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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 2015

HIGHLIGHTS

- Total sales for the six months ended 30 June 2015 reached HK\$5,282.8 million, representing an increase of 4.9%, as compared with total sales of HK\$5,034.1 million for the six months ended 30 June 2014.
- Net profit attributable to the equity holders of the Company for the six months ended 30 June 2015 reached HK\$944.9 million, representing an increase of 24.1%, as compared with net profit of HK\$761.7 million for the six months ended 30 June 2014.
- Basic earnings per Share for the six months ended 30 June 2015 was 24.10 HK cents, as compared with basic earnings per Share of 19.43 HK cents for the six months ended 30 June 2014.
- The Directors declare an interim dividend of 9.5 HK cents per Share for the six months ended 30 June 2015.

Condensed Consolidated Balance Sheet

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

		As at	
		30 June	31 December
		2015	2014
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	1,295,501	1,287,340
Property, plant and equipment	6	12,480,471	11,293,436
Investment properties	7	315,401	549,991
Prepayments for property, plant and equipment and land use rights		246,746	623,875
Intangible assets		76,953	78,657
Available-for-sale financial assets		86,290	119,625
Interests in associates	8	2,494,413	2,242,739
Loan to associates		<u>54,040</u>	<u>33,625</u>
		<u>17,049,815</u>	<u>16,229,288</u>
Current assets			
Inventories		1,509,709	1,478,219
Loans to associates		22,815	7,709
Trade and other receivables	9	2,581,304	2,486,987
Pledged bank deposits	10	1,419	792
Cash and bank balances	10	<u>1,190,093</u>	<u>831,169</u>
		<u>5,305,340</u>	<u>4,804,876</u>
Total assets		<u><u>22,355,155</u></u>	<u><u>21,034,164</u></u>

		As at	
		30 June	31 December
		2015	2014
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	392,183	392,161
Share premium	11		
— 2015 declared interim dividend		372,574	—
— 2014 proposed final dividend		—	235,296
— Others		2,825,163	3,196,663
Other reserves	12	2,056,986	2,116,333
Retained earnings		<u>7,369,800</u>	<u>6,392,830</u>
		13,016,706	12,333,283
Non-controlling interests		<u>3,386</u>	<u>2,046</u>
Total equity		<u>13,020,092</u>	<u>12,335,329</u>
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	3,727,091	3,483,463
Deferred income tax liabilities		159,450	159,484
Deferred government grants		140,179	147,557
Other payables		<u>93,293</u>	<u>107,294</u>
		<u>4,120,013</u>	<u>3,897,798</u>

		As at	
		30 June	31 December
		2015	2014
	<i>Note</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Current liabilities			
Trade payables, accruals and other payables	13	2,399,141	1,978,190
Current income tax liabilities		336,791	293,686
Bank and other borrowings	14	<u>2,479,118</u>	<u>2,529,161</u>
		<u>5,215,050</u>	<u>4,801,037</u>
Total liabilities		<u>9,335,063</u>	<u>8,698,835</u>
Total equity and liabilities		<u>22,355,155</u>	<u>21,034,164</u>
Net current assets		<u>90,290</u>	<u>3,839</u>
Total assets less current liabilities		<u>17,140,105</u>	<u>16,233,127</u>

Condensed Consolidated Income Statement

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

		Unaudited Six months ended 30 June	
	Note	2015	2014
Revenue	4	5,282,838	5,034,069
Cost of sales	15	<u>(3,872,897)</u>	<u>(3,697,120)</u>
Gross profit		1,409,941	1,336,949
Other income	4	6,187	3,388
Other gains — net	16	280,822	243,345
Selling and marketing costs	15	(312,067)	(267,967)
Administrative expenses	15	<u>(440,672)</u>	<u>(471,875)</u>
Operating profit		944,211	843,840
Finance income	17	25,793	21,404
Finance costs	17	(46,142)	(46,273)
Share of profits of associates	8	<u>160,681</u>	<u>57,459</u>
Profit before income tax		1,084,543	876,430
Income tax expense	18	<u>(138,163)</u>	<u>(114,271)</u>
Profit for the period		<u>946,380</u>	<u>762,159</u>
Profit attributable to:			
— Equity holders of the Company		944,876	761,711
— non-controlling interest		<u>1,504</u>	<u>448</u>
Profit for the year		<u>946,380</u>	<u>762,159</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	20	24.10	19.43
— Diluted	20	24.09	19.38

Condensed Consolidated Statement of Comprehensive Income

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

	Unaudited	
	Six months ended	
	30 June	
	2015	2014
Profit for the period	<u>946,380</u>	<u>762,159</u>
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Change in value of available-for-sale financial assets	(15,400)	135,400
Currency translation differences	(19,274)	(142,534)
Share of other comprehensive income of investments accounted for using the equity method	<u>(1,466)</u>	<u>—</u>
Total comprehensive income for the period	<u>910,240</u>	<u>755,025</u>
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	908,900	754,294
— Non-controlling interests	<u>1,340</u>	<u>731</u>
	<u>910,240</u>	<u>755,025</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 2014 and 1 January 2015	392,161	3,431,959	2,116,333	6,392,830	12,333,283	2,046	12,335,329	
	Comprehensive income								
	Profit for the period	—	—	—	944,876	944,876	1,504	946,380	
	Other comprehensive income								
	Changes in value of available-for-sale financial assets	—	—	(15,400)	—	(15,400)	—	(15,400)	
	Share of other comprehensive income of investments accounted for using equity method	—	—	(1,466)	—	(1,466)	—	(1,466)	
	Currency translation differences	—	—	(19,110)	—	(19,110)	(164)	(19,274)	
	Total Comprehensive income	—	—	(35,976)	944,876	908,900	1,340	910,240	
	Transactions with owners								
	Employees share option scheme:								
	— Proceeds from shares issued	11(a)	22	1,074	(290)	—	806	—	806
	— Value of employee services		—	—	12,983	—	12,983	—	12,983
	— Release on forfeiture of share options		—	—	(32,094)	32,094	—	—	—
	Disposal of a subsidiary		—	—	(624)	—	(624)	—	(624)
	Disposal of available-for-sale financial assets		—	—	(3,346)	—	(3,346)	—	(3,346)
	Dividends relating to 2014	19	—	(235,296)	—	—	(235,296)	—	(235,296)
	Total transactions with owners		22	(234,222)	(23,371)	32,094	(225,477)	—	(225,477)
	Balance at 30 June 2015		<u>392,183</u>	<u>3,197,737</u>	<u>2,056,986</u>	<u>7,369,800</u>	<u>13,016,706</u>	<u>3,386</u>	<u>13,020,092</u>

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 2013 and 1 January 2014	392,137	4,335,328	2,372,564	5,107,760	12,207,789	1,140	12,208,929
Comprehensive income							
Profit for the period	—	—	—	761,711	761,711	448	762,159
Other comprehensive income							
Changes in value of available-for-sale financial assets	—	—	135,400	—	135,400	—	135,400
Currency translation differences	—	—	(142,817)	—	(142,817)	283	(142,534)
Total Comprehensive income	—	—	(7,417)	761,711	754,294	731	755,025
Transactions with owners							
Employees share option scheme:							
— Proceeds from shares issued	11(a) 152	7,062	(1,937)	—	5,277	—	5,277
— Value of employee services	—	—	14,641	—	14,641	—	14,641
— Release on forfeiture of share options	—	—	(23)	23	—	—	—
Dividends relating to 2013	19	(549,025)	—	—	(549,025)	—	(549,025)
Repurchase and cancellation of shares	11(b)	(128)	(8,339)	128	(128)	(8,467)	(8,467)
Total transactions with owners	24	(550,302)	12,809	(105)	(537,574)	—	(537,574)
Balance at 30 June 2014	<u>392,161</u>	<u>3,785,026</u>	<u>2,377,956</u>	<u>5,869,366</u>	<u>12,424,509</u>	<u>1,871</u>	<u>12,426,380</u>

Condensed Consolidated Cash Flow Statement

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

		Unaudited Six months ended 30 June	
	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations		1,398,439	1,058,800
Interest paid		(56,085)	(48,993)
Income tax paid		<u>(95,092)</u>	<u>(95,879)</u>
Cash flows from operating activities - net		1,247,262	913,928
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment and leasehold-land and land use right		—	96,243
Purchase of land use rights		(22,665)	—
Proceeds from disposal of a subsidiary (Note 24)		268,178	—
Purchase of property, plant and equipment		(1,302,204)	(1,135,726)
Purchase of available-for sale financial assets		—	(44,000)
Capital injection to associates		—	(23,751)
Loan advanced to an associate		(37,500)	—
Interests received		7,530	19,607
Other investing activities		<u>25,538</u>	<u>4,441</u>
Cash flows from investing activities- net		(1,061,123)	(1,083,186)
Cash flows from financing activities			
Proceeds from bank borrowings		1,650,245	875,500
Repayment of banks borrowings		(1,472,981)	(835,019)
Other financing activities		<u>805</u>	<u>(3,190)</u>
Cash flows from financing activities- net		178,069	37,291
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		831,169	1,042,429
Effect of foreign exchange rate changes		<u>(5,284)</u>	<u>(15,770)</u>
Cash and cash equivalents at end of the period		<u><u>1,190,093</u></u>	<u><u>894,692</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 28 July 2015.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 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 consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014, 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 2014, as described in 2014 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.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The following new amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2015. 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 19 (2011) (amendment)	Defined benefit plans: employee contribution	1 July 2014
HKFRSs (amendment)	Annual Improvements to HKFRSs 2010—2012 Cycle	1 July 2014
HKFRSs (amendment)	Annual improvements to HKFRSs 2011—2013 Cycle	1 July 2014
HKFRSs (amendment)	Annual Improvements 2012-2014 Cycle	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture	1 January 2016
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKAS 16 and HKAS 38 (amendment)	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (amendment)	Equity method in separate Financial Statements	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

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.

The Group has not applied any new standards and interpretations that are not effective for current accounting period.

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) float glass; (2) automobile glass; (3) construction 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 2015:

	Float glass	Automobile glass	Construction glass	Unallocated	Total
Segment revenue	2,828,453	1,897,027	1,206,257	—	5,931,737
Inter-segment revenue	<u>(648,899)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(648,899)</u>
Revenue from external customers	2,179,554	1,897,027	1,206,257	—	5,282,838
Cost of sales	<u>(1,989,524)</u>	<u>(1,060,029)</u>	<u>(823,344)</u>	<u>—</u>	<u>(3,872,897)</u>
Gross profit	<u>190,030</u>	<u>836,998</u>	<u>382,913</u>	<u>—</u>	<u>1,409,941</u>
Depreciation of property, plant and equipment (Note 15)	231,820	51,397	64,798	130	348,145
Amortisation					
— leasehold land and land use rights (Note 15)	9,077	2,564	2,686	—	14,327
— intangible assets (Note 15)	597	1,107	—	—	1,704
Reversal for impairment of trade and other receivables, net (Note 15)	<u>—</u>	<u>(1,219)</u>	<u>(5,543)</u>	<u>—</u>	<u>(6,762)</u>
Total assets	<u>10,875,156</u>	<u>3,303,047</u>	<u>3,211,298</u>	<u>4,965,654</u>	<u>22,355,155</u>
Total assets included:					
Investments in associates	—	—	—	2,494,413	2,494,413
Loans to associates	—	—	—	76,855	76,855
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>1,025,886</u>	<u>45,948</u>	<u>67,563</u>	<u>99,862</u>	<u>1,239,259</u>
Total liabilities	<u>1,489,611</u>	<u>763,659</u>	<u>317,712</u>	<u>6,764,081</u>	<u>9,335,063</u>

The unaudited segment revenue for the period ended 30 June 2014 and the audited segment assets and liabilities as at 31 December 2014:

	Float glass	Automobile glass	Construction glass	Unallocated	Total
Segment revenue	2,860,261	1,780,627	1,078,829	—	5,719,717
Inter-segment revenue	<u>(685,648)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(685,648)</u>
Revenue from external customers	2,174,613	1,780,627	1,078,829	—	5,034,069
Cost of sales	<u>(1,986,973)</u>	<u>(1,030,130)</u>	<u>(680,017)</u>	<u>—</u>	<u>(3,697,120)</u>
Gross profit	<u>187,640</u>	<u>750,497</u>	<u>398,812</u>	<u>—</u>	<u>1,336,949</u>
Depreciation of property, plant and equipment (Note 15)	196,166	52,025	43,895	498	292,584
Amortisation					
— leasehold land and land use rights (Note 15)	8,340	2,548	1,940	—	12,828
— intangible assets (Note 15)	597	1,271	—	—	1,868
Provision for impairment of trade and other receivables, net (Note 15)	<u>—</u>	<u>450</u>	<u>11,984</u>	<u>—</u>	<u>12,434</u>
Total assets	<u>10,283,576</u>	<u>3,289,988</u>	<u>3,035,749</u>	<u>4,424,851</u>	<u>21,034,164</u>
Total assets included:					
Investments in associates	—	—	—	2,242,739	2,242,739
Loans to associates	—	—	—	41,334	41,334
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>1,165,741</u>	<u>189,460</u>	<u>307,790</u>	<u>354,608</u>	<u>2,017,599</u>
Total liabilities	<u>1,299,144</u>	<u>789,004</u>	<u>426,009</u>	<u>6,184,678</u>	<u>8,698,835</u>

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

	Continuing operations	
	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Segment gross profit	1,409,941	1,336,949
Unallocated:		
Other income	6,187	3,388
Other gains - net	279,431	243,345
Selling and marketing costs	(312,067)	(267,967)
Administrative expenses	(439,281)	(471,875)
Finance income	25,793	21,404
Finance costs	(46,142)	(46,273)
Share of profits of associates	<u>160,681</u>	<u>57,459</u>
Profit before income tax	<u>1,084,543</u>	<u>876,430</u>

Reportable segments assets/(liabilities) for the period ended 30 June 2015 and the year ended 31 December 2014 are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2015	2014	2015	2014
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Segment assets/ (liabilities)	17,389,501	16,609,313	(2,570,982)	(2,514,157)
Unallocated:				
Leasehold land and land use rights	138,853	123,779	—	—
Property, plant and equipment	954,933	800,889	—	—
Investment properties	261,401	495,990	—	—
Deposits for property, plant and equipment and land use rights	61,778	103,682	—	—
Interests in associates	2,494,413	2,242,739	—	—
Balances with associates	76,857	41,334	—	—
Available-for-sale financial assets	86,290	119,625	—	—
Prepayments, deposits and other receivables	261,833	230,149	—	—
Cash and bank balances	629,296	266,664	—	—
Other payables	—	—	(135,508)	(82,998)
Dividend payables	—	—	(235,296)	—
Current income tax liabilities	—	—	(87,691)	(56,601)
Deferred income tax liabilities	—	—	(159,450)	(159,484)
Bank and other borrowings	<u>—</u>	<u>—</u>	<u>(6,146,136)</u>	<u>(5,885,595)</u>
Total assets/(liabilities)	<u>22,355,155</u>	<u>21,034,164</u>	<u>(9,335,063)</u>	<u>(8,698,835)</u>

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

	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Sales of float glass	2,179,554	2,174,613
Sales of automobile glass	1,897,027	1,780,627
Sales of construction glass	<u>1,206,257</u>	<u>1,078,829</u>
Total	<u>5,282,838</u>	<u>5,034,069</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	
	2015	2014
Greater China	3,587,979	3,481,673
North America	631,805	498,212
Europe	186,864	244,630
Other countries	<u>876,190</u>	<u>809,554</u>
	<u>5,282,838</u>	<u>5,034,069</u>

An analysis of the Group's non-current assets other than financial 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
	2015	2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China	16,899,250	16,078,430
North America	7,173	7,915
Other countries	<u>54,565</u>	<u>23,318</u>
	<u>16,960,988</u>	<u>16,109,663</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 2015	1,722,379	2,455,132	7,092,641	23,284	11,293,436
Currency translation differences	—	(610)	(8)	(9)	(627)
Additions	1,261,293	15,643	294,839	1,505	1,573,280
Transfer upon completion	(1,340,360)	51,966	1,283,904	4,490	—
Disposals	—	—	(4,845)	—	(4,845)
Depreciation	—	(54,335)	(320,539)	(5,899)	(380,773)
Closing net book amount as at 30 June 2015	<u>1,643,312</u>	<u>2,467,796</u>	<u>8,345,992</u>	<u>23,371</u>	<u>12,480,471</u>

7 INVESTMENT PROPERTIES

	As at	
	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
As at 1 January	549,991	498,138
Currency translation differences	—	(6,538)
Additions	20,442	14,391
Fair value gains	—	44,000
Disposal of a subsidiary (Note 24)	(255,032)	—
As at 30 June/31 December	<u>315,401</u>	<u>549,991</u>

At the year end of 31 December 2014, the Group has an investment property located in Hong Kong and two investment properties in the PRC. On 30 June 2015, the Group disposed 100% shareholding of its wholly own subsidiary namely XYG (HK) Limited, which is the owner of the investment property located in Hong Kong.

The Group's investment properties were valued at 31 December 2014 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

The Group's interest in the investment properties at their net book amount is analysed as follows:

	As at 30 June 2015 Level 3	As at 31 December 2014 Level 3
Fair value hierarchy:		
— Office unit - Hong Kong	—	255,032
— Commercial building under Construction — Xiamen, the PRC	261,401	240,959
— Commercial building — Shenzhen, the PRC	<u>54,000</u>	<u>54,000</u>
	<u>315,401</u>	<u>549,991</u>

There were no transfers between level 1, 2 and 3 during the period.

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
In Hong Kong, held on:		
— Lease of between 10 and 50 years	<u>—</u>	<u>255,032</u>
In PRC, held on:		
— Lease of between 10 and 50 years	<u>315,401</u>	<u>294,959</u>

8 INTERESTS IN ASSOCIATES

	As at 30 June 2015 (Unaudited)	As at 31 December 2014 (Audited)
At 1 January	2,242,739	2,071,234
Currency translation differences	(15)	(4,821)
Capital injection	—	23,751
Gain on dilution of share in an associate	143,899	100,195
Share of profits of associates	160,681	137,560
Dividend received/receivable	(51,425)	(62,750)
Share of other comprehensive income	<u>(1,466)</u>	<u>(22,430)</u>
At 30 June/31 December	<u>2,494,413</u>	<u>2,242,739</u>

9 TRADE AND OTHER RECEIVABLES — GROUP

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables (note (a))	1,239,620	1,048,218
Less: provision for impairment of trade receivables	<u>(13,207)</u>	<u>(20,199)</u>
	1,226,413	1,028,019
Bills receivables (note (b))	<u>460,135</u>	<u>506,629</u>
Trade and bills receivables — net	1,686,548	1,534,648
Prepayments, deposits and other receivables	<u>1,141,502</u>	<u>1,576,214</u>
	<u>2,828,050</u>	<u>3,110,862</u>
Less non-current portion		
Prepayments for property, plant, equipment and land use rights	<u>(246,746)</u>	<u>(623,875)</u>
	<u>2,581,304</u>	<u>2,486,987</u>

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2015 and 31 December 2014 the ageing analysis of the Group's trade receivables was as follows:

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
0-90 days	950,419	823,166
91-180 days	193,763	143,931
181-365 days	61,100	46,672
1-2 years	23,761	24,527
Over 2 years	<u>10,577</u>	<u>9,922</u>
	<u>1,239,620</u>	<u>1,048,218</u>

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

10 CASH AND BANK BALANCES

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

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and bank balances and pledged bank deposits	1,191,512	831,961
Less:		
— Pledged bank deposits (note)	<u>1,419</u>	<u>792</u>
Cash and bank balances	<u><u>1,190,093</u></u>	<u><u>831,169</u></u>

Note: The pledged bank deposits represents deposits pledged as collateral principally as security for import duties payable to the US Customs.

11 SHARE CAPITAL

The share capital of the Company comprised ordinary shares (the “Shares”) of HK\$0.1 each.

	<i>Note</i>	Number of Shares	Ordinary shares of HK\$0.1 each	Share premium	Total
Authorised:					
As at 31 December 2014 and 30 June 2015		<u>20,000,000</u>	<u>2,000,000</u>	<u>—</u>	<u>2,000,000</u>
Issued and fully paid:					
As at 1 January 2015		3,921,607,699	392,161	3,431,959	3,824,120
Issues of Shares under an employees’ share option scheme	(a)	224,000	22	1,074	1,096
Dividend relating to 2014		<u>—</u>	<u>—</u>	<u>(235,296)</u>	<u>(235,296)</u>
As at 30 June 2015		<u><u>3,921,831,699</u></u>	<u><u>392,183</u></u>	<u><u>3,197,737</u></u>	<u><u>3,589,920</u></u>

Notes:

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

	For the six months ended 30 June			
	2015		2014	
	Average exercise price in HK dollar per Share	Options in HK dollar per (thousands)	Average exercise price in HK dollar per Share	Options (thousands)
At 1 January	5.80	89,008	5.34	69,794
Granted	4.55	28,000	6.84	26,000
Exercised	4.34	(224)	3.55	(1,518)
Lapsed	5.13	(3,096)	5.51	(2,236)
Expired	<u>6.44</u>	<u>(17,152)</u>	<u>3.55</u>	<u>(16)</u>
At 30 June	<u><u>5.35</u></u>	<u><u>96,536</u></u>	<u><u>5.79</u></u>	<u><u>92,024</u></u>

Out of the 96,536,000 outstanding options, 19,699,000 options were exercisable as at 30 June 2015. Options exercised in 2015 resulted in 224,000 Shares being issued at a weighted average price at the time of exercise of HK\$4.34 each.

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

<i>Expiry date</i>	Exercise price in HK dollar per Share	Options (thousands)
31 March 2016	4.34	19,699
31 March 2017	5.55	23,841
31 March 2018	6.84	25,008
31 March 2019	4.55	<u>27,988</u>
		<u><u>96,536</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	2 March 2015
Option valued	HK\$1.2228
Share price at the date of grant	HK\$4.55
Exercisable price	HK\$4.55
Expected volatility	44.567%
Annual risk-free interest rate	0.929%
Life of option	3 years and 6 months
Dividend yield	3.076%

- (b) During the period ended 30 June 2014, 1,280,000 Shares repurchased by the Company were cancelled in 2014. 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 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 HK\$	Lowest price per Share HK\$	Aggregate consideration paid HK\$'000
January 2014	1,280,000	6.65	6.54	8,467

12 OTHER RESERVES — GROUP

	Statutory reserve fund	Enterprise expansion fund	Foreign currency translation reserve	Capital reserve	Share options reserve	Property revaluation reserve	Capital redemption bonds reserve	Convertible equity reserve	Available- for- sale reserve	Subtotal	Retained earnings	Total
Note												
Balance at 1 January 2015	870,331	49,796	1,023,604	11,840	76,030	37,851	11,340	13,341	22,200	2,116,333	6,392,830	8,509,163
Profit for the period	—	—	—	—	—	—	—	—	—	—	944,876	944,876
Change in value of available-for-sale financial assets	—	—	—	—	—	—	—	—	(15,400)	(15,400)	—	(15,400)
Disposal of available-for-sale financial assets	—	—	—	—	—	—	—	—	(3,346)	(3,346)	—	(3,346)
Currency translation differences	—	—	(19,110)	—	—	—	—	—	—	(19,110)	—	(19,110)
Share of the comprehensive income of investments accounted for using the equity method	—	—	(1,466)	—	—	—	—	—	—	(1,466)	—	(1,466)
Disposal of a subsidiary	—	—	—	—	—	(624)	—	—	—	(624)	—	(624)
Employees' share option scheme:												
— Proceeds from shares issued	—	—	—	—	(290)	—	—	—	—	(290)	—	(290)
— Value of employee services	—	—	—	—	12,983	—	—	—	—	12,983	—	12,983
— Release on forfeiture of share options	—	—	—	—	(32,094)	—	—	—	—	(32,094)	32,094	—
Balance at 30 June 2015	<u>870,331</u>	<u>49,796</u>	<u>1,003,028</u>	<u>11,840</u>	<u>56,629</u>	<u>37,227</u>	<u>11,340</u>	<u>13,341</u>	<u>3,454</u>	<u>2,056,986</u>	<u>7,369,800</u>	<u>9,426,786</u>

13 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES — GROUP

	As at	
	30 June 2015 <i>(Unaudited)</i>	31 December 2014 <i>(Audited)</i>
Trade payables (note (a))	737,189	723,541
Bill payables (note (b))	<u>464,283</u>	<u>79,641</u>
	1,201,472	803,182
Accruals and other payables	1,290,962	1,282,302
Less: non-current portion: Other	<u>(93,293)</u>	<u>(107,294)</u>
Current portion	<u><u>2,399,141</u></u>	<u><u>1,978,190</u></u>

Notes:

- (a) At 30 June 2015 and 31 December 2014, the ageing analysis of the trade payables was as follows:

	As at	
	30 June 2015 <i>(Unaudited)</i>	31 December 2014 <i>(Audited)</i>
0-90 days	703,101	685,332
91-180 days	13,437	17,448
181-365 days	7,874	8,365
1-2 years	4,567	5,558
Over 2 years	<u>8,210</u>	<u>6,838</u>
	<u><u>737,189</u></u>	<u><u>723,541</u></u>

14 BANK AND OTHER BORROWINGS — GROUP

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current		
Bank borrowings, guaranteed (note (a))	4,878,469	4,965,289
Less: Current portion	<u>(1,844,045)</u>	<u>(2,158,172)</u>
	3,034,424	2,807,117
Convertible bonds liability component (note (b))	<u>692,667</u>	<u>676,346</u>
Shown as non-current liabilities	<u>3,727,091</u>	<u>3,483,463</u>
Current		
Bank borrowings, guaranteed (note (a))	635,073	370,989
Current portion of non- current bank borrowings	<u>1,844,045</u>	<u>2,158,172</u>
Shown as current liabilities	<u>2,479,118</u>	<u>2,529,161</u>
Total bank and other borrowings	<u>6,206,209</u>	<u>6,012,624</u>

Note:

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

At 30 June 2015 and 31 December 2014, the Group's bank borrowing were repayable as follows:

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	2,479,118	2,529,161
Between 1 and 2 years	2,149,654	1,748,374
Between 2 and 5 years	<u>884,770</u>	<u>1,058,743</u>
	<u>5,513,542</u>	<u>5,336,278</u>

At 30 June 2015 and 31 December 2014, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at	
	30 June 2015 <i>(Unaudited)</i>	31 December 2014 <i>(Audited)</i>
Hong Kong dollar	5,258,469	4,975,022
US dollar	244,132	361,256
Euro dollar	<u>10,941</u>	<u>—</u>
	<u>5,513,542</u>	<u>5,336,278</u>

The carrying amounts of bank borrowings approximate their fair values as at 30 June 2015 and 31 December 2014.

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

	30 June 2015			31 December 2014	
	HK\$	US\$	Euro	HK\$	US\$
Bank borrowings	<u>1.98%</u>	<u>1.59%</u>	<u>1.0%</u>	<u>1.98%</u>	<u>1.48%</u>

- (b) The Group issued zero coupon convertible bonds at a total principal value of HK\$776,000,000 on 3 May 2012. The mature date of the bonds is on the fifth anniversary of the issue date at 121.95% of their principal amount on maturity date. The bonds can be converted into Shares of the Company at the bondholder's option at conversion price of HK\$6.0 per Share, subject to adjustment. 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 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.

On 12 December 2013, the Spin-off involved a distribution of certain shares of Xinyi Solar by way of special dividend and it resulted in an adjustment to the conversion price from HK\$6.0 to HK\$5.7 per Share.

The Group repurchased a total principal value of HK\$156,000,000 of the convertible bonds on 15 August 2014 with the repurchase price of HK\$170,040,000. The repurchase convertible bonds were cancelled upon completion.

At 30 June 2015, the Group's convertible bonds were repayable between 2 and 5 years.

The convertible bonds recognised in the consolidated balance sheet are calculated as follows:

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Liability component at 1 January	676,346	806,950
Repurchase & cancellation of convertible bond (liability component)	—	(167,222)
Interest expense (Note 17)	<u>16,321</u>	<u>36,618</u>
Liability component at 30 June 2015/31 December 2014	<u>692,667</u>	<u>676,346</u>

The fair value of the liability component of the convertible bonds at 30 June 2015 approximates same as 31 December 2014.

15 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	
	2015	2014
Depreciation and amortisation	364,176	307,280
Employee benefit expenses	500,279	447,364
Cost of inventories	2,845,295	2,729,576
Other selling expenses (including transportation and advertising costs)	187,181	149,880
Operating lease payments in respect of land and buildings	3,675	3,525
(Reversal of)/impairment of trade and other receivables, net	(6,762)	12,434
Other expenses, net	<u>731,792</u>	<u>786,903</u>
Total cost of sales, selling and marketing costs and administrative expenses	<u>4,625,636</u>	<u>4,436,962</u>

16 OTHER GAINS — NET

	2015	2014
Government grants (Note(a))	106,249	108,173
Fair value (loss) on investment properties	—	(10,000)
Realized gains on trading securities, net	3,039	—
Other foreign exchange gains /(losses), net	16,250	(26,741)
(Losses) /Gain on disposal and written-off of land use right and property, plant and equipment, net (Note (b))	(4,553)	162,258
Gain on disposal of a subsidiary (Note 24)	12,346	—
Gain on dilution of share on an associates (Note 8)	143,899	—
Others	<u>3,592</u>	<u>9,655</u>
	<u>280,822</u>	<u>243,345</u>

Note (a):

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

Note (b):

Gain on disposal and written-off of land use right and property, plant and equipment, net for the period ended 30 June 2014 mainly represents disposal of the Shenzhen Benson Property, which was completed in June 2014 and related gains of HK\$198.8 million was recognized. The land was delivered to Shenzhen Xinxinde Property on 30 April 2015.

17 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Interest income on short-term bank deposits	<u>25,793</u>	<u>21,404</u>

FINANCE COSTS

	Discontinued operation	
	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Interest on bank borrowings	56,085	48,993
Less: interest expenses capitalised under construction in progress	(26,264)	(22,193)
Interest on convertible bonds	<u>16,321</u>	<u>19,473</u>
	<u>46,142</u>	<u>46,273</u>

18 INCOME TAX EXPENSE

	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Current income tax		
— Hong Kong profits tax (Note a)	35,473	9,361
— PRC corporate income tax (Note b)	101,432	104,809
— Overseas income tax (Note c)	<u>1,258</u>	<u>101</u>
	<u>138,163</u>	<u>114,271</u>

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

(b) PRC corporate income tax (“CIT”)

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. The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu, Dongguan, Tianjin and Jiangmen are 25% (2014: 25%). Eleven (2014: eight) major subsidiaries in Shenzhen, Dongguan, Wuhu, Tianjin, Yingkou and Sichuan 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 2015 and 2014 at the rates of taxation prevailing in the countries in which the Group operates.

19 DIVIDENDS

	For the six months ended	
	30 June	
	2015	2014
Final dividend payable for 2014 of 6.0 HK cents (2013: 14.0 HK cents) per Share	235,310	549,025
Proposed interim dividend of 9.5 HK cents (2014: 9.0 HK cents) per Share	<u>372,574</u>	<u>352,945</u>
	<u><u>607,884</u></u>	<u><u>901,970</u></u>

Note:

At a meeting of the Board held on 28 July 2015, the Directors declared an interim dividend of 9.5 HK cents per Share for the six months ended 30 June 2015. The amount of 2015 proposed interim dividend is based on shares in issue as at 30 June 2015.

This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated financial information, but will be deducted from the share premium account of the Company as at 30 June 2015.

20 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	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	944,876	761,711
Weighted average number of Shares in issue (thousands)	3,921,426	3,921,114
Basic earnings per Share (HK cents per Share)	24.10	19.43

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 2015 and the net profit is adjusted to eliminate the interest expense less tax effect.

	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Earnings		
Profit attributable to equity holders of the Company (HK\$'000)	944,876	761,711
Interest expense on convertible bonds (net of tax) (HK\$'000)	<u>—</u>	<u>—</u>
	944,876	761,711
Weighted average number of Shares in issue (thousands)	3,921,426	3,921,114
Adjustments for:		
Share options (thousands)	149	8,865
Assumed conversion of convertible bonds (thousands) (Note)	<u>—</u>	<u>—</u>
Weighted average number of Shares for diluted earnings per Share (thousands)	<u>3,921,575</u>	<u>3,929,979</u>
Diluted earnings per Share (HK cents per Share)	<u>24.09</u>	<u>19.38</u>

Note: The calculation of diluted earnings per Share does not assume the conversion of convertible bonds to ordinary shares for the periods ending 30 June 2015 and 30 June 2014, as such conversion would have an anti-diluted effect on earnings per Share.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2015 and 31 December 2014.

	Level 1	Level 2	Level 3	Total
At 30 June 2015				
Assets				
Available-for-sale financial assets				
— Equity securities	<u>85,665</u>	<u>—</u>	<u>625</u>	<u>86,290</u>

	Level 1	Level 2	Level 3	Total
At 31 December 2014				
Assets				
Available-for-sale financial assets				
— Equity securities	<u>119,000</u>	<u>—</u>	<u>625</u>	<u>119,625</u>

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. Instruments included in level 1 at 30 June 2015 comprised available-for-sale financial assets.

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.
- 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 period ended 30 June 2015.

Available-for-sale financial assets	
At 1 January 2015 and 31 December 2014	625
Currency translation differences	<u>—</u>
At 30 June 2015	<u>625</u>

During six months ended 30 June 2015, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2014: Nil). The group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

22 COMMITMENTS — GROUP

CAPITAL COMMITMENTS

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

	As at	
	30 June	31 December
	2015	2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Land use right and property, plant and equipment		
— Contracted but not provided for	438,646	875,469
— Authorised but not contracted for	<u>5,412,850</u>	<u>5,698,512</u>
	<u>5,851,496</u>	<u>6,573,981</u>

23 RELATED PARTY TRANSACTION

The following transactions were carried out with related parties:

(A) PURCHASE OF GOODS FROM ASSOCIATES AND SALES OF GOODS TO ASSOCIATES

	Unaudited	
	For the six months ended	
	30 June	
	2015	2014
Purchases of goods from associates		
— Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	145,804	179,395
— Beihai Yiyang Mineral Company Limited	63,711	99,366
— Dongyuan County Xinhuali Quartz Sand Company Limited	8,142	16,450
— Maoming City Yindi Construction Material Company Limited	<u>15,417</u>	<u>16,231</u>
Rental income received from an associate		
— A subsidiary of Xinyi Solar	<u>2,717</u>	<u>2,741</u>
Rental expenses paid to an associate		
— A subsidiary of Xinyi Solar	<u>575</u>	<u>581</u>
Consultancy income received from an associate		
— A subsidiary of Xinyi Solar	<u>—</u>	<u>37</u>
Sales of machineries to an associate		
— A subsidiary of Xinyi Solar	<u>—</u>	<u>235</u>
Sales of goods to associates		
— A subsidiary of Xinyi Solar	<u>18,737</u>	<u>579</u>

(B) PERIOD/YEAR-END BALANCES WITH ASSOCIATES

	As at	
	30 June 2015	31 December 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance with/loan advance to associates		
— Beihai Yiyang Mineral Company Limited	43,232	5,209
— Dongyuan County Xinhuali Quartz Sand Company Limited	<u>33,623</u>	<u>36,125</u>
	<u><u>76,855</u></u>	<u><u>41,334</u></u>

24 DISPOSAL OF A SUBSIDIARY

On 30 June 2015, the Company completed the transaction of disposal 100% shareholding of XYG(HK) Limited, a wholly owned subsidiary of the Company.

	30 June 2015
	<i>(Unaudited)</i>
Net assets disposed of:	
Investment property	255,032
Prepayments, deposits and other receivables	5,225
Current income tax liabilities	<u>(4,425)</u>
	<u>255,832</u>
Gain on disposal	<u>12,346</u>
Cash consideration	<u><u>268,178</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 June 2015, the revenue and the net profit of the Group were HK\$5,282.8 million and HK\$944.9 million, respectively, representing an increase of 4.9% and 24.1% as compared with HK\$5,034.1 million and HK\$761.7 million, respectively, for the six months ended 30 June 2014.

REVENUE

One of the reasons for the steady increase in the revenue for the period under review was the steady growth of the automobile glass business. The strong momentum of aftermarket automobile glass sales in North America has mitigated the negative impact as a result of the weak European market and contributed to the revenue growth of 4.9% as compared with the same period in 2014.

Although the tighter PRC property market policy has been gradually relaxed, the level of construction activities in the PRC is still sluggish during the period under review, which reduces the demand and the average selling price of construction glass. On the other hand, with the PRC government policies on environmental protection and encouragement of energy-saving buildings, the Directors expect a continued increase in the demand for the Group's low emission ("Low-E") glass. As a leading Low-E glass manufacturer in China, the Group enjoys economies of scale and the nationwide market coverage which contributed to a revenue growth of 11.8% despite the unsteady industry environment as compared with the same period in 2014.

Due to slow growth in the construction industry in the PRC, the demand and the average selling prices of float glass of the Group remained weak during the period under review. The Group's established reputation as a leading global glass manufacturer and its balanced product mix resulted in the Group maintaining a small revenue growth of 0.2% during the period under review as compared with the same period in 2014.

GROSS PROFIT

The Group's gross profit for the six months ended 30 June 2015 increased by 5.5% to HK\$1,409.9 million as compared with HK\$1,336.9 million for the same period in the previous year. There was no change in the gross margin of the Group which was maintained at 26.7% during the period under review. The improved automobile glass gross margin compensated the decrease in the lower performance of construction glass, which experienced declining selling prices during the period.

Other Gains

Other gains for the six months ended 30 June 2015 were HK\$280.8 million, as compared with HK\$243.3 million for the six months ended 30 June 2014. The HK\$143.9 million non-cash gain on dilution of shares on Xinyi Solar Holdings Limited (“XYS”) was due to YYS’s share placement in March of 2015. It mitigated the impact from the one-off disposal gain of the Shenzhen Benson property which was completed in June 2014.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses increased by 16.5% to HK\$312.1 million for the period under review. The increase was principally attributable to the increased overseas and local transportation costs as a result of the sales growth, especially in North America.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 6.6% to HK\$440.7 million for the six months ended 30 June 2015. This was principally attributable to the write-back for overprovision of bad debt expenses of HK\$6.8 million and no donation made in comparison to HK\$6.4 million made during the same period of last year.

FINANCE COSTS

Finance costs maintained flat at HK\$46.1 million for the six months ended 30 June 2015. Some of the interest expenses were previously capitalised as part of the total cost in the purchase of plant and machinery and construction of factory buildings in the Group’s PRC production complexes, and these expenses were charged to the income statements of the Group following commencement of commercial production of the relevant production facilities. Interest amounting to HK\$26.3 million was capitalised under construction-in-progress for the six months ended 30 June 2015.

EARNINGS BEFORE INTEREST, TAXES AND AMORTISATION (“EBITA”)

EBITA increased by 14.5% period-to-period to HK\$1,384.1 million for the six months ended 30 June 2015, consistent with the increase in the Group’s net profit.

TAXATION

Tax expense amounted to HK\$138.2 million for the six months ended 30 June 2015. The effective tax rate of the Group was 12.7% as a result of the non taxable gains generated by YYS during the period. The Group's PRC subsidiaries are qualified as high technology enterprises with a preferential tax rate of 15% under the applicable PRC corporate income tax laws and regulations.

NET PROFIT

Net profit for the six months ended 30 June 2015 was HK\$944.9 million, representing an increase of 24.1% as compared with the corresponding period in 2014. The net profit margin for the period under review increased to 17.9% from 15.1%, principally due to the increase in the gross profit margin and profit sharing from YYS during the period.

CAPITAL EXPENDITURES

For the six months ended 30 June 2015, the Group incurred an aggregate capital expenditure amounting to HK\$1,321.4 million for the purchase of plant and machinery, construction of factory premises and additional float glass production lines at the Group's production complexes in China.

NET CURRENT ASSETS

As at 30 June 2015, the Group had net current assets of HK\$90.3 million.

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2015, 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. As at 30 June 2015, the net cash inflow from operating activities amounted to approximately HK\$1,256.4 million (2014: HK\$913.9 million) and the Group had cash and cash equivalents of HK\$1,191.5 million (2014: HK\$895.5 million).

As at 30 June 2015, total bank borrowings were HK\$5,513.5 million and the value of the convertible bond was HK\$692.7 million. Despite the increase in the liabilities, the net debt gearing ratio, calculated based on net total borrowings (including bills payables) divided by total shareholders' equity (excluding 2015 declared interim dividends and 2014 proposed final dividend), was maintained at 43.3% as at 30 June 2015, as compared with 43.5% as at 31 December 2014. The stable net gearing ratio was principally due to the Group's repayments of bank borrowings during the period.

Interim Dividend and Closure of Register of Members

As the Group recorded an increase in net profit for the six months ended 30 June 2015 as compared with the six months ended 30 June 2014, the Directors consider that the Group has achieved a reasonable level of profitability. The Directors are pleased to declare an interim dividend of 9.5 HK cents per Share for the six months ended 30 June 2015 (2014: 9.0 HK cents) to be paid to all shareholders (the “Shareholders”) of the Company whose names are recorded on the register of members of the Company as at the close of business on Friday, 14 August 2015. The interim dividend is payable on or before Tuesday, 8 September 2015.

The Company’s register of members will be closed from Wednesday, 12 August 2015 to Friday, 14 August 2015 (both days inclusive), and during this 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 Tuesday, 11 August 2015.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group’s transactions are mainly denominated in Renminbi, US dollars, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities conducted in China. As at 30 June 2015, the Group’s bank borrowings were denominated in Euro, US dollars and Hong Kong dollars bearing interest rates from 1.0%, 1.59% and 1.98% per annum. Hence, the Group’s exposure to foreign exchange fluctuations was limited. The Group did not experience any material difficulty and liquidity problems as a result of foreign exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the six months ended 30 June 2015, the Group did not use any financial instrument for hedging purposes.

Employees and Remuneration Policy

As at 30 June 2015, the Group had 13,249 full-time employees of whom 13,151 were based in China and 98 were based in Hong Kong and other countries and territories. The Group maintains a good professional relationship with its employees providing them with positive working environment. The Group provides employees with training on the latest business and professional knowledge including applications of the Group’s products and developing skills in maintaining good client relationships.

Remuneration packages offered to the Group's employees are consistent with prevailing levels and are reviewed on a regular basis. Discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

Pursuant to the applicable laws and regulations in China, the Group has arranged for participation of its employees in relevant required retirement contribution schemes administered by the Chinese government. As for the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements set forth under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

The Company has 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 to accept options to be granted by the Group for subscription for the Shares. As at the date of this announcement, 19,699,000 options, 23,841,000 options, 25,008,000 options, 27,988,000 and 28,000,000 options were granted under the share option scheme on, 23 May 2012, 2 April 2013, 27 February 2014 and 2 March 2015 respectively, and 96,536,000 options were outstanding as at 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2015, 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.

BUSINESS REVIEW

Glass industry in China is still volatile

The PRC experienced slow economic growth during the six months period ended 30 June 2015. The operating results of the construction glass and the float glass segments of the Group encountered equally difficult business environments. Nonetheless, the overseas sales of the Group's automobile glass recorded a stable growth for the six months ended 30 June 2015.

The increasing demand for the energy-saving Low-E glass in the construction industry in the PRC has resulted in a moderate increase in the revenue of the Group's construction glass segment, even though the overall property market in the PRC experienced a slow performance during the six months ended 30 June 2015 amidst the relaxation of both property and monetary policies in the PRC. The cancellation of

the restrictions on second house purchasing and the lower People's Bank of China's Reserve Ratio Requirement ("RRR") and lending interest rates have yet to improve the market liquidity. Therefore, the momentum for the building industry is still moderate.

Due to the slow construction glass demand in the PRC, the demand for float glass has also been affected since the second quarter of 2014. The excess float glass capacity in the PRC is becoming more manageable as the tight restrictions on new float glass production lines in the PRC take effect. The Group's better production cost control helped maintaining the gross profit margin of its float glass business.

In light of the less favourable market conditions, the Group has implemented flexible and proactive marketing strategies for its automobile glass business. Most notable among these are the addition of new products suitable for new car models and exploration of new overseas customers and opportunities to maintain the sales volume of its automobile glass products. Currently, the Group sells its automobile glass products in more than 130 countries.

As a leader in the world's global glass industry, the Group strengthened its market leading position and enhanced economies of scale through strategic and timely expansion of the production capacity for different product segments and the construction of new production complexes with streamlined production process at different locations. The Group has also implemented a series of enhanced control measures on the consumption level of the raw materials, improved production processes and logistics, the recycling of principal raw materials and the use of solar power and residual heat for energy generation. To maintain its competitiveness, the Group has successfully developed and launched a wide range of high value-added glass products and adopted proactive pricing and flexible marketing policies to take advantage of the supportive policies under the PRC government's Twelfth Five-Year Plan.

Better productivity, technology and economies of scale offset production cost rises

The Group's strength in operational management, combined with the continuous improvements in the production process and well-planned equipment maintenance programs, have enhanced its productivity and yield, which in turn have reduced the overall production and energy costs in the first half of 2015. The Group's economies of scale have enabled significant savings in the production and the fixed costs, minimized the wastage and increased efficiency in fuel consumption. To further control the cost of energy, the Group is using environmentally-friendly clean energy,

such as in-house rooftop solar power systems and low-temperature recycling residual heat power co-generation systems. Using natural gas as the fuel for our high quality float glass production can also reduce the carbon emission levels and improve the energy cost structure of the Group

High value-added diversified product mix enhances overall competitiveness

During the period under review, the revenue generated from the Group's automobile glass, construction glass and high-quality float glass businesses achieved a growth at rates generally above the market averages. This performance demonstrates that the Group's diversified business and high value-added product mix can mitigate the operational pressure in any individual business segment within a volatile market environment.

BUSINESS OUTLOOK

The Group will continue to adopt flexible production arrangements and using high-level automation to further improve operational efficiency to maintain its leadership and competitiveness amongst the world's glass manufacturers.

The PRC government has continued to tighten the policy on new float glass production lines and phase out the outdated production lines in keeping with higher environmental standards on emissions. The Group is embarking on prudent and flexible strategies in response to the current float glass market in the PRC. The current low international crude oil price mitigates the pressure on the price of natural gas in Guangdong Province. The Group is optimistic that the float glass market will improve in the future.

On the other hand, the Directors are optimistic about the continuing good performance of the automobile glass segment in the global market and the increase demand for energy-saving and double-glazed Low-E glass segments in the future.

After years of expanding production facilities, the Group is exploring overseas opportunities which offer a more attractive market environment, lower production and energy costs, better tax structure and incentive programs. The Group's first overseas project is in Malacca, Malaysia, and the selection of which would affect our future growth pattern as well as certain transactions.

The Group will build one high quality float glass production line and one Low-E glass production line at the phase one project in Malacca, Malaysia where we can more effectively serve our customers in ASEAN countries through the preferential import duty and an appropriate pricing strategy and a shorter transportation distance. We will also build the Group's first wind farm project in Anhui Province, the PRC in order to capture the growth opportunity presented by the PRC policy on encouraging clean and renewable energy.

The Group will continue to ensure that adequate resources will be allocated to the product research and development capability, enhancing product quality, boosting production efficiency and staff training in order to maintain its competitiveness and boost its profitability.

CONCLUSION

The Group continues to tackle challenges amidst a slowdown in economic growth in the PRC. The Group is also continuing to optimise its efficiency and improve its profitability through effective management and ongoing collaborations with its customers. The Directors believe that these strategies will enable the Group to maximise the benefits from the emerging business opportunities. The Directors are also optimistic about the Group's long term business development. The Group is also adopting proven business strategies to sustain and strengthen growth. To maintain its industry leading position, the Group is also continuing to expand its presence in the global glass market across a wide spectrum of industries, applications and technologies, expansion of its facilities and geographic reach and explore other opportunities for business cooperation.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

In the opinion of the Directors, the Company complied with the applicable code provisions of the Code on Corporate Governance Code as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as 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 2015.

REVIEW OF THE INTERIM RESULTS

The Company's interim results for the six months ended 30 June 2015 have not been audited but have been reviewed by the Company's audit committee, comprising the five independent non-executive Directors.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2015 containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the 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, B.B.S.
Chairman

Hong Kong, 28 July 2015

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