



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)



INTERIM REPORT
2014

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Financial Highlights

| | Six months ended 30 June | Year ended 31 December | |
|--|-----------------------------|---------------------------|-------------------|
| (in HK\$'000) | 2014 (Unaudited) | 2013 (Unaudited) | 2013 (Audited) |
| Continuing operations: | | | |
| Turnover | 5,034,069 | 4,574,146 | 9,936,076 |
| Profit before income tax | 876,430 | 1,092,440 | 3,626,503 |
| Profit attributable to Company's equity holders | | | |
| – from continuing operations | 761,711 | 911,827 | 3,245,043 |
| – from discontinued operation | — | 91,825 | 276,895 |
| Dividends | 352,945 | 493,432 | 2,612,765 |
| Equity attributable to Company's equity holders | 12,424,509 | 10,722,497 | 12,207,789 |
| (number of ordinary shares ("Share") in '000) | | | |
| Weighted average number of Shares in issue | 3,921,114 | 3,790,421 | 3,832,349 |
| (in Hong Kong cents) | | | |
| Earnings per Share - basic | 19.43 | 26.48 | 91.91 |
| Earnings per Share - diluted | 19.38 | 26.32 | 89.10 |
| Dividends per Share | 9.0 | 13.0 | 27.0 |
| Equity attributable to Company's equity holders per Share | 316.86 | 282.88 | 318.55 |

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 2014.

In comparison with the same period in 2013, turnover of the Group decreased by approximately 7.4% to approximately HK\$5,034.1 million during the six months ended 30 June 2014. The net profit attributable to equity holders of the Company for the review period decreased by approximately 24.1%, to approximately HK\$761.7 million. Basic earnings per Share were 19.43 HK cents, as compared with 26.48 HK cents for the same period in 2013.

The Board considers that the Group has achieved a reasonable level of profitability in a volatile market environment and after the spin-off of Xinyi Solar Holdings Limited. Hence, the Board is pleased to declare an interim dividend of 9.0 HK cents per Share.

I present below an overview of the business of the Group for the six months ended 30 June 2014 and key development highlights for the coming half year.

BUSINESS REVIEW

GLASS INDUSTRY IS IN A VOLATILE MARKET

During the six months ended 30 June 2014, the economy in the PRC grew slowly. The operating results of the three business segments of the Group, following the spin-off of the solar glass business in December 2013, experienced different market pressures. During the six months ended 30 June 2014, the overseas sales of the automobile glass of the Group recorded a relative strong growth.

The increasing demand for energy-saving low emission glass in the PRC's construction industry resulted in a moderate growth of the construction glass segment of the Group during the period of slowing down in the PRC property market and tightening PRC monetary policy in the first half of 2014. Due to the slowdown in the overall construction glass industry in the PRC, the demand for float glass has been affected since the second quarter of 2014. Also, the gross profit margin of the float glass business of the Group decreased as a result of the increase in the production costs as compared with the same period in 2013.

Chairman's Statement

In light of the unfavourable market condition, the Group has implemented flexible and proactive marketing strategies for the automobile glass business and explores new overseas markets to maintain the sales volume of the automobile glass products of the Group. Currently, the Group sells its automobile glass products to more than 130 countries.

As a leader in the global glass industry, the Group strengthened its market-leading position and enhanced the benefits from the economies of scale through strategic and timely expansion of the production capacity and construction of new production complexes with more efficient production process. The Group has also implemented a series of enhanced control measures on consumption and recycling of the principal raw materials. To maintain the Group's competitiveness, the Group has successfully developed and launched a wide range of high value-added glass products and adopted aggressive pricing and marketing policies to take advantage of the supportive measures implemented under the Twelfth Five-Year Plan of the PRC government.

BETTER PRODUCTIVITY, TECHNOLOGY AND ECONOMIES OF SCALE TO MITIGATE COST PRESSURES

The Group's experience in operational management, combined with the continuous improvements in the production process, have enhanced its productivity and yield, which in turn reduced the overall production and energy costs during the six months ended 30 June 2014. The Group's economies of scale enable significant savings in production and fixed costs and increased efficiency in fuel consumption. To further control the production costs, the Group is using environmentally-friendly and clean energy, such as rooftop solar power systems and low-temperature recycling residual heat power co-generation systems.

By using natural gas as the fuel for the Group's high quality float glass lines, which can reduce the carbon emission levels and improve the energy cost structure of the Group.

HIGH VALUE-ADDED DIVERSIFIED PRODUCT MIX ENHANCES THE OVERALL COMPETITIVENESS

For the six months ended 30 June 2014, the revenue generated from the Group's automobile glass, construction glass and high-quality float glass businesses achieved a growth at the rates generally above the market averages. This performance demonstrates that the Group's diversified businesses and high value-added product mix can reduce the operational pressure in any individual business segment in a volatile market.

BUSINESS OUTLOOK

The Group will continue to adopt flexible production arrangements to further improve the operational efficiency for the purpose of maintaining its leadership and competitiveness amongst the world's glass manufacturers.

Volatility in the demand and the selling prices of the float glass products will continue to adversely affect the float glass business in the near future. The Group will continue to implement cautious, flexible and aggressive marketing strategies in response to the changing market condition in the float glass market in the PRC for the purpose of maintaining our leading position in the float glass business in the PRC and sustaining long-term growth of the float glass business. On the other hand, the Directors are generally optimistic on the strong performance of the automobile glass and the construction Low-E glass segments in the future.

The Group will continue to ensure that adequate resources are allocated to the product research and development capability, enhancing the product quality and boosting production efficiency in order to maintain its competitiveness and improving its profit margin.

The Group will continue the capital expenditures plan as disclosed in the 2013 annual report, in order to capture the future growth in the global glass market.

Chairman's Statement

CONCLUSION

The Group continues to tackle the challenges amid slowdown economic growth in the glass industry. The Group will continue to optimise its efficiency and increase its profit margins through effective management and the continued collaboration of its customers. The Directors believe that these strategies will enable the Group to reap the benefit from the emerging business opportunities. The Directors are also optimistic on the Group's continuous business development in the long term. The Group is also adopting proven business strategies to sustain and strengthen the growth momentum. To maintain its industry-leading position, the Group will continue to expand its presence in the global glass market across a wide spectrum of industries, applications and other opportunities for business cooperation.

LEE Yin Yee, M.H.

Chairman

Hong Kong, 23 July 2014

Management's Discussion and Analysis

FINANCIAL REVIEW

During the six months ended 30 June 2014, the revenue and the net profit of the Group were HK\$5,034.1 million and HK\$761.7 million, respectively, representing a decrease of 7.4% and 24.1% as compared with HK\$5,439.0 million and HK\$1,003.7 million, respectively, for the six months ended 30 June 2013.

REVENUE

One of the reasons for the decrease in the revenue for the six months ended 30 June 2014 was the spin-off of Xinyi Solar Holdings Limited for separate listing on the main board of The Stock Exchange of Hong Kong Limited in December 2013. The six months ended 30 June 2014 was the first reporting period of the Group without the revenue contributed by the solar glass business previously operated by the Group.

In addition, the tightened PRC property market policy slowdowns the level of construction activities in the PRC during the first six months ended 30 June 2014. This reduced the level of demand for construction glass. On the other hand, with the PRC governmental policies encouraging environmental protection and energy-saving buildings, the Directors expect that the demand for the Group's low emission ("Low-E") glass will continue to increase, as compared with the construction glass products of the Group. As a leading Low-E glass manufacturer in China, the Group enjoys the benefit from the economies of scale and the nation-wide market coverage that attributable to a revenue growth of a 10.0% in the volatile market environment as compared with the same period in 2013.

Due to slowdown in the construction industry in the PRC, the demand for and the selling prices of float glass of the Group decreased during the six months ended 30 June 2014. Amid the decrease in the construction glass segment, the Group's established reputation as a leading glass manufacturer and the balanced product mix led the Group to achieve a revenue growth of 9.6% during the six months ended 30 June 2014 as compared with the same for the six months ended 30 June 2013.

Management's Discussion and Analysis

GROSS PROFIT

The Group's gross profit for the six months ended 30 June 2014 decreased significantly by 21.2% to HK\$1,336.9 million as compared with HK\$1,696.1 million for the six months ended 30 June 2013. The gross margin of the Group also decreased from 31.2% during the six months ended 30 June 2013 to 26.6% during the six months ended 30 June 2014. The decrease was due to not only the less favourable market environment, which resulted in decreasing selling prices of the construction glass and float glass products of the Group during the period, but also the spin-off of the solar glass business of the Group in December 2013. The six months ended 30 June 2014 was the first reporting period of the Group without the revenue contributed by the solar glass business previously operated by the Group.

OTHER GAINS

Other gains for the six months ended 30 June 2014 were HK\$243.3 million, as compared with HK\$249.4 million for the six months ended 30 June 2013. The disposal of the land parcel in Bao'an District, Shenzhen and the buildings and structures erected thereon was completed in June 2014 and a gain of HK\$198.8 million was recognized. It mitigated the impact from the decrease in the new PRC government grants due to less new investments made by the Group and the exchange loss caused by the depreciation of Renminbi during the period.

The Directors expect that the subject land and the buildings and structures erected thereon will be delivered to Xinxinde Property before the end of 2015, as set forth in the announcement of the Company dated 6 June 2014. The Group leases the land from Xinxinde Property for nominal rental of RMB1.0 per month up to 31 December 2015.

Management's Discussion and Analysis

SELLING AND MARKETING EXPENSES

Selling and marketing expenses decreased by 12.6% to HK\$268.0 million for the six months ended 30 June 2014. The decrease was principally attributable to the decreased advertising cost and the local transportation as a result of the spin-off of the solar glass segment previously operated by the Group.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 14.1% to HK\$471.9 million for the six months ended 30 June 2014. This was principally attributable to the increases in the fair value of the share options granted to employees and charged to income statements, the donations in PRC and land use rights tax in Wuhu and Yingkou.

FINANCE COSTS

Finance costs increased by 9.0% to HK\$46.3 million for the six months ended 30 June 2014. The increase was principally due to the increase in bank borrowings for the Group's capital expenditure on the construction of production facilities. 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. An amount of interest of HK\$22.2 million was capitalised under construction-in-progress for the six months ended 30 June 2014.

EARNINGS BEFORE INTEREST, TAXES AND AMORTISATION ("EBITA")

EBITA decreased by 22.7% period-to-period to HK\$1,208.6 million for the six months ended 30 June 2014, consistent with the drop in net profit of the Group.

Management's Discussion and Analysis

TAXATION

Tax expense amounted to HK\$114.3 million for the six months ended 30 June 2014. The effective tax rate of the Group was 13.0% as a result of a written back of tax over-provision of HK\$30.0 million for an additional PRC subsidiary which was qualified as high technology enterprise during the period and most of the Group's PRC subsidiaries are qualified as high technology enterprises with 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 2014 was HK\$761.7 million, representing a decrease of 24.1% as compared with the six months ended 30 June 2013. The net profit margin for the period dropped to 15.1% from 18.5% for the six months ended 30 June 2013, principally due to the decrease in the gross profit margin in the volatile market during the period.

CAPITAL EXPENDITURES

For the six months ended 30 June 2014, the Group incurred an aggregate amount of HK\$1,135.7 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 LIABILITIES

As of 30 June 2014, the Group had net current liabilities of HK\$340.5 million. The net current liabilities position was primarily due to the use of increased percentage of short-term bank borrowings because of low interest rates and the increased current portion of the long-term bank borrowings was recorded as of 30 June 2014. The Group is in the process of arranging new long-term bank borrowings to re-finance the bank borrowings which will be matured in the coming six months.

Management's Discussion and Analysis

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2014, 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 of 30 June 2014, the net cash inflow from operating activities amounted to approximately HK\$913.9 million (2013: HK\$1,145.3 million) and the Group had cash and cash equivalents of HK\$895.5 million (2013: HK\$880.6 million).

As of 30 June 2014, the total bank borrowings were HK\$4,373.5 million and the value of the convertible bond was HK\$826.4 million. Despite the increase in the liabilities, the net debt gearing ratio, which is based on net total borrowings divided by total shareholders' equity, maintained at 34.6% as of 30 June 2014, as compared with 33.6% as of 31 December 2013. The stable net gearing ratio was principally due to the Group's 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, US dollars, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities conducted in China. As of 30 June 2014, the Group's bank borrowings were denominated in US dollars and Hong Kong dollars bearing interest rates from 0.97% to 2.43% per annum. Hence, the Group's exposure to foreign exchange fluctuations was limited. The Group did not experience any material difficulty and liquidity problem as a result of foreign exchange fluctuations. The Group may use financial instruments for hedging purpose as and when required. During the six months ended 30 June 2014, the Group did not use any financial instrument for hedging purpose.

CONTINGENT LIABILITIES

As of 30 June 2014, the Group did not have any significant contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2014.

Management's Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As of 30 June 2014, the Group had 13,385 full-time employees of whom 13,300 were based in China and 85 were based in Hong Kong and other countries and territories. The Directors confirm that the Group maintains good relationship with its employees. The Group provides the employees with sufficient training on the latest business and professional knowledge including applications of the Group's products and skills in maintaining good client relationships. Remuneration packages offered to the Group's employees are consistent with the 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 participated in relevant defined contribution retirement schemes administered by the Chinese government authorities for the Group's employees in China. 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 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 of the date of this interim report, 17,925,000 options, 22,712,000 options, 25,387,000 options and 26,000,000 options were granted under the share option scheme on 1 March 2011, 23 May 2012, 2 April 2013 and 27 February 2014, respectively, and 92,024,000 options were outstanding as of 30 June 2014.

Condensed Consolidated Balance Sheet

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

| | | As at | |
|---|------|-------------------|---------------------|
| | | 30 June 2014 | 31 December 2013 |
| | | (Unaudited) | (Audited) |
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Leasehold land and land use rights | 5 | 1,301,698 | 1,390,059 |
| Property, plant and equipment | 6 | 10,739,009 | 10,458,833 |
| Investment properties | 7 | 486,336 | 498,138 |
| Deposits for property, plant and equipment and land use rights | | 709,336 | 526,980 |
| Intangible assets | | 80,361 | 82,296 |
| Available-for-sale financial assets | | 231,625 | 52,241 |
| Interests in associates | 8 | 2,114,718 | 2,071,234 |
| Loan to an associate | | 33,625 | 34,487 |
| | | 15,696,708 | 15,114,268 |
| Current assets | | | |
| Inventories | | 1,530,602 | 1,231,900 |
| Loans to associates | | 7,153 | 6,382 |
| Trade and other receivables | 9 | 2,364,406 | 2,255,359 |
| Pledged bank deposits | 10 | 792 | 789 |
| Cash and bank balances | 10 | 894,692 | 1,042,429 |
| | | 4,797,645 | 4,536,859 |
| Total assets | | 20,494,353 | 19,651,127 |

Condensed Consolidated Balance Sheet

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

| | Note | As at | |
|---|------|--------------------------------|----------------------------------|
| | | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| EQUITY | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 11 | 392,161 | 392,137 |
| Share premium | 11 | | |
| – Dividend | | 352,945 | 549,025 |
| – Others | | 3,432,081 | 3,786,303 |
| Other reserves | 12 | 2,377,956 | 2,372,564 |
| Retained earnings | | 5,869,366 | 5,107,760 |
| | | <u>12,424,509</u> | <u>12,207,789</u> |
| Non-controlling interests | | 1,871 | 1,140 |
| | | <u>12,426,380</u> | <u>12,208,929</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank and other borrowings | 14 | 2,622,768 | 3,024,252 |
| Deferred income tax liabilities | | 159,518 | 159,508 |
| Deferred government grants | | 147,557 | 179,789 |
| | | <u>2,929,843</u> | <u>3,363,549</u> |

Condensed Consolidated Balance Sheet

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

| | | As at | |
|--|------|-------------------|---------------------|
| | | 30 June 2014 | 31 December 2013 |
| | Note | (Unaudited) | (Audited) |
| Current liabilities | | | |
| Amount due to an associate | | 375 | — |
| Trade payables, accruals and other payables | 13 | 2,323,021 | 1,743,737 |
| Current income tax liabilities | | 237,553 | 219,169 |
| Bank and other borrowings | 14 | 2,577,181 | 2,115,743 |
| | | <u>5,138,130</u> | <u>4,078,649</u> |
| Total liabilities | | <u>8,067,973</u> | <u>7,442,198</u> |
| Total equity and liabilities | | <u>20,494,353</u> | <u>19,651,127</u> |
| Net current (liabilities)/assets | | <u>(340,485)</u> | <u>458,210</u> |
| Total assets less current liabilities | | <u>15,356,223</u> | <u>15,572,478</u> |

Condensed Consolidated Income Statement

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

| | | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|-------------------------|
| | Note | 2014 | 2013 |
| Continuing operations | | | |
| Revenue | 4 | 5,034,069 | 4,574,146 |
| Cost of sales | 15 | <u>(3,697,120)</u> | <u>(3,102,684)</u> |
| Gross profit | | 1,336,949 | 1,471,462 |
| Other income | 4 | 3,388 | 3,656 |
| Other gains – net | 16 | 243,345 | 243,303 |
| Selling and marketing costs | 15 | (267,967) | (240,529) |
| Administrative expenses | 15 | <u>(471,875)</u> | <u>(357,119)</u> |
| Operating profit | | 843,840 | 1,120,773 |
| Finance income | 17 | 21,404 | 8,260 |
| Finance costs | 17 | (46,273) | (42,450) |
| Share of profits of associates | | <u>57,459</u> | <u>5,857</u> |
| Profit before income tax | | 876,430 | 1,092,440 |
| Income tax expense | 18 | <u>(114,271)</u> | <u>(180,595)</u> |
| Profit for the period from continuing operations | | 762,159 | 911,845 |
| Discontinued operation | | | |
| Profit for the period from discontinued operation | | <u>—</u> | <u>91,825</u> |
| Profit for the period | | <u>762,159</u> | <u>1,003,670</u> |

Condensed Consolidated Income Statement

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

| | | Unaudited Six months ended 30 June | |
|---|------|---------------------------------------|------------------|
| | Note | 2014 | 2013 |
| Profit attributable to equity holders of the Company: | | | |
| – from continuing operations | | 761,711 | 911,827 |
| – from discontinued operation | | — | 91,825 |
| | | <u>761,711</u> | <u>1,003,652</u> |
| Profit attributable to non-controlling shareholders of the Company: | | | |
| – from continuing operations | | 448 | 18 |
| – from discontinued operation | | — | — |
| | | <u>448</u> | <u>18</u> |
| Interim dividend | 19 | <u>352,945</u> | <u>493,432</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 earnings per Share | | | |
| – Continuing operations | | 19.43 | 24.06 |
| – Discontinued operation | | — | 2.42 |
| | 20 | <u>19.43</u> | <u>26.48</u> |
| Diluted earnings per Share | | | |
| – Continuing operations | | 19.38 | 23.95 |
| – Discontinued operation | | — | 2.37 |
| | 20 | <u>19.38</u> | <u>26.32</u> |

Condensed Consolidated Statement of Comprehensive Income

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

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2014 | 2013 |
| Profit for the period | <u>762,159</u> | <u>1,003,670</u> |
| Other comprehensive income | | |
| Change in revaluation surplus | — | 24,392 |
| Change in value of available-for-sale financial assets | 135,400 | — |
| Currency translation differences | <u>(142,534)</u> | <u>163,217</u> |
| Total comprehensive income for the period | <u>755,025</u> | <u>1,191,279</u> |
| Total comprehensive income for the period attributable to: | | |
| – Equity holders of the Company | 754,294 | 1,191,511 |
| – Non-controlling interests | <u>731</u> | <u>(232)</u> |
| | <u>755,025</u> | <u>1,191,279</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-controlling interests | Total equity |
| Note | Share capital | Share premium | Other reserves | Retained earnings | Total | | | |
| | 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 | 392,161 | 3,785,026 | 2,377,956 | 5,869,366 | 12,424,509 | 1,871 | 12,426,380 |

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-controlling interests | Total equity |
| | Note | Share capital | Share premium | Other reserves | Retained earnings | Total | | |
| Balance at 31 December 2012 and 1 January 2013 | | 378,555 | 3,520,956 | 2,091,174 | 3,951,214 | 9,941,899 | 4,174 | 9,946,073 |
| Comprehensive income | | | | | | | | |
| Profit for the period | | — | — | — | 1,003,652 | 1,003,652 | 18 | 1,003,670 |
| Other comprehensive income | | | | | | | | |
| Changes in revaluation surplus | | — | — | 24,392 | — | 24,392 | — | 24,392 |
| Currency translation differences | | — | — | 163,467 | — | 163,467 | (250) | 163,217 |
| Total Comprehensive income | | — | — | 187,859 | 1,003,652 | 1,191,511 | (232) | 1,191,279 |
| Transactions with owners | | | | | | | | |
| Employees share option scheme: | | | | | | | | |
| – Proceeds from shares issued | 11(a) | 2,010 | 77,041 | (21,466) | — | 57,585 | — | 57,585 |
| – Value of employee services | | — | — | 7,759 | — | 7,759 | — | 7,759 |
| – Release on forfeiture of share options | | — | — | 2,241 | (2,241) | — | — | — |
| Dividends relating to 2012 | 19 | — | — | — | (341,025) | (341,025) | — | (341,025) |
| Dividends paid to non-controlling shareholders | | — | — | — | — | — | (387) | (387) |
| Repurchase and cancellation of shares | 11(b) | (2,270) | (132,962) | 2,270 | (2,270) | (135,232) | — | (135,232) |
| Total transactions with owners | | (260) | (55,921) | (9,196) | (345,536) | (410,913) | (387) | (411,300) |
| Balance at 30 June 2013 | | 378,295 | 3,465,035 | 2,269,837 | 4,609,330 | 10,722,497 | 3,555 | 10,726,052 |

Condensed Consolidated Cash Flow Statement

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

| | | Unaudited Six months ended 30 June | |
|--|------|---------------------------------------|----------------|
| | Note | 2014 | 2013 |
| Cash flows generated from operating activities - net | | 913,928 | 1,145,289 |
| Cash flows used in investing activities - net | | (1,083,186) | (1,559,195) |
| Cash flows generated from financing activities - net | | <u>37,291</u> | <u>610,158</u> |
| Net (decrease)/increase in cash and cash equivalents | | (131,967) | 196,252 |
| Cash and cash equivalents at beginning of the period | | 1,042,429 | 680,090 |
| Effect of foreign exchange rate changes | | <u>(15,770)</u> | <u>3,508</u> |
| Cash and cash equivalents at 30 June | 10 | <u>894,692</u> | <u>879,850</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”).

On 12 December 2013, the Company completed a spin-off and separate listing (the “Spin-off”) of Xinyi Solar Holdings Limited (“Xinyi Solar”) by way of introduction, through distribution in specie (the “Distribution”) of 68.8% of the issued share capital of Xinyi Solar to the Company’s shareholders. Immediately following completion of the Spin-off, the Company continues to hold, through its subsidiary, 1,778,709,301 Xinyi Solar’s shares, representing 31.2% of the 5,700,000,000 Xinyi Solar’s shares in issue immediately after the Spin-off.

Following completion of the Spin-off, the Group will continue to be engaged in the production and sale of float glass, automobile glass, and construction and related glass products. Xinyi Solar will focus on the production and sale of solar glass and related products.

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 23 July 2014.

Notes to the Condensed Consolidated Financial Information

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, 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 2013, as described in 2013 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.

Notes to the Condensed Consolidated Financial Information

3 ACCOUNTING POLICIES (Continued)

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 2014. 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 36 (Amendment) | Recoverable amount disclosures for non-financial assets | 1 January 2014 |
| HKAS 39 (Amendment) | Novation of derivatives and continuation of hedge accounting | 1 January 2014 |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment | Investment entities | 1 January 2014 |
| HKAS 32 (Amendment) | Offsetting financial assets and financial liabilities | 1 January 2014 |
| HKFRS 7 and HKFRS 9 (Amendment) | Mandatory effective date and transition disclosure | 1 January 2015 |
| HKFRS 9 | Financial instruments | 1 January 2015 |
| HKIFRIC 21 | Levies | 1 January 2014 |

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.

Notes to the Condensed Consolidated Financial Information

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 and (4) solar glass.

As discussed in Note 1, subsequent to the Spin-off, the Group no longer carried on business of solar glass segment and the solar glass segment was classified as discontinued operation of the Group for the period ending 30 June 2013.

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.

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

The unaudited segment information for the period ended 30 June 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 | (685,648) | — | — | — | (685,648) |
| Revenue from external customers | 2,174,613 | 1,780,627 | 1,078,829 | — | 5,034,069 |
| Cost of sales | (1,986,973) | (1,030,130) | (680,017) | — | (3,697,120) |
| Gross profit | 187,640 | 750,497 | 398,812 | — | 1,336,949 |
| 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) | — | 450 | 11,984 | — | 12,434 |
| Total assets | 10,195,644 | 3,331,922 | 2,840,696 | 4,126,091 | 20,494,353 |
| Total assets included: | | | | | |
| Interests in associates | — | — | — | 2,146,735 | 2,146,735 |
| Loans to associates | — | — | — | 40,778 | 40,778 |
| Additions to non-current assets (other than financial instruments) | 777,580 | 102,686 | 178,296 | 83,451 | 1,142,013 |
| Total liabilities | 1,336,501 | 694,966 | 245,500 | 5,791,006 | 8,067,973 |

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

The unaudited segment revenue for the period ended 30 June 2013 and the audited segment assets and liabilities as at 31 December 2013:

| | Continuing operations | | | | Discontinued operation | | |
|--|-----------------------|------------------|--------------------|-------------|------------------------|-------------|-------------|
| | Float glass | Automobile glass | Construction glass | Unallocated | Sub-total | Solar glass | Total |
| Segment revenue | 2,570,700 | 1,608,584 | 980,797 | — | 5,160,081 | 864,849 | 6,024,930 |
| Inter-segment revenue | (585,935) | — | — | — | (585,935) | — | (585,935) |
| Revenue from external customers | 1,984,765 | 1,608,584 | 980,797 | — | 4,574,146 | 864,849 | 5,438,995 |
| Cost of sales | (1,627,160) | (899,394) | (576,130) | — | (3,102,684) | (640,206) | (3,742,890) |
| Gross profit | 357,605 | 709,190 | 404,667 | — | 1,471,462 | 224,643 | 1,696,105 |
| Depreciation of property, plant and equipment (Note 15) | 174,911 | 48,981 | 44,286 | 363 | 268,541 | 44,965 | 313,506 |
| Amortisation | | | | | | | |
| – leasehold land and land use rights (Note 15) | 8,647 | 1,807 | 628 | — | 11,082 | 1,196 | 12,278 |
| – intangible assets (Note 15) | 595 | 1,182 | — | — | 1,777 | — | 1,777 |
| Provision for impairment of trade and other receivables, net (Note 15) | — | 1,371 | 2,136 | — | 3,507 | — | 3,507 |
| Total assets | 9,905,553 | 3,246,915 | 2,683,460 | 3,815,199 | 19,651,127 | — | 19,651,127 |
| Total assets included: | | | | | | | |
| Interests in associates | — | — | — | 2,071,234 | 2,071,234 | — | 2,071,234 |
| Loans to associates | — | — | — | 40,869 | 40,869 | — | 40,869 |
| Additions to non-current assets (other than financial instruments) | 1,127,763 | 324,257 | 895,451 | 725,468 | 3,072,939 | 86,822 | 3,159,761 |
| Total liabilities | 1,162,996 | 616,754 | 372,836 | 5,289,612 | 7,442,198 | — | 7,442,198 |

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

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 | | Discontinued operation Unaudited For the six months ended 30 June | |
|-----------------------------------|---|------------------|--|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Segment gross profit | 1,336,949 | 1,471,462 | — | 224,643 |
| Unallocated: | | | | |
| Other income | 3,388 | 3,656 | — | 7 |
| Other gains - net | 243,345 | 243,303 | — | 6,141 |
| Selling and marketing costs | (267,967) | (240,529) | — | (66,114) |
| Administrative expenses | (471,875) | (357,119) | — | (56,376) |
| Finance income | 21,404 | 8,260 | — | — |
| Finance costs | (46,273) | (42,450) | — | — |
| Share of profits of associates | 57,459 | 5,857 | — | — |
| Profit before income tax | <u>876,430</u> | <u>1,092,440</u> | <u>—</u> | <u>108,301</u> |

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

Reportable segments assets/(liabilities) for the period ended 30 June 2014 and the year ended 31 December 2013 are reconciled to total assets/(liabilities) as follows:

| | Assets | | Liabilities | |
|---|---------------------|-------------------|---------------------|-------------------|
| | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) |
| Segment assets/ (liabilities) | 16,368,262 | 15,835,928 | (2,276,967) | (2,152,586) |
| Unallocated: | | | | |
| Leasehold land and land use rights | 125,117 | 129,698 | — | — |
| Property, plant and equipment | 704,648 | 707,057 | — | — |
| Investment properties | 432,587 | 443,010 | — | — |
| Deposits for property, plant and equipment and land use rights | 60,937 | 27,517 | — | — |
| Interests in associates | 2,114,718 | 2,071,234 | — | — |
| Balances with associates | 40,778 | 40,869 | — | — |
| Available-for-sale financial assets | 231,625 | 52,241 | — | — |
| Prepayments, deposits and other receivables | 239,313 | 199,983 | — | — |

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

| | Assets | | Liabilities | |
|---------------------------------------|---------------------|-------------------|---------------------|--------------------|
| | 2014 (Unaudited) | 2013 (Audited) | 2014 (Unaudited) | 2013 (Audited) |
| Cash and bank balances | 176,368 | 143,590 | — | — |
| Accruals and other payables | — | — | (575,169) | (145,046) |
| Current income tax liabilities | — | — | (22,875) | (15,019) |
| Deferred income tax liabilities | — | — | (159,518) | (159,508) |
| Current bank borrowings | — | — | (2,410,676) | (1,945,787) |
| Non-current bank and other borrowings | — | — | (2,622,768) | (3,024,252) |
| Total assets/(liabilities) | <u>20,494,353</u> | <u>19,651,127</u> | <u>(8,067,973)</u> | <u>(7,442,198)</u> |

Notes to the Condensed Consolidated Financial Information

4 SEGMENT INFORMATION (Continued)

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

| | Unaudited For the six months ended 30 June | |
|--------------------------------|--|------------------|
| | 2014 | 2013 |
| Continuing operations: | | |
| Sales of float glass | 2,174,613 | 1,984,765 |
| Sales of automobile glass | 1,780,627 | 1,608,584 |
| Sales of construction glass | <u>1,078,829</u> | <u>980,797</u> |
| Sub-total | 5,034,069 | 4,574,146 |
| Discontinued operation: | | |
| Sales of solar glass | <u>—</u> | <u>864,849</u> |
| Total | <u>5,034,069</u> | <u>5,438,995</u> |

Notes to the Condensed Consolidated Financial Information

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:

| | Continuing operations | | Discontinued operation | |
|-----------------|----------------------------------|------------------|----------------------------------|----------------|
| | Unaudited | | Unaudited | |
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| Greater China | 3,481,673 | 3,183,392 | — | 704,320 |
| North America | 498,212 | 421,592 | — | 71,002 |
| Europe | 244,630 | 232,101 | — | 25,179 |
| Other countries | 809,554 | 737,061 | — | 64,348 |
| | <u>5,034,069</u> | <u>4,574,146</u> | <u>—</u> | <u>864,849</u> |

An analysis of the Group's non-current assets other than financial instruments (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 2014 (Unaudited) | 31 December 2013 (Audited) |
| Greater China | 15,456,245 | 15,052,919 |
| North America | 8,705 | 8,955 |
| Other countries | 133 | 153 |
| | <u>15,465,083</u> | <u>15,062,027</u> |

Notes to the Condensed Consolidated Financial Information

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 2014 (Unaudited) | 31 December 2013 (Audited) |
| In Hong Kong, held on: | | |
| – Lease of between 10 to 50 years | 8,958 | 9,098 |
| Outside Hong Kong, held on: | | |
| – Lease of between 10 to 50 years | <u>1,292,740</u> | <u>1,380,961</u> |
| | <u>1,301,698</u> | <u>1,390,059</u> |

| | As at | |
|--------------------------------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| As at 1 January | 1,390,059 | 1,433,680 |
| Exchange differences | (34,393) | 34,870 |
| Addition | — | 250,713 |
| Disposal | (40,113) | — |
| Amortisation charge | (13,855) | (32,201) |
| Transferred to investment properties | — | (110,170) |
| Derecognised upon the Spin-off | — | (186,833) |
| | <u>1,301,698</u> | <u>1,390,059</u> |
| As at 30 June/31 December | | |

Notes to the Condensed Consolidated Financial Information

6 PROPERTY, PLANT AND EQUIPMENT – GROUP

| | Construction in progress | Buildings | Plant and machinery | Office equipment | Total |
|--------------------------|-----------------------------|-------------------|------------------------|---------------------|-------------------|
| Opening net book amount | | | | | |
| as at 1 January 2014 | 1,808,211 | 2,250,936 | 6,379,540 | 20,146 | 10,458,833 |
| Exchange differences | (42,144) | (55,886) | (158,910) | (569) | (257,509) |
| Additions | 898,431 | 3,180 | 27,434 | 2,124 | 931,169 |
| Transfer upon completion | (317,860) | 194,881 | 122,964 | 15 | — |
| Disposals | — | (80,451) | (854) | (24) | (81,329) |
| Depreciation | — | (44,919) | (265,397) | (1,839) | (312,155) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Closing net book amount | | | | | |
| as at 30 June 2014 | <u>2,346,638</u> | <u>2,267,741</u> | <u>6,104,777</u> | <u>19,853</u> | <u>10,739,009</u> |

7 INVESTMENT PROPERTIES

| | As at | |
|--|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| As at 1 January | 498,138 | 53,500 |
| Exchange differences | (6,539) | 3,320 |
| Additions | 4,737 | 200,303 |
| Fair value (loss)/gains | (10,000) | 88,989 |
| Transferred from leasehold land and land use rights and property, plant and equipment | — | 127,633 |
| Recognised as property revaluation reserve upon transfer | — | 24,393 |
| | <u> </u> | <u> </u> |
| As at 30 June/31 December | <u>486,336</u> | <u>498,138</u> |

Notes to the Condensed Consolidated Financial Information

7 INVESTMENT PROPERTIES (Continued)

During the year ended 31 December 2013, the Group acquired an investment property located in Hong Kong. The basis of the valuation of the investment property is fair value which is being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar lease.

During the year ended 31 December 2013, the Group obtained independent valuation from Grant Sherman Appraisal Limited for an investment property transferred from leasehold land and land use rights and property, plant and equipment during the year. The basis of the valuation of the investment property is fair value which is being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar lease.

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

| | As at 30 June 2014 | | |
|--|------------------------|----------------|---------|
| Fair value hierarchy: | Level 1 | Level 2 | Level 3 |
| – Office unit - Hong Kong | — | 226,600 | — |
| – Land use right and commercial building - the PRC | — | 259,736 | — |
| | — | <u>486,336</u> | — |
| | | | |
| | As at 31 December 2013 | | |
| Fair value hierarchy: | Level 1 | Level 2 | Level 3 |
| – Office unit - Hong Kong | — | 236,600 | — |
| – Land use right and commercial building - the PRC | — | 261,538 | — |
| | — | <u>498,138</u> | — |
| | | | |

Notes to the Condensed Consolidated Financial Information

7 INVESTMENT PROPERTIES (Continued)

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

| | As at | |
|----------------------------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| In Hong Kong, held on: | | |
| Lease of between 10 and 50 years | <u>226,600</u> | <u>236,600</u> |
| In PRC, held on: | | |
| Lease of between 10 and 50 years | <u>259,736</u> | <u>261,538</u> |

8 INTERESTS IN ASSOCIATES

| | As at | |
|--|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| At 1 January | 2,071,234 | 62,981 |
| Exchange differences | (495) | 404 |
| Capital injection | 23,751 | 1,282 |
| Share of net asset value in an associate upon the Spin-off (Note) | — | 712,310 |
| Re-measurement of retained interests upon the Spin-off | — | 1,315,417 |
| Transferred to available-for-sale financial assets | — | (39,657) |
| Share of profits of associates | 57,459 | 20,749 |
| Dividend received/receivable | <u>(37,231)</u> | <u>(2,252)</u> |
| At 30 June/31 December | <u>2,114,718</u> | <u>2,071,234</u> |

Notes to the Condensed Consolidated Financial Information

8 INTERESTS IN ASSOCIATES (Continued)

Note: As stated in Note 1, the Company's shareholdings in Xinyi Solar decreased from 100% to 31.2% following the Distribution on 12 December 2013. The Group lost control in Xinyi Solar upon completion of Spin-off, but retained the power to exercise significant influence over Xinyi Solar. Therefore, Xinyi Solar is regarded as an associate of the Company and is accounted for using equity method of accounting.

9 TRADE AND OTHER RECEIVABLES – GROUP

| | As at | |
|--|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| Trade receivables (note (a)) | 1,107,125 | 876,444 |
| Less: provision for impairment of trade receivables | <u>(24,205)</u> | <u>(11,919)</u> |
| | 1,082,920 | 864,525 |
| Bills receivables (note (b)) | <u>354,857</u> | <u>748,954</u> |
| Trade and bills receivables – net | 1,437,777 | 1,613,479 |
| Prepayments, deposits and other receivables | <u>926,629</u> | <u>641,880</u> |
| | <u>2,364,406</u> | <u>2,255,359</u> |

Notes to the Condensed Consolidated Financial Information

9 TRADE AND OTHER RECEIVABLES – GROUP (Continued)

- (a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 30 June 2014 and 31 December 2013, the ageing analysis of the Group's trade receivables was as follows:

| | As at | |
|--------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| 0-90 days | 883,776 | 673,286 |
| 91-180 days | 143,320 | 114,439 |
| 181-365 days | 49,064 | 56,649 |
| 1-2 years | 20,197 | 15,578 |
| Over 2 years | 10,768 | 16,492 |
| | <u>1,107,125</u> | <u>876,444</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 2014 (Unaudited) | 31 December 2013 (Audited) |
| Cash and bank balances and pledged bank deposits | 895,484 | 1,043,218 |
| Less: | | |
| – Pledged bank deposits (note) | <u>(792)</u> | <u>(789)</u> |
| Cash and bank balances | <u>894,692</u> | <u>1,042,429</u> |

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

Notes to the Condensed Consolidated Financial Information

11 SHARE CAPITAL

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

| | Note | Number of Shares | Ordinary shares of HK\$0.1 each | Share premium | Total |
|--|------|---------------------|---------------------------------------|------------------|-----------|
| Authorised: | | | | | |
| As at 31 December 2013 and 30 June 2014 | | 20,000,000,000 | 2,000,000 | — | 2,000,000 |
| Issued and fully paid: | | | | | |
| As at 1 January 2014 | | 3,921,369,699 | 392,137 | 4,335,328 | 4,727,465 |
| Issues of Shares under an employees’ share option scheme | (a) | 1,518,000 | 152 | 7,062 | 7,214 |
| Repurchase and cancellation of Shares | (b) | (1,280,000) | (128) | (8,339) | (8,467) |
| Dividend relating to 2013 | | — | — | (549,025) | (549,025) |
| As at 30 June 2014 | | 3,921,607,699 | 392,161 | 3,785,026 | 4,177,187 |

Notes to the Condensed Consolidated Financial Information

11 SHARE CAPITAL (Continued)

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 | | | |
|--------------|---|---------------------|---|---------------------|
| | 2014 | | 2013 | |
| | Average exercise price in HK dollar per Share | Options (thousands) | Average exercise price in HK dollar per Share | Options (thousands) |
| At 1 January | 5.34 | 69,794 | 4.36 | 87,122 |
| Granted | 6.84 | 26,000 | 5.55 | 26,500 |
| Recovered | — | — | 2.34 | 2,742 |
| Exercised | 3.55 | (1,518) | 2.88 | (20,093) |
| Lapsed | 5.51 | (2,236) | 4.56 | (6,907) |
| Expired | 3.55 | (16) | — | — |
| At 30 June | <u>5.79</u> | <u>92,024</u> | <u>4.97</u> | <u>89,364</u> |

Out of the 92,024,000 outstanding options, 17,925,000 options were exercisable as at 30 June 2014. Options exercised in 2014 resulted in 1,518,000 Shares being issued at a weighted average price at the time of exercise of HK\$3.55 each.

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

| Expiry date | Exercise price in HK dollar per Share | Options (thousands) |
|---------------|---------------------------------------|---------------------|
| 31 March 2015 | 6.44 | 17,925 |
| 31 March 2016 | 4.34 | 22,712 |
| 31 March 2017 | 5.55 | 25,387 |
| 31 March 2018 | 6.84 | 26,000 |
| | | <u>92,024</u> |

Notes to the Condensed Consolidated Financial Information

11 SHARE CAPITAL (Continued)

Notes: (Continued)

(a) (Continued)

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 | 27 February 2014 |
| Option valued | HK\$1.753 |
| Share price at the date of grant | HK\$6.84 |
| Exercisable price | HK\$6.84 |
| Expected volatility | 45.74% |
| Annual risk-free interest rate | 0.87% |
| Life of option | 3 years and 6 months |
| Dividend yield | 4.03% |

(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 |

Notes to the Condensed Consolidated Financial Information

12 OTHER RESERVES – GROUP

| Note | 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 | Available-for-sale reserve | Subtotal | Retained earnings | Total |
|--|------------------------|---------------------------|--------------------------------------|-----------------|-----------------------|------------------------------|----------------------------|----------------------------------|----------------------------|-----------|-------------------|-----------|
| Balance at 1 January 2014 | 811,829 | 51,073 | 1,379,867 | 11,840 | 53,409 | 37,851 | 11,212 | 16,683 | (1,200) | 2,372,564 | 5,107,760 | 7,480,324 |
| Profit for the period | — | — | — | — | — | — | — | — | — | — | 761,711 | 761,711 |
| Change in value of available-for-sale financial assets | — | — | — | — | — | — | — | — | 135,400 | 135,400 | — | 135,400 |
| Currency translation differences | — | — | (142,817) | — | — | — | — | — | — | (142,817) | — | (142,817) |
| Employees' share option scheme: | — | — | — | — | (1,937) | — | — | — | — | (1,937) | — | (1,937) |
| – Proceeds from shares issued | — | — | — | — | 14,641 | — | — | — | — | 14,641 | — | 14,641 |
| – Value of employee services | — | — | — | — | — | — | — | — | — | — | — | — |
| – Release on forfeiture | — | — | — | — | (23) | — | — | — | — | (23) | 23 | — |
| of share options | — | — | — | — | — | — | 128 | — | — | 128 | (128) | — |
| Repurchase and cancellation of shares | — | — | — | — | — | — | — | — | — | — | — | — |
| Balance at 30 June 2014 | 811,829 | 51,073 | 1,237,050 | 11,840 | 66,090 | 37,851 | 11,340 | 16,683 | 134,200 | 2,377,956 | 5,869,366 | 8,247,322 |

Notes to the Condensed Consolidated Financial Information

13 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES – GROUP

| | As at | |
|-----------------------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| Trade payables (note (a)) | 804,086 | 773,491 |
| Accruals and other payables | 1,518,935 | 970,246 |
| | <u>2,323,021</u> | <u>1,743,737</u> |

Notes:

- (a) At 30 June 2014 and 31 December 2013, the ageing analysis of the trade payables was as follows:

| | As at | |
|--------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| 0-90 days | 764,717 | 701,191 |
| 91-180 days | 17,573 | 52,825 |
| 181-365 days | 9,989 | 8,625 |
| 1-2 years | 5,677 | 5,515 |
| Over 2 years | 6,130 | 5,335 |
| | <u>804,086</u> | <u>773,491</u> |

Notes to the Condensed Consolidated Financial Information

14 BANK AND OTHER BORROWINGS – GROUP

| | As at | |
|---|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| Non-current | | |
| Secured (note (a)) | 3,822,658 | 3,953,157 |
| Less: Current portion | <u>(2,026,313)</u> | <u>(1,735,855)</u> |
| | 1,796,345 | 2,217,302 |
| Convertible bonds liability component (note (b)) | <u>826,423</u> | <u>806,950</u> |
| Shown as non-current liabilities | <u>2,622,768</u> | <u>3,024,252</u> |
| Current | | |
| Secured (note (a)) | 550,868 | 379,888 |
| Current portion of non- current bank borrowings | <u>2,026,313</u> | <u>1,735,855</u> |
| Shown as current liabilities | <u>2,577,181</u> | <u>2,115,743</u> |
| Total bank and other borrowings | <u>5,199,949</u> | <u>5,139,995</u> |

Notes to the Condensed Consolidated Financial Information

14 BANK AND OTHER BORROWINGS – GROUP (Continued)

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 2014 and 31 December 2013, the Group's bank borrowing were repayable as follows:

| | As at | |
|-----------------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| Within 1 year | 2,577,181 | 2,115,743 |
| Between 1 and 2 years | 1,313,541 | 1,781,220 |
| Between 2 and 5 years | 482,804 | 436,082 |
| | <u>4,373,526</u> | <u>4,333,045</u> |

At 30 June 2014 and 31 December 2013, the carrying amounts of the Group's bank borrowings are denominated in the following currencies:

| | As at | |
|------------------|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| Hong Kong dollar | 4,207,020 | 4,163,089 |
| US dollar | 166,506 | 169,956 |
| | <u>4,373,526</u> | <u>4,333,045</u> |

The carrying amounts of bank borrowings approximate their fair values as at 30 June 2014 and 31 December 2013.

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

| | 30 June 2014 | | 31 December 2013 | |
|-----------------|--------------|--------------|------------------|--------------|
| | HK\$ | US\$ | HK\$ | US\$ |
| Bank borrowings | <u>1.78%</u> | <u>1.06%</u> | <u>1.75%</u> | <u>1.04%</u> |

Notes to the Condensed Consolidated Financial Information

14 BANK AND OTHER BORROWINGS – GROUP (Continued)

Note: (Continued)

- (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.

At 30 June 2014, 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 2014 (Unaudited) | 31 December 2013 (Audited) |
| Liability component at 1 January | 806,950 | 769,227 |
| Interest expense (Note 17) | 19,473 | 37,723 |
| | <hr/> | <hr/> |
| Liability component at 30 June 2014/31 December 2013 | 826,423 | 806,950 |

The fair value of the liability component of the convertible bonds at 30 June 2014 amounted to HK\$826,423,000. The fair value is calculated using cash flows discounted and are within level 2 of the fair value hierarchy.

Notes to the Condensed Consolidated Financial Information

15 EXPENSES BY NATURE

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

| | Continuing operations | | Discontinued operation | |
|--|----------------------------------|------------------|----------------------------------|----------------|
| | Unaudited | | Unaudited | |
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| Depreciation and amortisation | 307,280 | 281,400 | — | 46,161 |
| Employee benefit expenses | 447,364 | 333,928 | — | 59,248 |
| Cost of inventories | 2,729,576 | 2,242,081 | — | 496,207 |
| Other selling expenses (including transportation and advertising costs) | 149,880 | 143,607 | — | 54,401 |
| Operating lease payments in respect of land and buildings | 3,525 | 3,426 | — | — |
| Impairment of trade and other receivables, net | 12,434 | 3,507 | — | — |
| Other expenses, net | <u>786,903</u> | <u>692,383</u> | <u>—</u> | <u>106,679</u> |
| Total cost of sales, selling and marketing costs and administrative expenses | <u>4,436,962</u> | <u>3,700,332</u> | <u>—</u> | <u>762,696</u> |

Notes to the Condensed Consolidated Financial Information

16 OTHER GAINS – NET

| | Continuing operations | | Discontinued operation | |
|--|----------------------------------|----------------|----------------------------------|--------------|
| | Unaudited | | Unaudited | |
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| Government grants (Note(a)) | 108,173 | 194,408 | — | 4,641 |
| Fair value (loss)/gains on investment properties | (10,000) | 36,545 | — | — |
| Fair value losses and realized gains on trading securities, net | — | (5,937) | — | — |
| Other foreign exchange (losses)/gains, net | (26,741) | 17,727 | — | (421) |
| Gain on disposal and written-off of land use right and property, plant and equipment, net (Note (b)) | 162,258 | 69 | — | — |
| Others | 9,655 | 491 | — | 1,921 |
| | <u>243,345</u> | <u>243,303</u> | <u>—</u> | <u>6,141</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 Directors expect that the land on which Shenzhen Benson is situated will be delivered to Shenzhen Xinxinde Property before the end of 2015, as set forth in the announcement of the Company dated 6 June 2014. The Group leases the land from the Xinxinde Property for nominal rental of RMB1.0 per month up to 31 December 2015.

Notes to the Condensed Consolidated Financial Information

17 FINANCE INCOME AND FINANCE COSTS

FINANCE INCOME

| | Continuing operations Unaudited For the six months ended 30 June | | Discontinued operation Unaudited For the six months ended 30 June | |
|---|---|--------------|--|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Interest income on short-term bank deposits | <u>21,404</u> | <u>8,260</u> | <u>—</u> | <u>—</u> |

FINANCE COSTS

| | Continuing operations Unaudited For the six months ended 30 June | | Discontinued operation Unaudited For the six months ended 30 June | |
|--|---|---------------|--|----------|
| | 2014 | 2013 | 2014 | 2013 |
| Interest on bank borrowings | 48,993 | 38,868 | — | — |
| Less: interest expenses capitalised under construction in progress | (22,193) | (14,981) | — | — |
| Interest on convertible bonds | <u>19,473</u> | <u>18,563</u> | <u>—</u> | <u>—</u> |
| | <u>46,273</u> | <u>42,450</u> | <u>—</u> | <u>—</u> |

Notes to the Condensed Consolidated Financial Information

18 INCOME TAX EXPENSE

| | Continuing operations | | Discontinued operation | |
|-------------------------------------|----------------------------------|----------------|----------------------------------|---------------|
| | Unaudited | | Unaudited | |
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2014 | 2013 | 2014 | 2013 |
| Current income tax | | | | |
| – Hong Kong profits tax (Note a) | 9,361 | 20,577 | — | 358 |
| – PRC corporate income tax (Note b) | 104,809 | 159,684 | — | 16,118 |
| – Overseas income tax (Note c) | 101 | 334 | — | — |
| | <u>114,271</u> | <u>180,595</u> | <u>—</u> | <u>16,476</u> |

Notes:

- (a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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. 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. The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu, Dongguan, Tianjin and Jiangmen are 25% (2013:25%). Eight (2013: seven) major subsidiaries in Shenzhen, Dongguan, Wuhu and Tianjin 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 2014 and 2013 at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Condensed Consolidated Financial Information

19 DIVIDENDS

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------|
| | 2014 | 2013 |
| Final dividend payable for 2013 of 14.0 HK cents (2012: 9.0 HK cents) per Share | 549,025 | 341,025 |
| Proposed interim dividend of 9.0 HK cents (2013: 13.0 HK cents) per Share | 352,945 | 493,432 |
| | <u>901,970</u> | <u>834,457</u> |

Note: At a meeting of the Board held on 23 July 2014, the Directors declared an interim dividend of 9.0 HK cents per Share for the six months ended 30 June 2014. The amount of 2014 proposed interim dividend is based on shares in issue as at 30 June 2014.

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 2014.

Notes to the Condensed Consolidated Financial Information

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 | |
|--|--|-----------|
| | 2014 | 2013 |
| From continuing operations: | | |
| Profit attributable to equity holders of the Company (HK\$'000) | 761,711 | 911,827 |
| Weighted average number of Shares in issue (thousands) | 3,921,114 | 3,790,421 |
| Basic earnings per Share (HK cents per Share) | 19.43 | 24.06 |
| From discontinued operation: | | |
| Profit attributable to equity holders of the Company (HK\$'000) | — | 91,825 |
| Weighted average number of Shares in issue (thousands) | — | 3,790,421 |
| Basic earnings per Share (HK cents per Share) | — | 2.42 |

Notes to the Condensed Consolidated Financial Information

20 EARNINGS PER SHARE (Continued)

DILUTED

Diluted earnings per Share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential 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 2014 and the net profit is adjusted to eliminate the interest expense less tax effect.

Notes to the Condensed Consolidated Financial Information

20 EARNINGS PER SHARE (Continued)

DILUTED (Continued)

| | Unaudited For the six months ended 30 June | |
|---|--|------------------|
| | 2014 | 2013 |
| From continuing operations: | | |
| Earnings | | |
| Profit attributable to equity holders of the Company (HK\$'000) | 761,711 | 911,827 |
| Interest expense on convertible bonds (net of tax) (HK\$'000) | — | 15,500 |
| | <u>761,711</u> | <u>927,327</u> |
| Weighted average number of Shares in issue (thousands) | 3,921,114 | 3,790,421 |
| Adjustments for: | | |
| Share options (thousands) | 8,865 | 16,911 |
| Assumed conversion of convertible bonds (thousands) | — | 64,135 |
| | <u>3,929,979</u> | <u>3,871,467</u> |
| Weighted average number of Shares for diluted earnings per Share (thousands) | | |
| Diluted earnings per Share (HK cents per Share) | <u>19.38</u> | <u>23.95</u> |

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

Notes to the Condensed Consolidated Financial Information

20 EARNINGS PER SHARE (Continued)

DILUTED (Continued)

| | Unaudited For the six months ended 30 June | |
|---|--|-----------|
| | 2014 | 2013 |
| From discontinued operation: | | |
| Earnings | | |
| Profit attributable to equity holders of the Company (HK\$'000) | — | 91,825 |
| Weighted average number of Shares in issue (thousands) | — | 3,790,421 |
| Adjustments for: | | |
| Share options (thousands) | — | 16,911 |
| Assumed conversion of convertible bonds (thousands) | — | 64,135 |
| | <hr/> | <hr/> |
| Weighted average number of Shares for diluted earnings per Share (thousands) | — | 3,871,467 |
| | <hr/> | <hr/> |
| Diluted earnings per Share (HK cents per Share) | — | 2.37 |
| | <hr/> | <hr/> |

Notes to the Condensed Consolidated Financial Information

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 2014 and 31 December 2013.

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------|------------|----------------|
| At 30 June 2014 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – Equity securities | <u>231,000</u> | <u>—</u> | <u>625</u> | <u>231,625</u> |
| | Level 1 | Level 2 | Level 3 | Total |
| At 31 December 2013 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| – Equity securities | <u>51,600</u> | <u>—</u> | <u>641</u> | <u>52,241</u> |

Notes to the Condensed Consolidated Financial Information

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

FAIR VALUE ESTIMATION (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Instruments included in level 1 at 30 June 2014 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.

Notes to the Condensed Consolidated Financial Information

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

FAIR VALUE ESTIMATION (Continued)

The following table presents the changes in level 3 instruments for the period ended 30 June 2014.

Available-for-sale financial assets

| | |
|--|-------------|
| At 1 January 2014 and 31 December 2013 | 641 |
| Exchange differences | <u>(16)</u> |
| At 30 June 2014 | <u>625</u> |

During six months ended 30 June 2014, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2013: 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 2014 (Unaudited) | 31 December 2013 (Audited) |
| Land use right and property, plant and equipment | | |
| Contracted but not provided for | 864,360 | 441,032 |
| Authorised but not contracted for | <u>4,242,586</u> | <u>5,216,100</u> |
| | <u>5,106,946</u> | <u>5,657,132</u> |

Notes to the Condensed Consolidated Financial Information

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 | |
|--|--|---------|
| | 2014 | 2013 |
| Purchases of goods from associates | | |
| – Tianjin Wuqing District Xinke Natural Gas Investment Company Limited | 179,395 | 192,243 |
| – Beihai Yiyang Mineral Company Limited | 99,366 | 66,139 |
| – Dongyuan County Xinhuali Quartz Sand Company Limited | 16,450 | 16,281 |
| – Maoming City Yindi Construction Material Company Limited | 16,231 | 14,588 |
| | <hr/> | <hr/> |
| Rental income received from an associate | | |
| – A subsidiary of Xinyi Solar | 2,741 | — |
| | <hr/> | <hr/> |
| Rental expenses paid to an associate | | |
| – A subsidiary of Xinyi Solar | 581 | — |
| | <hr/> | <hr/> |
| Consultancy income received from an associate | | |
| – A subsidiary of Xinyi Solar | 37 | — |
| | <hr/> | <hr/> |
| Sales of machineries to an associate | | |
| – A subsidiary of Xinyi Solar | 235 | — |
| | <hr/> | <hr/> |
| Sales of goods to associates | | |
| – A subsidiary of Xinyi Solar | 579 | — |
| – Beijing Zhengmei Fenye Automobile Service Co., Ltd. | — | 9,443 |
| | <hr/> | <hr/> |

Notes to the Condensed Consolidated Financial Information

23 RELATED PARTY TRANSACTION (Continued)

(B) PERIOD/YEAR-END BALANCES WITH ASSOCIATES

| | As at | |
|---|--------------------------------|----------------------------------|
| | 30 June 2014 (Unaudited) | 31 December 2013 (Audited) |
| Balance with/loan advance to associates | | |
| – Beihai Yiyang Mineral Company Limited | 4,653 | 3,818 |
| – Dongyuan County Xinhuali Quartz Sand Company Limited | <u>36,125</u> | <u>37,051</u> |
| | <u>40,778</u> | <u>40,869</u> |
| Amount due to an associate | | |
| – Maoming City Yindi Construction Material Company Limited | <u>375</u> | <u>—</u> |

(C) KEY MANAGEMENT COMPENSATION

Key management compensation amounted to HK\$23,013,000 for the six months ended 30 June 2014. (2013: HK\$16,438,284)

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Although the Group recorded a decrease in the net profit for the six months ended 30 June 2014 as compared with the six months ended 30 June 2013, the Directors consider that the Group has achieved a reasonable level of profitability. The Directors are pleased to recommend and declare an interim dividend of 9.0 HK cents per Share for the six months ended 30 June 2014 (2013: 13.0 HK cents) to be paid to all shareholders of the Company with their names recorded on the register of members of the Company at the close of business on Tuesday, 12 August 2014. The interim dividend will be payable on or before Monday, 8 September 2014.

The Company's register of members will be closed from Friday, 8 August 2014 to Tuesday, 12 August 2014 (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 Thursday, 7 August 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company repurchased its own Shares on the Stock Exchange in January 2014. The repurchased Shares were subsequently cancelled in the same month. Accordingly, the issued share capital of the Company was reduced by the nominal value of these repurchased Shares and the premium paid on these Shares upon repurchase was charged against the share premium account. An amount equivalent to the par value of the Shares repurchased and cancelled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets forth further information of such repurchase:-

| Month of repurchase | Number of Shares of HK\$0.10 each | Highest price per Share <i>HK\$</i> | Lowest price per Share <i>HK\$</i> | Aggregate consideration paid <i>HK\$'000</i> |
|---------------------|---|--|---|---|
| January 2014 | 1,280,000 | 6.65 | 6.54 | 8,467 |

Further Information on the Group

PURCHASE, SALE OR REDEMPTION OF SHARES (Continued)

Save as disclosed above, 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 CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with the applicable code provisions of the 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 2014.

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 2014.

REVIEW OF THE INTERIM RESULTS

The Company’s interim results for the six months ended 30 June 2014 have not been audited but have been reviewed by the Company’s audit committee, comprising the five independent non-executive Directors.

Further Information on the Group

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

As of 30 June 2014, 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 (<i>Note a</i>) | 725,209,552 | 18.49% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| | Personal interest (<i>Note b</i>) | 32,912,000 | 0.84% |
| Mr. TUNG Ching Bor | Interest of a controlled corporation (<i>Note c</i>) | 266,766,456 | 6.80% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| | Personal interest (<i>Note d</i>) | 19,900,000 | 0.51% |
| Mr. TUNG Ching Sai | Interest of a controlled corporation (<i>Note e</i>) | 246,932,579 | 6.30% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| | Personal interest (<i>Note f</i>) | 48,064,000 | 1.23% |
| Mr. LI Ching Wai | Interest of a controlled corporation (<i>Note g</i>) | 116,580,868 | 2.97% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| Mr. NG Ngan Ho | Interest of a controlled corporation (<i>Note h</i>) | 77,853,912 | 1.99% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| | Personal interest | 2,200,000 | 0.06% |

Further Information on the Group

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. SZE Nang Sze | Interest of a controlled corporation (<i>Note i</i>) | 105,630,781 | 2.69% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| Mr. LI Ching Leung | Interest of a controlled corporation (<i>Note j</i>) | 77,853,911 | 1.99% |
| | Interest of a controlled corporation (<i>Note m</i>) | 9,294,000 | 0.24% |
| | Personal interest | 2,000,000 | 0.05% |
| | Personal interest (<i>Note k</i>) | 400,000 | 0.01% |
| Mr. TRAN Chuen Wah, John | Personal interest (<i>Note l</i>) | 180,000 | 0.01% |

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 British Virgin Islands (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.
- (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.

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)

- (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. 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.
- (j) 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.
- (k) Mr. LI Ching Leung's interests in the Shares are held through a joint account with his spouse, Madam DY Maria Lumin.
- (l) Mr. TRAN Chuen Wah, John's interest in the Shares are held through his spouse, Madam LAM Ying.
- (m) The interest in the Shares are held through Full Guang Holdings Limited ("**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 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%.

Further Information on the Group

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 p) | Mr. LEE Yin Yee, M.H. | 2 ordinary shares | 100% |
| High Park (Note q) | Mr. TUNG Ching Bor | 2 ordinary shares | 100% |
| Copark (Note r) | Mr. TUNG Ching Sai | 2 ordinary shares | 100% |
| Goldbo (Note t) | Mr. LI Ching Wai | 2 ordinary shares | 100% |
| Linkall (Note u) | Mr. NG Ngan Ho | 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. LI Ching Wai | 120,000 ordinary shares | 5.56% |
| | Mr. NG Ngan Ho | 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:

- (p) Realbest is wholly-owned by Mr. LEE Yin Yee, M.H.
- (q) High Park is wholly-owned by Mr. TUNG Ching Bor.
- (r) Copark is wholly-owned by Mr. TUNG Ching Sai.
- (s) Telerich Investment Limited is wholly-owned by Mr. LEE Sing Din
- (t) Goldbo is wholly-owned by Mr. LI Ching Wai.
- (u) Linkall is wholly-owned by Mr. NG Ngan Ho.
- (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. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho 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 of 30 June 2014, 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 or to be notified to the Company and the Stock Exchange the Model Code.

Further Information on the Group

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

As of 30 June 2014, 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 | 18.49% |
| High Park | 266,766,456 | Registered and beneficial owner | 6.80% |
| Copark | 246,932,579 | Registered and beneficial owner | 6.30% |
| Telerich Investment Limited (Note) | 251,595,089 | Registered and beneficial owner | 6.42% |
| LEE Sing Din | 19,770,000 | Registered and beneficial owner | 0.50% |
| | 251,595,089 | Interest of a controlled corporation | 6.42% |
| Harding Loevner LP | 199,009,040 | Investment manager | 6.01% |

Note: The entire issued share capital of Telerich Investment Limited is beneficially owned by Mr. LEE Sing Din.

EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, M.H. (Chairman) $\emptyset \sim <$
Mr. TUNG Ching Bor (Vice Chairman)
Mr. TUNG Ching Sai
(Chief Executive Officer) $< \emptyset$
Mr. LEE Shing Kan

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. # * + < \emptyset
Mr. WONG Chat Chor Samuel # < \emptyset
Mr. WONG Ying Wai, S.B.S., JP # < \emptyset
Mr. TRAN Chuen Wah, John #
Mr. TAM Wai Hung, David #

* Chairman of audit committee
Members of audit committee
+ Chairman of remuneration committee
 \emptyset Members of remuneration committee
 \sim Chairman of nomination committee
< Members of nomination committee

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

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

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

LEGAL ADVISERS

Squire Patton Boggs
29th Floor, Edingburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUDITOR

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

Corporate Information

PRINCIPAL BANKERS

Australia and New Zealand Bank
Bank of China (Hong Kong)
Bank of East Asia
Citibank, N.A.
DBS Bank
Deutsche Bank
Fubon Bank (Hong Kong)
Hang Seng Bank
HSBC
KBC Bank N.V.
Nanyang Commercial Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Bank of China
Bank of Communications
Ping An Bank
China Merchants Bank
China Citic Bank
Huishang Bank
Industrial and Commercial Bank of China
Industrial Bank
Shanghai Pudong Development Bank

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

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

WEBSITE

<http://www.xinyiglass.com>

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share issued and fully paid as of the date of this interim report:
3,921,607,699 Shares
Share price as of the date of this interim report: HK\$5.12
Market capitalisation as of the date of this interim report:
Approximately HK\$20.08 billion

KEY DATES

Closure of register of members:
8 August 2014 to 12 August 2014
(both days inclusive)
Proposed interim dividend payable date:
On or before 8 September 2014