信義玻璃控股有限公司

XINYI GLASS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00868)

2012
INTERIM REPORT

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(in HK$'000)	Six months ended 30 June 2012 (Unaudited)	Six months ended 30 June 2011 (Unaudited) (Restated)	Year ended 31 December 2011 (Audited) (Restated)
Turnover	**4,592,724**	3,880,986	8,226,651
Profit before income tax	**561,198**	982,394	1,526,499
Profit attributable to Company's equity holders	**476,859**	842,039	1,265,371
Dividends	**226,261**	399,828	584,069
Equity attributable to Company's equity holders	**9,097,971**	8,013,154	8,512,597
(number of ordinary shares ("**Share**") in '000)			
Weighted average number of Shares in issue	**3,712,647**	3,539,177	3,598,422
(in Hong Kong cents)			
Earnings per Share - basic	**12.84**	23.79	35.17
Earnings per Share - diluted	**12.76**	23.44	34.76
Dividends per Share	**6.0**	11.0	16.0
Equity attributable to Company's equity holders per Share	**245.05**	226.41	236.56

Dear Shareholders

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Glass Holdings Limited (the "**Company**"), I am pleased to announce the interim unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2012.

In comparison with the same period in 2011, turnover of the Group increased by approximately 18.3% to approximately HK$4,592.7 million during the six months ended 30 June 2012. The net profit attributable to equity holders of the Company for the review period decreased by around 43.4%, to approximately HK$476.9 million. Basic earnings per Share were 12.8 HK cents, compared to 23.8 HK cents for the same period in 2011.

The Board considers that the Group has achieved a reasonable profitability under a volatile market environment. Hence, the Board is pleased to declare an interim dividend of 6.0 HK cents per Share.

I present below an overview of the business of the Group for the six months ended 30 June 2012 and key development highlights for the coming half year.

OPPORTUNITES 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.

Depsite 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.

CONCLUSION

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.

I would like to take this opportunity to thank fellow Board members for their continuous and strong support during the review period. I would also like to thank our senior management team and our staff, as well as business partners and customers for their valuable contributions to our success during the period under review.

LEE Yin Yee, M.H.
Chairman
Hong Kong, 30 July 2012

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 selling prices rebounded 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.

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 12,910 were based in China and 114 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.

Condensed Consolidated Balance Sheet

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

	Note	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (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		3,555	5,397
		11,458,119	11,311,044
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	935,622	712,964
		4,352,551	4,035,444
Total assets		15,810,670	15,346,488

Condensed Consolidated Balance Sheet

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

	Note	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (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		**3,336,703**	3,084,503
		9,097,971	8,512,597
Non-controlling interests		**19,874**	17,708
Total equity		**9,117,845**	8,530,305
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		**70,614**	83,259
		3,305,243	3,398,061

Condensed Consolidated Balance Sheet

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

	Note	As at 30 June 2012 (Unaudited)	As at 31 December 2011 (Audited) (Restated)
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	1,187,811	1,104,714
		3,387,582	3,418,122
Total liabilities		6,692,825	6,816,183
Total equity and liabilities		15,810,670	15,346,488
Net current assets		964,969	617,322
Total assets less current liabilities		12,423,088	11,928,366

Condensed Consolidated Income Statement

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

		Six months ended 30 June	
		2012	2011
	Note	**(Unaudited)**	(Unaudited)
Revenue	4	**4,592,724**	3,880,986
Cost of sales	13	**(3,501,450)**	(2,510,821)
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	**(327,037)**	(239,999)
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		**2,916**	1,595
Profit before income tax		**561,198**	982,394
Income tax expense	15	**(83,800)**	(140,050)
Profit for the period		**477,398**	842,344
Attributable to:			
– Equity holders of the Company		**476,859**	842,039
– Non-controlling interests		**539**	305
		477,398	842,344

Condensed Consolidated Income Statement

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

		Six months ended 30 June	
	Note	2012 (Unaudited)	2011 (Unaudited)
Interim dividend	16	226,261	399,828
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	12.84	23.79
– Diluted	17	12.76	23.44

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	**477,398**	842,344
Other comprehensive income		
Currency translation differences	**(130,592)**	215,209
Total comprehensive income for the period	**346,806**	1,057,553
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**346,441**	1,056,998
– Non-controlling interests	**365**	555
	346,806	1,057,553

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						
	Note	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total 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		377,102	3,474,358	1,683,547	3,562,964	9,097,971	19,874	9,117,845

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.

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						
	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)
		11,771	859,019	2,101	(457,532)	415,359	(592)	414,767
Balance at 30 June 2011		363,480	2,875,861	1,415,202	3,358,611	8,013,154	19,590	8,032,744

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		406,993	1,564,567
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		(4,766)	10,365
Cash and cash equivalents at 30 June	8	812,222	703,561

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 ordinary shares (the "**Shares**") at a subscription price of HK$4.69 per Share and zero coupon 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.

3 ACCOUNTING POLICIES (Continued)

(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.

3 ACCOUNTING POLICIES (Continued)

(A) CHANGES IN ACCOUNTING POLICIES (Continued)

MEASUREMENT OF DEFERRED TAX ASSETS OR LIABILITIES (Continued)

Effect on consolidated balance sheet	30 June 2012 HK$'000	31 December 2011 HK$'000
Decrease in deferred tax liabilities	—	5,048
Increase in retained earnings	—	5,048

Effect on consolidated income statement	30 June 2012 HK$'000	30 June 2011 HK$'000
Decrease in income tax expense	—	—
Increase in net profit attributable to owners of the company	—	—
Increase in basic EPS	—	—
Increase in diluted EPS	—	—

3 ACCOUNTING POLICIES (Continued)

(A) CHANGES IN ACCOUNTING POLICIES (Continued)

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.

3 ACCOUNTING POLICIES (Continued)

(A) CHANGES IN ACCOUNTING POLICIES (Continued)

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.

4 SEGMENT INFORMATION (Continued)

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	—	—	(455,253)	—	—	(455,253)
Revenue from external customers	1,473,195	670,170	1,649,965	799,394	—	4,592,724
Cost of sales	(845,567)	(433,673)	(1,579,826)	(642,384)	—	(3,501,450)
Gross profit	627,628	236,497	70,139	157,010	—	1,091,274
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)	985	—	—	(205)	—	780
Total assets	2,698,455	1,620,730	7,409,157	3,153,860	928,468	15,810,670
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)	26,896	145,769	260,841	106,819	24,611	564,936
Total liabilities	492,226	188,027	841,647	408,214	4,762,711	6,692,825

4 SEGMENT INFORMATION (Continued)

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

4 SEGMENT INFORMATION (Continued)

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	**2,916**	1,595
Profit before income tax	**561,198**	982,394

4 SEGMENT INFORMATION (Continued)

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 (Unaudited)	2011 (Audited)	**2012 (Unaudited)**	2011 (Audited) (Restated)
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)

4 SEGMENT INFORMATION (Continued)

	Assets		Liabilities	
	2012	2011	**2012**	2011
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Current bank borrowings	**—**	—	**(1,164,411)**	(1,025,415)
Non-current bank borrowings	**—**	—	**(3,133,953)**	(3,214,096)
Total assets/(liabilities)	**15,810,670**	15,346,488	**(6,692,825)**	(6,816,183)

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	**799,394**	653,561
Total	**4,592,724**	3,880,986

4 SEGMENT INFORMATION (Continued)

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	**641,847**	603,153
	4,592,724	3,880,986

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 2012 (Unaudited)	31 December 2011 (Audited)
Greater China	**11,408,480**	11,259,032
North America	**9,848**	9,849
Other countries	**382**	470
	11,418,710	11,269,351

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 (Unaudited)	31 December 2011 (Audited)
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	**1,304,456**	1,328,172
	1,307,072	1,330,825

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

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	—	(34,010)	(250,537)	(1,643)	(286,190)
Closing net book amount as at 30 June 2012	1,268,845	2,091,917	6,405,226	16,290	9,782,278

7 TRADE AND BILLS RECEIVABLES — GROUP

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

(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 (Unaudited)	31 December 2011 (Audited)
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	**9,731**	7,132
	1,141,223	752,234

(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 (Unaudited)	31 December 2011 (Audited)
Cash and bank balances	**936,498**	713,748
Less:		
– Pledged bank deposits (Note)	**(876)**	(784)
– Bank deposits with maturity more than three months	**(123,400)**	(80,172)
	812,222	632,792

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

9 SHARE CAPITAL

	Note	Number of Shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
As at 31 December 2011 and 30 June 2012		20,000,000,000	2,000,000	—	2,000,000
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)	82,729,211	8,273	373,876	382,149
As at 30 June 2012		3,771,018,855	377,102	3,474,358	3,851,460

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	**2.34**	**(7,302)**	3.49	(207)
At 30 June	**4.11**	**101,613**	3.77	92,096

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.

9 SHARE CAPITAL (Continued)

Notes: (Continued)

(a) (Continued)

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	25,962
		101,613

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	608,707	49,221	926,277	11,840	61,253	624	8,942	16,683	1,683,547	3,562,964	5,246,511

11 TRADE PAYABLE, ACCRUALS AND OTHER PAYABLES — GROUP

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

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 (Unaudited)	31 December 2011 (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	2,273	1,147
	763,391	557,023

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

12 BANK AND OTHER BORROWINGS — GROUP

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

12 BANK AND OTHER BORROWINGS — GROUP (Continued)

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 (Unaudited)	31 December 2011 (Audited)
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	**839,400**	1,566,301
	3,570,801	4,318,810

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 (Unaudited)	31 December 2011 (Audited)
Hong Kong dollar	**3,547,401**	4,119,616
US dollar	**23,400**	199,194
	3,570,801	4,318,810

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.

12 BANK AND OTHER BORROWINGS — GROUP (Continued)

Note: (Continued)

(a) (Continued)

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

	30 June 2012		31 December 2011	
	HK$	US$	HK$	US$
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	**672,045**	528,605
Total cost of sales, selling and marketing costs and administrative expenses	**4,057,418**	2,953,447

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	**5,551**	1,447

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	**6,089**	—
	25,780	5,304

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	**7,738**	11,878
	83,800	140,050

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%.

15 INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(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	**226,261**	399,828
	414,791	858,474

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.

17 EARNINGS PER SHARE (Continued)

DILUTED (Continued)

	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
Adjustments for share options (thousands)	**23,690**	53,894
Weighted average number of Shares for diluted earnings per Shares (thousands)	**3,736,337**	3,593,017
Diluted earnings per Share (HK cents per Share)	**12.76**	23.44

18 COMMITMENTS — GROUP

CAPITAL COMMITMENTS

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

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

INTERIM DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

With the Group achieving an 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.

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.

REMUNERATION COMMITTEE

The committee, comprising three independent non-executive Directors and two executive Directors, is mandated to review and approve the remuneration packages of the Directors and senior management of the Company. It has adopted the terms of reference in line with the code provisions of the Code on Corporate Governance Practices.

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

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in the Shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code were as follows:

THE COMPANY

Long position in the Shares

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. LEE Yin Yee, M.H.	Interest of a controlled corporation *(Note a)*	725,209,552	19.23%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
	Personal interest *(Note b)*	32,910,000	0.87%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	266,766,456	7.07%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
	Personal interest *(Note d)*	19,900,000	0.53%
Mr. TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	246,932,579	6.55%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
	Personal interest *(Note f)*	54,688,000	1.45%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	118,562,868	3.14%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note h)*	79,041,912	2.10%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
	Personal interest	2,200,000	0.06%

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

THE COMPANY (Continued)

Long position in the Shares (Continued)

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Mr. LI Man Yin	Interest of a controlled corporation *(Note i)*	79,041,911	2.10%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
	Personal interest *(Note j)*	1,540,000	0.04%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note k)*	108,800,781	2.89%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note l)*	79,041,911	2.10%
	Interest of a controlled corporation *(Note n)*	44,548,000	1.18%
	Personal interest	2,000,000	0.05%
	Personal interest *(Note m)*	400,000	0.01%
Mr. WONG Chat Chor Samuel	Personal interest	1,280,000	0.03%

Notes:

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

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

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

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

THE COMPANY (Continued)

Long position in the Shares (Continued)

Notes: (Continued)

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

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

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

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

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

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

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

THE COMPANY (Continued)

Long position in the Shares (Continued)

Notes: (Continued)

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

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

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

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

(n) The interest in the Shares are held through Full Guang Holdings Limted ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Mr. LEE Yin Yee as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70.

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

ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate shareholding percentage
Realbest *(Note o)*	Mr. LEE Yin Yee, M.H.	2 ordinary shares	100%
High Park *(Note p)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note q)*	Mr. TUNG Ching Sai	2 ordinary shares	100%
Telerich Investment Limited *(Note r)*	Mr. LEE Yau Ching	2 ordinary shares	100%
Goldbo *(Note s)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note t)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Perfect All *(Note u)*	Mr. LI Man Yin	2 ordinary shares	100%
Goldpine *(Note v)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note w)*	Mr. LI Ching Leung	2 ordinary shares	100%
Full Guang *(Note x)*	Mr. LEE Yin Yee, M.H.	734,000 ordinary shares	33.98%
	Mr. TUNG Ching Bor	270,000 ordinary shares	12.50%
	Mr. TUNG Ching Sai	430,000 ordinary shares	19.91%
	Mr. LEE Yau Ching	256,000 ordinary shares	11.85%
	Mr. LI Ching Wai	120,000 ordinary shares	5.56%
	Mr. NG Ngan Ho	80,000 ordinary shares	3.70%
	Mr. LI Man Yin	80,000 ordinary shares	3.70%
	Mr. SZE Nang Sze	110,000 ordinary shares	5.09%
	Mr. LI Ching Leung	80,000 ordinary shares	3.70%

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

ASSOCIATED CORPORATIONS (Continued)

Notes:

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

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

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

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

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

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

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

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

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

(x) Full Guang is owned by Mr. LEE Yin Yee as to 33.98%, Mr. TUNG Ching Bor as to 12.50%, Mr. TUNG Ching Sai as to 19.91%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

Save as disclosed above, as at 30 June 2012, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2012, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

THE COMPANY

Long position in the Shares

Name of Shareholders	Number of Shares held	Capacity	Percentage of the Company's issued share capital
Realbest	725,209,552	Registered and beneficial owner	19.23%
High Park	266,766,456	Registered and beneficial owner	7.07%
Copark	246,932,579	Registered and beneficial owner	6.55%
Telerich Investment Limited *(Note)*	251,595,089	Registered and beneficial owner	6.67%

Note: These Shares are registered in the name of Telerich Investment Limited, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching, who is an executive Director.

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. LAU Sik Yuen, *FCPA, AICPA*

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Harbour View 2
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Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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

AUDITOR

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

PRINCIPAL BANKERS

Australia and New Zealand Bank
Bank of China (Hong Kong)
Citibank, N.A.
Deutsche Bank
Fubon Bank (Hong Kong)
Hang Seng Bank
HSBC
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Agricultural Bank of China
Bank of Communications
Bank of China
Hui Shang Bank
Industrial Bank
Shenzhen Development Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.xinyiglass.com

SHARE INFORMATION

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	00868
Listing date:	3 February 2005
Board lot:	2,000 Shares
Financial year end:	31 December
Share issued and fully paid as at the date of this interim report:	3,775,078,699 Shares
Share price as at the date of this interim report:	HK$3.85
Market capitalisation as at the date of this interim report:	Approximately HK$14.534 billion

KEY DATES

Closure of register of members:
From 14 August 2012
to 16 August 2012
(both days inclusive)

Proposed interim dividend payable date:
On or before 19 September 2012