPENSE *(Continued)*

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

	2010	2009
Profit before income tax	1,893,138	823,997
Calculated at weighted average tax rate of 24% (2009: 24%)	454,353	197,759
Preferential tax rates on income of certain PRC subsidiaries	(213,051)	(157,609)
Effect of different tax rates in other countries	(10,926)	4,393
Under/(over)-provision in prior years	12,800	(4,864)
Tax losses for which no deferred income tax asset was recognised	6,429	7,014
Utilisation of previously unrecognised tax losses	(2,059)	(514)
Income not subject to tax	(10,285)	(516)
Expenses not deductible for tax purposes	103	1,729
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries and associates	83,362	—
Income tax expense	320,726	47,392

30 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$713,052,000 (2009: HK$412,120,000).

31 EARNINGS PER SHARE

BASIC:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (after taking into account the effect of the Bonus Issue as stated in note 18 (d)) during the year excluding ordinary shares purchased by the Company.

	2010	2009 (restated)
Profit attributable to equity holders of the Company (HK$'000)	1,571,198	773,526
Weighted average number of ordinary shares in issue (thousands)	3,535,864	3,505,806
Basic earnings per share (HK$ per share)	0.4443	0.2206

31 EARNINGS PER SHARE *(Continued)*

DILUTED:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and adjusting for the Bonus Issue in June 2010 (as stated in note 18(d)). The dilutive potential ordinary share of the Company is share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010	2009 (restated)
Profit attributable to equity holders of the Company (HK$'000)	1,571,198	773,526
Weighted average number of ordinary shares in issue (thousands)	3,535,864	3,505,806
Adjustments for share options (thousands)	34,328	8,834
Weighted average number of ordinary shares for diluted earnings per share (thousands)	3,570,192	3,514,640
Diluted earnings per share (HK$ per share)	0.4401	0.2201

32 DIVIDENDS

The dividends paid in 2010 and 2009 were HK$548,967,000 (HK$0.16 per share (restated)) and HK$257,858,000 (HK$0.08 per share (restated)), respectively. A final dividend in respect of the financial year ended 31 December 2010 of HK $0.13 per share (2009: HK$0.08 per share (restated)), amounting to a total dividend of HK$457,222,000 (2009: HK$265,629,000), is to be proposed at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

	2010	2009
Interim dividend paid of HK$0.08 (2009: HK$0.03 (restated)) per share	283,338	106,383
Proposed final dividend of HK $0.13 (2009: HK$0.08 (restated)) per share	457,222	265,629
	740,560	372,012

All amounts in Hong Kong dollar thousands unless otherwise stated

33 CASH GENERATED FROM OPERATIONS

	2010	2009
Profit before income tax	1,893,138	823,997
Adjustments for:		
– Loss on disposal of a subsidiary	12,163	—
– Depreciation of property, plant and equipment	324,554	252,755
– Losses on disposal of property, plant and equipment	1,385	10,577
– Impairment loss of property, plant and equipment	—	1,119
– Impairment charge of goodwill	2,943	—
– Amortisation charge of leasehold land and land use rights	16,706	8,724
– Amortisation charge of intangible assets	2,112	1,766
– Interest income	(3,111)	(6,782)
– Interest expense	6,839	15,216
– (Reversal of provision) / provision for legal claim	(36,816)	85,332
– Share options granted to employees	17,723	19,171
– Losses / (gains) on disposal of financial assets at fair value through profit or loss	539	(2,378)
– Fair value gains on financial assets at fair value through profit or loss	—	(1,723)
– Fair value losses / (gains) on trading derivatives	2,638	(147)
– Fair value losses / (gains) on investment property	143	(21,302)
– Share of profits of associates	(514)	(372)
– Provision for impairment of trade receivables, net	3,846	8,044
Changes in working capital:		
– Inventories	(121,893)	(60,669)
– Trade and other receivables	(712,569)	(190,297)
– Amounts due from customers for contract work	27,057	21,700
– Amount due to an associate	2,910	(1,290)
– Trade payables, accruals and other payables	63,085	432,043
Cash generated from operations	1,502,878	1,395,484

All amounts in Hong Kong dollar thousands unless otherwise stated

33 CASH GENERATED FROM OPERATIONS *(Continued)*

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

	2010	2009
Net book amount of property, plant and equipment *(Note 7)*	8,395	15,561
Loss on disposal of property, plant and equipment *(Note 27)*	(1,385)	(10,577)
Proceeds from disposal of property, plant and equipment	7,010	4,984

NON-CASH TRANSACTION

As at 31 December 2010, the Group had payable for property, plant and equipment of HK$232,838,000 (2009: HK$201,198,000) which was included in trade payables, accruals and other payables.

34 COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure at the end of reporting date but not yet incurred is as follows:

	2010	2009
Property, plant and equipment		
Authorised but not contracted for	658,383	1,674,190
Contracted but not provided for	1,241,584	905,717
	1,899,967	2,579,907

OPERATING LEASE COMMITMENTS

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

	2010	2009
Not later than 1 year	3,302	4,040
Later than 1 year and not later than 5 years	2,849	5,896
	6,151	9,936

All amounts in Hong Kong dollar thousands unless otherwise stated

34 COMMITMENTS *(Continued)*

OPERATING LEASE COMMITMENTS *(Continued)*

The investment property is leased to a tenant under a long-term operating lease with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment property not recognised in the consolidated financial statements are receivable as follows:

	2010	2009
Not later than 1 year	3,558	4,254
Later than 1 year and not later than 5 years	—	3,558
	3,558	7,812

35 RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(A) PURCHASES OF GOODS AND LOAN INTEREST INCOME FROM AN ASSOCIATE

	2010	2009
Purchases of goods		
– Beihai Yiyang Mineral Company Limited	37,850	26,252
– Dongyuan County Xinhuali Quartz Sand Company Limited	13,470	—
Loan interest income *(Note 28)*		
– Beihai Yiyang Mineral Company Limited	314	1,500

(B) YEAR-END BALANCES WITH RELATED PARTIES

	2010	2009
Loans advance to associates		
- Beihai Yiyang Mineral Company Limited	776	1,842
- Dongyuan County Xinhuali Quartz Sand Company Limited	38,706	—
	39,482	1,842
Amount due to an associate		
- Beihai Yiyang Mineral Company Limited	(2,910)	—

All amounts in Hong Kong dollar thousands unless otherwise stated

35 RELATED PARTY TRANSACTIONS *(Continued)*

(C) KEY MANAGEMENT COMPENSATION

	2010	2009
Basic salaries and allowances	15,150	11,853
Discretionary and performance bonus	15,222	10,680
Employer's contributions to pension scheme	138	81
Share options granted	3,951	1,156
	34,461	23,770

36 EVENTS AFTER THE BALANCE SHEET DATE

On 28 February 2011, the Board considers the feasibility of a proposed spin-off of its solar glass business. In this connection, the Company submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. No final decision has been made by the Company as to whether and when the proposed spin-off will proceed. There is also no assurance that the Stock Exchange will approve the proposed spin-off to proceed.

Financial Summary

All amounts in Hong Kong dollar thousands unless otherwise stated

A summary of the results and of the assets and liabilities of the group for the last five financial years is presented below.

	Year ended 31 December				
	2010	2009	2008	2007	2006
Result					
Revenue	**6,364,314**	3,957,957	3,894,283	2,774,624	1,933,173
Cost of sales	**(3,809,267)**	(2,496,047)	(2,683,403)	(1,702,269)	(1,232,981)
Gross profit	**2,555,047**	1,461,910	1,210,880	1,072,355	700,192
Profit before income tax	**1,893,138**	823,997	753,054	703,166	401,793
Income tax expense	**(320,726)**	(47,392)	(42,256)	(30,165)	(15,981)
Profit for the year	**1,572,412**	776,605	710,798	673,001	385,812
Profit attributable to					
– Equity holders of the Company	**1,571,198**	773,526	709,232	670,860	388,235
– Non-controlling interests	**1,214**	3,079	1,566	2,141	(2,423)
	1,572,412	776,605	710,798	673,001	385,812
Dividends	**740,560**	372,012	337,116	313,103	176,512
Asset and Liabilities					
Total assets	**11,016,498**	8,009,699	6,497,938	5,370,529	3,245,024
Total liabilities	**4,460,604**	2,579,113	2,108,402	1,325,007	998,701
	6,555,894	5,430,586	4,389,536	4,045,522	2,246,323
Equity attributable to equity holders of the Company	**6,536,267**	5,410,514	4,369,332	4,045,079	2,248,030
Non-controlling interests	**19,627**	20,072	20,204	443	(1,707)
	6,555,894	5,430,586	4,389,536	4,045,522	2,246,323