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XINYI GLASS HOLDINGS LIMITED

信義玻璃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00868)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

HIGHLIGHTS

- Revenue for the six months ended 30 June 2012 reached HK\$4,592.7 million, representing an increase of 18.3%, as compared with HK\$3,881.0 million for the six months ended 30 June 2011.
- Net profit attributable to the equity holders of the Company for the six months ended 30 June 2012 reached HK\$476.9 million, representing a decrease of 43.4%, as compared with HK\$842.0 million for the six months ended 30 June 2011.
- Basic earnings per Share for the six months ended 30 June 2012 was 12.84 HK cents, as compared with 23.79 HK cents for the six months ended 30 June 2011.
- The Directors declare an interim dividend of 6.0 HK cents per Share for the six months ended 30 June 2012.

The board (the “**Board**”) of directors (the “**Directors**”) of Xinyi Glass Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		As at	
		30 June 2012	31 December 2011
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	1,307,072	1,330,825
Property, plant and equipment	6	9,782,278	9,621,579
Investment property		52,000	35,223
Deposits for property, plant and equipment and land use rights		124,646	129,970
Intangible assets		97,623	99,806
Available-for-sale financial assets		610	617
Interests in associates		55,091	51,948
Loan to an associate		35,244	35,679
Deferred income tax assets		<u>3,555</u>	<u>5,397</u>
		<u>11,458,119</u>	<u>11,311,044</u>
Current assets			
Inventories		1,245,259	1,246,127
Loans to associates		2,439	2,469
Trade and other receivables	7	2,168,355	2,073,100
Pledged bank deposits	8	876	784
Cash and bank balances	8	<u>935,622</u>	<u>712,964</u>
		<u>4,352,551</u>	<u>4,035,444</u>
Total assets		<u>15,810,670</u>	<u>15,346,488</u>

		As at	
		30 June	31 December
		2012	2011
	Note	(Unaudited)	(Audited) (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	9	377,102	368,332
Share premium	9	3,474,358	3,088,388
Other reserves	10	1,683,547	1,787,208
Retained earnings			
— Dividend		226,261	184,166
— Others		<u>3,336,703</u>	<u>3,084,503</u>
		9,097,971	8,512,597
Non-controlling interests		<u>19,874</u>	<u>17,708</u>
Total equity		<u>9,117,845</u>	<u>8,530,305</u>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	12	3,133,953	3,214,096
Deferred income tax liabilities		100,676	100,706
Deferred government grants		<u>70,614</u>	<u>83,259</u>
		<u>3,305,243</u>	<u>3,398,061</u>
Current liabilities			
Amounts due to associates		33	33
Trade payables, accruals and other payables	11	2,105,177	2,166,281
Current income tax liabilities		94,561	147,094
Bank and other borrowings	12	<u>1,187,811</u>	<u>1,104,714</u>
		<u>3,387,582</u>	<u>3,418,122</u>
Total liabilities		<u>6,692,825</u>	<u>6,816,183</u>
Total equity and liabilities		<u>15,810,670</u>	<u>15,346,488</u>
Net current assets		<u>964,969</u>	<u>617,322</u>
Total assets less current liabilities		<u>12,423,088</u>	<u>11,928,366</u>

Condensed Consolidated Income Statement

(All amount in Hong Kong dollar thousands unless otherwise stated)

		Six months ended 30 June	
	Note	2012	2011
		(Unaudited)	(Unaudited)
Revenue	4	4,592,724	3,880,986
Cost of sales	13	<u>(3,501,450)</u>	<u>(2,510,821)</u>
Gross profit		1,091,274	1,370,165
Other income	4	3,182	3,451
Other gains - net	4	40,023	53,666
Selling and marketing costs	13	(228,931)	(202,627)
Administrative expenses	13	<u>(327,037)</u>	<u>(239,999)</u>
Operating profit		578,511	984,656
Finance income	14	5,551	1,447
Finance costs	14	(25,780)	(5,304)
Share of profits of associates		<u>2,916</u>	<u>1,595</u>
Profit before income tax		561,198	982,394
Income tax expense	15	<u>(83,800)</u>	<u>(140,050)</u>
Profit for the period		<u>477,398</u>	<u>842,344</u>
Attributable to:			
— Equity holders of the Company		476,859	842,039
— Non-controlling interests		<u>539</u>	<u>305</u>
		<u>477,398</u>	<u>842,344</u>
Interim dividend	16	<u>226,261</u>	<u>399,828</u>
Earnings per Share for profit attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per Share)			
— Basic	17	<u>12.84</u>	<u>23.79</u>
— Diluted	17	<u>12.76</u>	<u>23.44</u>

Condensed Consolidated Statement of Comprehensive Income

(All amount in Hong Kong dollar thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2012	2011
Profit for the period	<u>477,398</u>	<u>842,344</u>
Other comprehensive income		
Currency translation differences	<u>(130,592)</u>	<u>215,209</u>
Total comprehensive income for the period	<u><u>346,806</u></u>	<u><u>1,057,553</u></u>
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	346,441	1,056,998
— Non-controlling interests	<u>365</u>	<u>555</u>
	<u><u>346,806</u></u>	<u><u>1,057,553</u></u>

Condensed Consolidated Statement of Changes in Equity

(All amount in Hong Kong dollar thousands unless otherwise stated)

		Unaudited						
		Attributable to equity holders of the Company					Non-	Total
Note	Share capital	Share premium	Other reserves	Retained earnings	Total	controlling interests	equity	
Balance at 31 December 2011 and 1 January 2012								
	368,332	3,088,388	1,787,208	3,263,621	8,507,549	17,708	8,525,257	
Change in accounting policy — Adoption of HKAS 12 amendment								
3(a)	—	—	—	5,048	5,048	—	5,048	
Balance at 1 January 2012, as restated								
	368,332	3,088,388	1,787,208	3,268,669	8,512,597	17,708	8,530,305	
Total Comprehensive income for the period ended 30 June 2012								
	—	—	(130,418)	476,859	346,441	365	346,806	
Employees share option scheme:								
— Proceeds from shares issued								
	497	12,094	(3,097)	—	9,494	—	9,494	
— Value of employee services								
	—	—	19,137	—	19,137	—	19,137	
— Release on forfeiture of share options								
	—	—	(5,966)	5,966	—	—	—	
Issuance of new shares								
9(b)	8,273	373,876	—	—	382,149	—	382,149	
Dividends paid to non-controlling shareholders								
	—	—	—	—	—	(50)	(50)	
Dividends relating to 2011								
16	—	—	—	(188,530)	(188,530)	—	(188,530)	
Convertible bonds - equity component								
12	—	—	16,683	—	16,683	—	16,683	
Issuance of warrants								
a	—	—	—	—	—	1,851	1,851	
	8,770	385,970	26,757	(182,564)	238,933	1,801	240,734	
Balance at 30 June 2012								
	<u>377,102</u>	<u>3,474,358</u>	<u>1,683,547</u>	<u>3,562,964</u>	<u>9,097,971</u>	<u>19,874</u>	<u>9,117,845</u>	

Note (a):

On 3 May 2012, the company's indirectly wholly-owned subsidiary, Xinyi Solar Holdings Limited ("Xinyi Solar") issued 98,087,881 warrants. Net proceeds of HK\$1,851,000 was received, representing the aggregate subscription price of HK\$1,940,000, net of related transaction costs of HK\$89,000.

Unaudited							
Attributable to equity holders of the Company							
Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2010 and 1 January 2011	351,709	2,016,842	1,198,142	2,969,574	6,536,267	19,627	6,555,894
Change in accounting policy — Adoption of HKAS 12 amendment	3(a) —	—	—	4,530	4,530	—	4,530
Balance at 1 January 2011, as restated	351,709	2,016,842	1,198,142	2,974,104	6,540,797	19,627	6,560,424
Total Comprehensive income for the period ended 30 June 2011	—	—	214,959	842,039	1,056,998	555	1,057,553
Employees share option scheme:							
— Proceeds from shares issued	1,771	48,252	(12,096)	—	37,927	—	37,927
— Value of employee services	—	—	15,311	—	15,311	—	15,311
— Release on forfeiture of share options	—	—	(1,114)	1,114	—	—	—
Issuance of new shares	10,000	810,767	—	—	820,767	—	820,767
Dividends paid to non-controlling shareholders	—	—	—	—	—	(592)	(592)
Dividends relating to 2010 paid in June 2011	16 —	—	—	(458,646)	(458,646)	—	(458,646)
	<u>11,771</u>	<u>859,019</u>	<u>2,101</u>	<u>(457,532)</u>	<u>415,359</u>	<u>(592)</u>	<u>414,767</u>
Balance at 30 June 2011	<u>363,480</u>	<u>2,875,861</u>	<u>1,415,202</u>	<u>3,358,611</u>	<u>8,013,154</u>	<u>19,590</u>	<u>8,032,744</u>

Condensed Consolidated Cash Flow Statement

(All amount in Hong Kong dollar thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2012	2011
Cash flows generated from operating activities — net		492,803	802,291
Cash flows used in investing activities — net		(715,600)	(2,238,282)
Cash flows generated from financing activities — net		<u>406,993</u>	<u>1,564,567</u>
Net increase in cash and cash equivalents		184,196	128,576
Cash and cash equivalents at beginning of the period		632,792	564,620
Effect of foreign exchange rate changes		<u>(4,766)</u>	<u>10,365</u>
Cash and cash equivalents at 30 June	8	<u><u>812,222</u></u>	<u><u>703,561</u></u>

Notes to the condensed consolidated financial information

1 General information

Xinyi Glass Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) is principally engaged in the production and sales of automobile glass, construction glass, float glass and solar glass products through production complexes located in the People’s Republic of China (the “**PRC**”).

The principal place of business of the Group in Hong Kong is situated at 3rd Floor, Harbour View 2, 16 Science Park East Avenue, Hong Kong Science Park Phase 2, Pak Shek Kok, Tai Po, New Territories, Hong Kong.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Directors on 30 July 2012.

Key events

Pursuant to an agreement entered into by the Company and certain subscribers on 3 May 2012, the Company issued 82,729,211 shares (the “**Shares**”) at a subscription price of HK\$4.69 per Share and convertible bonds in the principal amount of HK\$776,000,000 during the six months ended 30 June 2012.

Pursuant to an agreement entered into by the Company and its indirectly wholly-owned subsidiary, Xinyi Solar Holdings Limited (“**Xinyi Solar**”) with certain subscribers on 3 May 2012, Xinyi Solar issued 98,087,881 warrants and granted an option to subscribe for the zero coupon guaranteed variable maturity bonds due 2017 in the principal amount of HK\$233,000,000 during the six months ended 30 June 2012.

For further details of the above key events, please refer to the Company’s announcement dated 3 May 2012.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“**HKAS**”) 34, ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This unaudited condensed consolidation interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) *Changes in accounting policies*

MEASUREMENT OF DEFERRED TAX ASSETS OR LIABILITIES

In December 2010, the HKICPA amended HKAS 12, 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended June 2012 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair values totalling HK\$35,223,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to certain investment properties amounting to HK\$35,223,000 according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarized below.

	30 June 2012	31 December 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Effect on consolidated balance sheet		
Decrease in deferred tax liabilities	—	5,048
Increase in retained earnings	—	5,048
	30 June 2012	30 June 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease in income tax expense	—	—
Increase in net profit attributable to owners of the company	—	—
Increase in basic EPS	—	—
Increase in diluted EPS	—	—

CONVERTIBLE BONDS

Convertible bonds issued by the Group can be settled at the holder's option by either party by the exchange of a fixed amount of cash for a fixed number of the Company's shares. They are compound instruments that contain both liability and equity component.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into shares of the Company is recognised in equity (convertible bonds equity reserve). Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion at maturity or expiration of the option.

WARRANTS

Warrants issued by a subsidiary of the Group that will be settled by exchanging fixed amount of cash for a fixed number of the subsidiary's equity instruments are classified as an equity instrument. Where the warrants are issued by a subsidiary of the Company, they are presented as part of non-controlling interests within equity.

The fair value of warrants on the date of issue is recognized as part of non-controlling interests within equity. Incremental costs directly attributable to the issue of new warrants are shown in equity as a deduction, net of tax, from the proceeds. The warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where warrants remain unexercised at the expiry date, the amount initially recognized in warrants reserve will be released to the retained earnings. Where the warrants cancelled before the expiry date and the proceeds received upon the issue of warrants are recognized to return in cash, the amount initially recognized in non-controlling interests will be transferred to retained earnings within equity if the investors give up their warrants to acquire the shares of the subsidiary after the warrants have expired. No gains or losses are recognised in earnings for transactions between the parent entity and the non-controlling interest, unless control is lost.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

4 **Segment information**

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

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

Among these operating segments, these operating segments are aggregated into 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 other 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 the relevant parties. The revenue from external parties reported to the executive Directors is measured in a manner consistent with that in the consolidated income statement.

The unaudited segment information for the period ended 30 June 2012:

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	1,473,195	670,170	2,105,218	799,394	—	5,047,977
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>(455,253)</u>	<u>—</u>	<u>—</u>	<u>(455,253)</u>
Revenue from external customers	1,473,195	670,170	1,649,965	799,394	—	4,592,724
Cost of sales	<u>(845,567)</u>	<u>(433,673)</u>	<u>(1,579,826)</u>	<u>(642,384)</u>	<u>—</u>	<u>(3,501,450)</u>
Gross profit	<u>627,628</u>	<u>236,497</u>	<u>70,139</u>	<u>157,010</u>	<u>—</u>	<u>1,091,274</u>
Depreciation of property, plant and equipment (Note 13)	56,789	36,839	145,667	53,192	1,099	293,586
Amortisation — leasehold land and land use rights (Note 13)	1,905	683	6,102	2,607	1,435	12,732
— intangible assets (Note 13)	1,104	—	798	—	—	1,902
Provision for impairment of trade and other receivables, net (Note 13)	<u>985</u>	<u>—</u>	<u>—</u>	<u>(205)</u>	<u>—</u>	<u>780</u>
Total assets	<u>2,698,455</u>	<u>1,620,730</u>	<u>7,409,157</u>	<u>3,153,860</u>	<u>928,468</u>	<u>15,810,670</u>
Total assets included:						
Interests in associates	—	—	—	—	55,091	55,091
Loans to an associate	—	—	—	—	37,683	37,683
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>26,896</u>	<u>145,769</u>	<u>260,841</u>	<u>106,819</u>	<u>24,611</u>	<u>564,936</u>
Total liabilities	<u>492,226</u>	<u>188,027</u>	<u>841,647</u>	<u>408,214</u>	<u>4,762,711</u>	<u>6,692,825</u>

The unaudited segment revenue for the period ended 30 June 2011 and the audited segment assets and liabilities as at 31 December 2011:

	Automobile glass	Construction glass	Float glass	Solar glass	Unallocated	Total
Segment revenue	1,453,332	434,289	1,927,929	653,561	—	4,469,111
Inter-segment revenue	—	—	(588,125)	—	—	(588,125)
Revenue from external customers	1,453,332	434,289	1,339,804	653,561	—	3,880,986
Cost of sales	(844,237)	(288,864)	(1,043,861)	(333,859)	—	(2,510,821)
Gross profit	609,095	145,425	295,943	319,702	—	1,370,165
Depreciation of property, plant and equipment (Note 13)	47,795	33,915	87,068	22,428	1,306	192,512
Amortisation — leasehold land and land use rights (Note 13)	2,005	671	6,304	1,299	37	10,316
— intangible assets (Note 13)	1,163	—	203	—	—	1,366
Provision for impairment of trade and other receivables, net (Note 13)	2,407	(518)	—	(1,184)	—	705
Total assets	2,575,013	1,382,484	7,615,849	3,115,125	658,017	15,346,488
Total assets included:						
Interests in associates	—	—	—	—	51,948	51,948
Loans to associates	—	—	—	—	38,148	38,148
Additions to non-current assets (other than financial instruments and deferred income tax assets)	171,589	130,183	1,800,881	986,509	302,483	3,391,645
Total liabilities	572,469	250,111	1,004,450	518,374	4,470,779	6,816,183

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

	Unaudited	
	For the six months	
	ended 30 June	
	2012	2011
Segment gross profit	1,091,274	1,370,165
Unallocated:		
Other income	3,182	3,451
Other gains — net	40,023	53,666
Selling and marketing costs	(228,931)	(202,627)
Administrative expenses	(327,037)	(239,999)
Finance income	5,551	1,447
Finance costs	(25,780)	(5,304)
Share of profits of associates	<u>2,916</u>	<u>1,595</u>
Profit before income tax	<u>561,198</u>	<u>982,394</u>

Reportable segments assets/(liabilities) for the period ended 30 June 2012 and the year ended 31 December 2011 are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment assets/(liabilities)	14,882,202	14,688,471	(1,930,114)	(2,345,404)
Unallocated:				
Leasehold land and land use rights	231,659	230,834	—	—
Property, plant and equipment	149,063	108,546	—	—
Deposits for property, plant and equipment and land use rights	28,095	33,903	—	—
Interests in associates	55,091	51,948	—	—
Balances with associates	37,683	38,148	(33)	(33)
Available-for-sale financial assets	610	617	—	—
Deferred income tax assets	3,555	5,397	—	—
Prepayments, deposits and other receivables	15,082	11,907	—	—
Cash and bank balances	407,630	176,717	—	—
Accruals and other payables	—	—	(363,638)	(120,238)
Current income tax liabilities	—	—	—	(10,291)
Deferred income tax liabilities	—	—	(100,676)	(100,706)
Current bank borrowings	—	—	(1,164,411)	(1,025,415)
Non-current bank borrowings	<u>—</u>	<u>—</u>	<u>(3,133,953)</u>	<u>(3,214,096)</u>
Total assets/(liabilities)	<u>15,810,670</u>	<u>15,346,488</u>	<u>(6,692,825)</u>	<u>(6,816,183)</u>

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

	Unaudited	
	For the six months	
	ended 30 June	
	2012	2011
Sales of automobile glass	1,473,195	1,453,332
Sales of construction glass	670,170	434,289
Sales of float glass	1,649,965	1,339,804
Sales of solar glass	<u>799,394</u>	<u>653,561</u>
Total	<u>4,592,724</u>	<u>3,880,986</u>

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

	Unaudited	
	For the six months	
	ended 30 June	
	2012	2011
Greater China	3,163,732	2,481,340
North America	537,458	503,558
Europe	249,687	292,935
Other countries	<u>641,847</u>	<u>603,153</u>
	<u>4,592,724</u>	<u>3,880,986</u>

An analysis of the Group's non-current assets other than financial instruments, loan to an associate 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:

	As at	
	30 June	31 December
	2012	2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China	11,408,480	11,259,032
North America	9,848	9,849
Other countries	<u>382</u>	<u>470</u>
	<u>11,418,710</u>	<u>11,269,351</u>

5 Leasehold land and land use rights — Group

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

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
In Hong Kong, held on:		
Lease of between 10 to 50 years	2,616	2,653
Outside Hong Kong, held on:		
Land use rights of between 10 to 50 years	<u>1,304,456</u>	<u>1,328,172</u>
	<u>1,307,072</u>	<u>1,330,825</u>

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Beginning balance	1,330,825	894,157
Exchange differences	(16,104)	44,021
Addition	5,083	418,197
Amortisation charge	<u>(12,732)</u>	<u>(25,550)</u>
	<u>1,307,072</u>	<u>1,330,825</u>

6 **Property, plant and equipment — Group**

	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
Opening net book amount as at 1 January 2012	1,541,468	1,868,010	6,196,811	15,290	9,621,579
Exchange differences	(18,607)	(22,478)	(75,587)	(180)	(116,852)
Additions	496,554	25,498	40,884	1,022	563,958
Transfer upon completion	(750,570)	254,897	493,872	1,801	—
Disposals	—	—	(217)	—	(217)
Depreciation	<u>—</u>	<u>(34,010)</u>	<u>(250,537)</u>	<u>(1,643)</u>	<u>(286,190)</u>
Closing net book amount as at 30 June 2012	<u>1,268,845</u>	<u>2,091,917</u>	<u>6,405,226</u>	<u>16,290</u>	<u>9,782,278</u>

7 **Trade and bills receivables — Group**

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (note (a))	1,141,223	752,234
Less: provision for impairment of trade receivables	<u>(14,577)</u>	<u>(14,109)</u>
	1,126,646	738,125
Bills receivables (note (b))	<u>309,997</u>	<u>596,417</u>
Trade and bills receivables — net	1,436,643	1,334,542
Prepayments, deposits and other receivables	<u>731,712</u>	<u>738,558</u>
	<u>2,168,355</u>	<u>2,073,100</u>

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2012 and 31 December 2011, the ageing analysis of the Group's trade receivables were as follows:

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	968,772	619,524
91-180 days	95,907	85,919
181-365 days	52,935	28,960
1-2 years	13,878	10,699
Over 2 years	<u>9,731</u>	<u>7,132</u>
	<u>1,141,223</u>	<u>752,234</u>

- (b) The maturities of bills receivables are ranging within six months.

8 Cash and bank balances

Cash and bank balances include the following for the purpose of the condensed consolidated cash flows:

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and bank balances	936,498	713,748
Less:		
— Pledged bank deposits (<i>Note</i>)	(876)	(784)
— Bank deposits with maturity more than three months	<u>(123,400)</u>	<u>(80,172)</u>
	<u>812,222</u>	<u>632,792</u>

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

9 Share capital

	<i>Note</i>	Number of Shares	Ordinary shares of HK\$0.1 each	Share premium	Total
Authorised:					
As at 31 December 2011 and 30 June 2012		<u>20,000,000,000</u>	<u>2,000,000</u>	—	<u>2,000,000</u>
Issued and fully paid:					
As at 1 January 2012		3,683,324,044	368,332	3,088,388	3,456,720
Issues of Shares under an employees' share option scheme	(a)	4,965,600	497	12,094	12,591
Issuance of new Shares	(b)	<u>82,729,211</u>	<u>8,273</u>	<u>373,876</u>	<u>382,149</u>
As at 30 June 2012		<u>3,771,018,855</u>	<u>377,102</u>	<u>3,474,358</u>	<u>3,851,460</u>

Notes:

- (a) Details of the movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012		2011	
	Average exercise price in HK dollar per Share	Options (thousands)	Average exercise price in HK dollar per Share	Options (thousands)
At 1 January	3.80	89,933	2.75	89,279
Granted	4.34	26,250	6.44	23,718
Exercised	1.91	(4,966)	2.15	(17,711)
Lapsed	4.63	(2,302)	3.89	(2,983)
Expired	<u>2.34</u>	<u>(7,302)</u>	<u>3.49</u>	<u>(207)</u>
At 30 June	<u>4.11</u>	<u>101,613</u>	<u>3.77</u>	<u>92,096</u>

Out of the 101,613,000 outstanding options, 20,960,000 options were exercisable as at 30 June 2012. Options exercised in 2012 resulted in 4,966,000 ordinary shares being issued at a weighted average price at the time of exercise of HK\$1.91 each.

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

Expiry date	Exercise price in HK dollar per share	Options (thousands)
19 April 2013	2.34	20,960
31 March 2014	3.55	33,095
31 March 2015	6.44	21,596
31 March 2016	4.34	<u>25,962</u>
		<u><u>101,613</u></u>

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited. The value of share options granted during the period was based on the following assumptions:

Date of grant	23 May 2012
Option valued	1.396
Share price at the date of grant	HK\$4.34
Exercisable price	HK\$4.34
Expected volatility	56.89%
Annual risk-free interest rate	0.32%
Life of option	3 years and 10 months
Dividend yield	3.69%

- (b) In May 2012, 82,729,211 Shares were allotted and issued by way of a placing at HK\$ 4.69 per Share, totaling HK\$388,000,000 and the related transaction costs amounting to HK\$ 5,851,000 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.

10 Other reserve — Group

	Statutory reserve fund	Enterprise expansion fund	Foreign currency translation reserve	Capital reserve	Share options reserve	Property revaluation reserve	Capital redemption reserve	Convertible bonds equity reserve	Subtotal	Retained earnings (Restated)	Total
Balance at 1 January 2012	608,707	49,221	1,056,695	11,840	51,179	624	8,942	—	1,787,208	3,268,669	5,055,877
Profit for the period	—	—	—	—	—	—	—	—	—	476,859	476,859
Currency translation differences	—	—	(130,418)	—	—	—	—	—	(130,418)	—	(130,418)
Employees' share option scheme:											
— Proceeds from shares issued	—	—	—	—	(3,097)	—	—	—	(3,097)	—	(3,097)
— Value of employee service	—	—	—	—	19,137	—	—	—	19,137	—	19,137
— Release of forfeiture of share options	—	—	—	—	(5,966)	—	—	—	(5,966)	5,966	—
Dividend relating to 2011	—	—	—	—	—	—	—	—	—	(188,530)	(188,530)
Convertible bonds equity component	—	—	—	—	—	—	—	16,683	16,683	—	16,683
Balance at 30 June 2012	<u>608,707</u>	<u>49,221</u>	<u>926,277</u>	<u>11,840</u>	<u>61,253</u>	<u>624</u>	<u>8,942</u>	<u>16,683</u>	<u>1,683,547</u>	<u>3,562,964</u>	<u>5,246,511</u>

11 Trade payable, accruals and other payables — Group

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (note (a))	763,391	557,023
Bills payables (note (b))	<u>—</u>	<u>341,106</u>
	763,391	898,129
Accruals and other payables	<u>1,341,786</u>	<u>1,268,152</u>
	<u>2,105,177</u>	<u>2,166,281</u>

Notes:

- (a) At 30 June 2012 and 31 December 2011, the ageing analysis of the trade payables were as follows:

	As at	
	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
0-90 days	647,857	522,970
91-180 days	24,881	21,237
181-365 days	81,462	7,487
1-2 years	6,918	4,182
Over 2 years	<u>2,273</u>	<u>1,147</u>
	<u>763,391</u>	<u>557,023</u>

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

12 Bank and other borrowings — Group

	As at	
	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
Non-current		
Secured (note (a))	3,547,401	4,239,511
Less: Current portion	<u>(1,164,411)</u>	<u>(1,025,415)</u>
	2,382,990	3,214,096
Convertible bonds liability component (note (b))	<u>750,963</u>	<u>—</u>
Shown as non-current liabilities	<u>3,133,953</u>	<u>3,214,096</u>
Current		
Secured (note (a))	23,400	79,299
Current portion of non-current bank borrowings	<u>1,164,411</u>	<u>1,025,415</u>
Shown as current liabilities	<u>1,187,811</u>	<u>1,104,714</u>
Total bank and other borrowings	<u>4,321,764</u>	<u>4,318,810</u>

Note:

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

At 30 June 2012 and 31 December 2011, the Group's bank borrowing were repayable as follows:

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	1,187,811	1,104,714
Between 1 and 2 years	1,543,590	1,647,795
Between 2 and 5 years	<u>839,400</u>	<u>1,566,301</u>
	<u><u>3,570,801</u></u>	<u><u>4,318,810</u></u>

At 30 June 2012 and 31 December 2011, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2012	31 December 2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Hong Kong dollar	3,547,401	4,119,616
US dollar	<u>23,400</u>	<u>199,194</u>
	<u><u>3,570,801</u></u>	<u><u>4,318,810</u></u>

Out of the total USD denominated bank borrowings of HK\$Nil (2011:HK\$199,194,000), US\$Nil (2011:US\$11,200,000) has been arranged to be swapped into HK\$Nil (2011:HK\$87,113,600) under a cross currency swap at repayment date.

The carrying amounts of bank borrowings approximate at their fair values as at 30 June 2012 and 31 December 2011.

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

	30 June 2012		31 December 2011	
	<i>HK\$</i>	<i>US\$</i>	<i>HK\$</i>	<i>US\$</i>
Bank borrowings	1.58%	2.36%	1.48%	1.27%

(b) The Group issued zero coupon convertible bonds at a total principal value of HK\$776,000,000 on 3 May 2012. The bonds mature after five years from the issue date at 121.95% of their principal amount on maturity date or can be converted into shares at the holder's option at rate of 1 share per HK\$6.0. The initial fair value of the liability component (HK\$759,000,000) and the equity conversion component (HK\$17,000,000), net of transaction cost of HK\$317,000, were determined at the issuance of the bond. The fair value of the liability component included in long-term bank and other borrowings was calculated using a market interest rate for an equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in convertible bonds equity reserve under shareholders' equity.

At 30 June 2012, the Group's convertible bonds were repayable between 2 and 5 years.

13 Expenses by nature

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

	Unaudited	
	For the six months ended	
	30 June	
	2012	2011
Depreciation and amortisation	308,220	204,194
Employee benefit expenses	354,082	273,716
Cost of inventories	2,588,708	1,830,651
Other selling expenses (including transportation and advertising costs)	130,116	112,183
Operating lease payments in respect of land and buildings	3,467	3,393
Impairment of trade and other receivables, net	780	705
Other expenses, net	<u>672,045</u>	<u>528,605</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u><u>4,057,418</u></u>	<u><u>2,953,447</u></u>

14 **Finance income and finance costs**

Finance income

	Unaudited	
	For the six months ended	
	30 June	
	2012	2011
Interest income on short-term bank deposits	<u>5,551</u>	<u>1,447</u>

Finance costs

	Unaudited	
	For the six months ended	
	30 June	
	2012	2011
Interest on bank borrowings	34,441	25,133
Less: interest expenses capitalised under construction in progress	(14,750)	(19,829)
Interest on convertible bonds	<u>6,089</u>	<u>—</u>
	<u>25,780</u>	<u>5,304</u>

15 **Income tax expense**

	Unaudited	
	For the six months ended	
	30 June	
	2012	2011
Current income tax		
— Hong Kong profits tax (a)	12,192	14,948
— PRC corporate income tax (b)	63,835	112,822
— Overseas income tax (c)	35	402
Deferred income tax	<u>7,738</u>	<u>11,878</u>
	<u>83,800</u>	<u>140,050</u>

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period.

(b) PRC corporate income tax

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

PRC CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the period, 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 a 5-year period from 2008 to 2012. The applicable CIT rate for subsidiaries located in Shenzhen, Wuhu, Dongguan and Tianjin is 25% (2011: 24%), 12.5% (2011: 12%), 12.5% to 25% (2011: 12.5% to 25%) and 12.5% (2011:12.5%), respectively.

Three (2011: 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 periods ended 30 June 2012 and 2011 at the rates of taxation prevailing in the countries in which the Group operates.

16 Dividends

	For the six months ended	
	30 June	
	2012	2011
Final dividend for 2011 of 5.0 HK cents (2010: 13.0 HK cents) per Share	188,530	458,646
Interim dividend of 6.0 HK cents (2011: 11.0 HK cents) per Share	<u>226,261</u>	<u>399,828</u>
	<u>414,791</u>	<u>858,474</u>

Note: At a meeting of the Board held on 30 July 2012, the Directors declared an interim dividend of 6.0 HK cents per Share for the six months ended 30 June 2012. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be reflected as an appropriation of the retained earnings of the Company for the period ended 30 June 2012.

On 27 February 2012, the Directors recommended the 2011 Final Dividend and that shareholder was given the option to receive the 2011 final dividend in cash or in lieu of cash (“Scrip Dividend Arrangement”). At the annual general meeting of the Company held on 29 May 2012, the final dividend was approved by the shareholders.

17 Earnings per share

Basic

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

	Unaudited	
	For the six months ended	
	30 June	
	2012	2011
Profit attributable to equity holders of the Company (HK\$'000)	476,859	842,039
Weighted average number of Shares in issue (thousands)	3,712,647	3,539,177
Basic earnings per Share (HK cents per Share)	12.84	23.79

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. The Group has following dilutive potential ordinary shares: share options and convertible bonds in issue. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average market price of the Company’s Shares for the period) 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. The effect of the assumed conversion of convertible bonds in issue for the period ended 30 June 2012 is anti-dilutive, and accordingly, it has not been included in the diluted earnings per share calculation.

Unaudited
For the six months ended
30 June
2012 **2011**

Profit attributable to equity holders of the Company (HK\$'000)	<u>476,859</u>	<u>842,039</u>
Weighted average number of Shares in issue (thousands)	3,712,647	3,539,177
Adjustments for share options (thousands)	<u>23,690</u>	<u>53,894</u>
Weighted average number of Shares for diluted earnings per Shares (thousands)	<u>3,736,337</u>	<u>3,593,017</u>
Diluted earnings per Share (HK cents per Share)	<u>12.76</u>	<u>23.44</u>

18 Commitments — Group

Capital commitments

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

	As at	
	30 June	31 December
	2012	2011
	<i>(Unaudited)</i>	<i>(Audited)</i>
Land use right and property, plant and equipment		
Contracted but not provided for	175,589	191,962
Authorised but not contracted for	<u>2,025,959</u>	<u>2,796,086</u>
	<u>2,201,548</u>	<u>2,988,048</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The revenue of the Group continued to increase during the six months ended 30 June 2012. The revenue and the net profit of the Group were HK\$4,592.7 million and HK\$476.9 million, respectively, representing an increase of 18.3% and a decrease of 43.4%, as compared with HK\$3,881.0 million and HK\$842.0 million, respectively, for the six months ended 30 June 2011.

Revenue

The increase in the revenue for the six months ended 30 June 2012 was mainly attributable to the new production capacity in Jiangmen, Wuhu, and Tianjin which supported a high production volume and sales volume and a broader revenue stream derived from the diversified glass products of the Group. The increased sales volume was attributable to various factors, such as significant aftermarket purchase of automobile glass products from overseas customers. In line with the growth in the sales volume, the Group's market share in the aftermarket automobile glass sector in several overseas markets was enhanced.

In addition, the expanding middle class in China has contributed to a continuous growth in the domestic consumption, sustaining the demand for high-cost consumer items such as automobiles. Meanwhile, the environmental protection and the energy-saving buildings related policies of the PRC Government has spurred a strong demand for Low Emission (“**Low-E**”) glass. As a leading automobile and Low-E glass manufacturer in China, the Group benefitted from the favourable market conditions and achieved revenue growth in those business segments.

With the increased demand in the global markets since the second quarter of 2012, the sales volume of solar glass of the Group achieved a record high during the six months ended 30 June 2012.

Gross Profit

The Group's gross profit for the six months ended 30 June 2012 was HK\$1,091.3, representing a decrease of 20.4% as compared with the amount of HK\$1,370.2 million for the six months ended 30 June 2011. The decrease in the overall gross margin from 35.3% to 23.8% was mainly due to the continuous reduction in the selling prices of float glass and solar glass products since the third quarter of 2011, even though such decrease started slowing down during the second quarter of 2012. Under these circumstances, the Group implemented stringent measures in enhancing cost controls and production efficiency. A drop in soda ash prices also helped to mitigate the decrease in profitability.

Other Gains

Other gains for the six months ended 30 June 2012 were HK\$40.0 million, as compared with HK\$53.7 million for the same period in 2011. The decrease was mainly attributable to the depreciation of the Renminbi that caused a foreign exchange loss of HK\$27.5 million during the period.

Selling and Marketing Expenses

Selling and marketing expenses increased by 12.9% to HK\$228.9 million for the six months ended 30 June 2012. The increase was principally attributable to the increase in sales commissions and salaries and related transportation costs as a result of higher domestic and overseas sales volumes and significant marketing and promotional efforts.

Finance Costs

Finance costs increased by 4.9 times to HK\$25.8 million for period under review. The increase was principally due to the increased bank borrowings for capital expenditures incurred in the construction of our production facilities and the interest of HK\$6.1 million for a new convertible bond. Some of this interest had been previously capitalised as part of the total cost in the purchase of plant and machinery and construction of factory buildings in Jiangmen, Wuhu and Tianjin, but it was expensed during the six months ended 30 June 2012 when the new production facilities commenced commercial production. Interest of HK\$14.8 million was capitalised under construction-in-progress for the six months ended 30 June 2012.

Earnings Before Interest and Taxes (“EBIT”)

EBIT decreased by 41.1% year-on-year to HK\$581.4 million for the six months ended 30 June 2012. This decrease was consistent with the lower net profit of the Group during the six months ended 30 June 2012.

Taxation

Tax expense amounted to HK\$83.8 million for the six months ended 30 June 2012 and the effective tax rate was 15.0% which reflected the income tax exemption rate of most of the Group’s PRC subsidiaries reaching 50% for 2010 to 2012 under the applicable PRC corporate income tax laws and regulations.

Net Profit

Net profit for the six months ended 30 June 2012 was HK\$476.9 million, representing a decrease of 43.4% as compared with the same period in 2011. Net profit margin for the period decreased to 10.4% from 21.7% in the same period in 2011, which was mainly due to the decline in the selling prices of float glass and solar glass products during the period.

Capital Expenditure

For the six months ended 30 June 2012, the Group incurred an aggregate amount of HK\$677.8 million for the purchase of plant and machinery, construction of factory premises and the float glass production lines at the Group's production complexes in China.

Net Current Assets

As at 30 June 2012, the Group had net current assets of HK\$965.0 million.

Financial Resources and Liquidity

During the six months ended 30 June 2012, the Group's primary source of funding included cash generated from operating activities and credit facilities provided by principal banks in Hong Kong and China and placing of new Shares and convertible bond with gross proceeds of HK\$1,164 million in May 2012. As at 30 June 2012, the net cash inflow from operating activities amounted to approximately HK\$492.8 million (2011: HK\$802.3 million) and the Group had cash and cash equivalents of HK\$936.5 million (2011: HK\$866.5 million).

As at 30 June 2012, the total bank borrowings were HK\$3,570.8 million and a convertible bond in the amount of HK\$751.0 million. Net debt gearing ratio, calculated by dividing net total borrowings by total shareholders' equity, was maintained at 37.1% compared to 42.3% as at 31 December 2011, principally due to the repayments of bank borrowings during the period.

BUSINESS REVIEW

OPPORTUNITIES IN THE VOLATILE MARKET

During the six months ended 30 June 2012, the four business segments of the Group grew at different pace while both the overseas sales and the PRC domestic sales of the Group recorded satisfactorily growth. However, the average selling prices of high-quality float glass and the solar glass segments experienced significant decreases during the first quarter of 2012 because of various macro-economic reasons. These two businesses enjoyed a growth in the sales due to the additional production capacity in the Group's production complexes in Jiangmen, Wuhu and Tianjin and the overall price increases during the second quarter of 2012. In the construction glass segment, the Group also recorded a satisfactorily growth due to the increasing demand for Low-E glass in the PRC. The related production capacity of the Group's production complexes in Wuhu and Tianjin also increased. All of these factors contributed to the satisfactorily increase in the revenue of the Group by 18.3% to HK\$4,592.7 million for the six months ended 30 June 2012, as compared with the sales revenue of HK\$3,881.0 million for the six months ended 30 June 2011.

During the six months ended 30 June 2012, the economy in the PRC continued to grow at a slow pace. The float glass market in the PRC was volatile with fierce price competition. The tightening monetary policies in the PRC during the first quarter of 2012 affected the overall demand in various sectors and hence, the Group faced a significant price pressure during the three-month period. The first quarter in each year is also the low season for the glass industry. After the industry consolidation in the low season for the glass industry in the first quarter in 2012, the level of demand increased and the selling price levels rebounded during the second quarter of 2012.

The European debt crisis also slowed down the local economy and the level of demand in those countries, and resulted in a reduction in money supply. A economic recession is seemed happening in certain European countries. Hence, the solar glass business encountered a severe and prolonged price competition during the period between the fourth quarter of 2011 and the end of first quarter in 2012. There has been a solid rebound since the second quarter in 2012 in the sales volume of the solar glass of the Group during the six months ended 30 June 2012.

Despite the gradual improvements in the overall business environment, the Group, being a leader in the global glass industry, strengthened its market leading position through economies of scale. This was accomplished through strategic expansion of the production capacity and construction of new production complexes with improved production technology and production process. The Group also implemented a series of enhanced controls on the consumption of raw material and the inventory level. On the sales, the Group has successfully developed and launched a wide range of high value-added glass products and adopted flexible pricing and marketing strategies to take advantage of the supportive measures implemented by the PRC government.

FLEXIBLE SALES STRATEGIES TO EXPLORE NEW MARKETS IN THE GLOBAL ECONOMY

The ongoing European debt crisis and the unstable geopolitical environment in certain countries in the Middle East have changed the global economic landscape. In response to these changes, the Group has implemented new marketing strategies to explore new overseas markets and to adjust its pricing and sales strategies in a flexible way.

The Group is in the process of construction of a new automobile glass production complex in Tianjin to enhance the automobile glass export capability and coverage. Currently, the Group sells glass products to more than 125 countries.

ENHANCED PRODUCTIVITY, TECHNOLOGY AND ECONOMIES OF SCALE TO MITIGATE THE COST PRESSURES

The Group's solid experience in operational management, combined with the continuous improvements in the production process, enhances its productivity and yield rates, both of which reduce the overall production and energy costs. The Group's daily production capacity of high-quality float glass increased from 8,100 daily melting tonnes at the end of 2011 to 9,300 daily melting tonnes by the end of June 2012. The economies of scale allow the Group to reduce its raw material cost, the average fuel consumption rate and the level of fixed costs. These mitigate the impact of any additional potential pressure on the gross profit margin in the future.

Since the end of 2011, all of the Group's high-quality float glass and solar glass production lines have been using cleaner and more cost effective natural gas as fuel.

In addition to the Dongguan, Jiangmen and Wuhu production complexes, the Group also installed a new environmentally friendly low temperature recycling residual heat power co-generation system at the Tianjin production complex during the six-month period.

The Group has installed a roof top solar power system (phase I) at the Wuhu production complex under the Golden Sun programme in PRC during the six months ended 30 June 2012. The Group will also build two new roof top solar power systems, one at the Wuhu production complex (phase II) and one in Tianjin respectively,

The above facilities will reduce the carbon emission levels and optimise the energy cost structure of the Group.

DIVERSIFIED AND HIGH VALUE-ADDED PRODUCT MIX ENHANCED THE OVERALL COMPETITIVENESS

During the six months ended 30 June 2012, the revenue generated from the Group's automobile glass, construction glass, high-quality float glass and solar glass businesses achieved satisfactory revenue growth. This performance demonstrates that the Group's diversified business and high value-added product mix can mitigate the impact of pressure on the selling prices of any particular business segment. Also, the Group's strategic expansion plan to establish production complexes in the three major advanced economic zones in China - the Pearl River Delta, the Yangtze River Delta and the Bohai Economic Rim, is in progress. This strategy is expected to further enhance the Group's overall competitiveness to cope with the challenges ahead.

OPERATIONAL OUTLOOK

The Group will remain flexible in production management and will increase the operational efficiency to increase the competitiveness amongst the world's leading glass manufacturers amid the unfavourable global economic environment.

Volatility in the demand and the selling prices are expected to continue in the float glass market in the near future. Nevertheless, the PRC's national affordable housing scheme and the increased application of Low-E glass will increase the demand for float glass in the near future. The Directors are optimistic on the automobile glass and the construction glass businesses in future.

The European debt crisis is expected to continue. As the European Union is the major market for solar glass products, the Directors expect that market volatility will continue in the near future. Hence, the Group intends to focus on the PRC, Japan and North American markets. Under the Twelfth Five-year Plan, the PRC government encourages the use of renewal energy. The Directors expect that solar panels will be increasingly popular in the PRC. The increase in the level of demand for solar panels is expected to result in decreasing production and installation costs of solar panels, which will stimulate the level of demand for solar glass products.

The Group will continue to devote its efforts in strengthening the research and development capability for new glass products, enhancing the product quality and increasing the production efficiency in order to maintain its competitiveness and increasing the profit margin.

The Group is constructing an ultra-thin electronic glass production line in Wuhu to capture the demand from the growing market for electronic touch screen products. These new glass products are expected to become a new growth driver for the Group.

The Group will continue to proactively and aggressively tackle the challenges in the uncertain economic environment and optimise its efficiency and profit margin through effective leadership and the continued support to its customers. The Directors believe that this strategy will enable the Group to reap the benefit from any emerging business opportunities. The Directors are optimistic on the Group's business development and will adopt proven business strategies to maintain the growth momentum of the Group. To maintain its industry leading position, the Group will strive to continue to expand its presence in the global glass market across a wide spectrum of industries.

Interim Dividends and Closure of Register of Members

With the Group achieving a reasonable profitability under a volatile market environment for the six months ended 30 June 2012, the Directors are pleased to recommend and declare an interim dividend of 6.0 HK cents per Share for the six months ended 30 June 2012 (2011: 11.0 HK cents) to be paid to all shareholders (the "Shareholders") of the Company with their names recorded on the register of members of the Company at the close of business on Thursday, 16 August 2012.

The Company's register of members will be closed from Tuesday, 14 August 2012 to Thursday, 16 August 2012 (both days inclusive), and during such period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Monday, 13 August 2012.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group's transactions are mainly denominated in Renminbi, United States dollars, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities conducted in China. As of 30 June 2012, the Group's bank borrowings were denominated in United States dollars and Hong Kong dollars bearing interest rates ranging from 1.32% to 2.36% per annum. Hence, the Group's exposure to foreign exchange fluctuations was minimal and did not experience any material difficulties and liquidity problems resulting from currency exchange fluctuation. The Group may use financial instruments for hedging purposes as and when required.

Employees and Remuneration Policy

As of 30 June 2012, the Group had 13,024 full-time employees of whom 12,886 were based in China and 138 were based in Hong Kong and other countries. The Group strives to maintain good relationship with its employees by providing them with sufficient training on latest business knowledge including applications of the Group's products and skills on maintaining long-term customer relations. Remuneration packages offered to employees are competitive and consistent with industry practice. Discretionary bonuses may be awarded to employees with outstanding performance after taking into consideration the performance of the Group.

The Group's subsidiaries in China participate the required retirement contribution schemes administered by relevant government authorities in China. The Group's employees in Hong Kong are all covered by retirement schemes adopted in accordance with the mandatory provident fund requirements under the applicable laws and regulations.

The Company also adopted a share option scheme on 18 January 2005 for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations. The Directors may, at their discretion, invite any employees and other selected participants as set forth in the scheme, to accept options to be granted by the Group for subscription for the Shares. Up to the date of this announcement, 17,040,000 options (restated), 24,230,000 options (restated), 48,517,200 options (restated), 22,288,000 options (restated), 36,898,000 options, 23,718,000 options and 26,250,000 were granted under the share option scheme on 26 January 2006, 1 July 2007, 18 April 2008, 1 April 2009, 31 March 2010, 1 March 2011 and 23 May 2012, respectively, and 101,613,400 options were outstanding as of 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company allotted and issued 82,729,211 Shares in May 2012 by way of placement, and raised gross proceeds of HK\$388.0 million to provide the Group with additional funds for its business expansion and general working capital purposes.

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 period under review.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2012, the Company complied with the applicable code provisions of the Code on Corporate Governance Practices set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code throughout the six-month period ended 30 June 2012.

REVIEW OF THE INTERIM RESULTS

The Company’s interim results for the six months ended 30 June 2012 have not been audited but have been reviewed by the Company’s audit committee, comprising the three independent non-executive Directors.

PUBLICATION OF INTERIM REPORT

The interim report of the Group for the six months ended 30 June 2012 containing all the relevant information required by the Listing Rules will be dispatched to all Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
XINYI GLASS HOLDINGS LIMITED
LEE Yin Yee, M.H.
Chairman

Hong Kong, 30 July 2012

As of the date of this announcement, the Board comprises 13 Directors, of whom Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Shing Kan, Mr. LEE Yau Ching, Mr. LI Man Yin are executive Directors, Mr. LI Ching Leung, Mr. LI Ching Wai, Mr. SZE Nang Sze and Mr. NG Ngan Ho are non-executive Directors, and Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Mr. WONG Ying Wai, S.B.S., JP. are independent non-executive Directors.