China Specialty Glass AG

INTERIM REPORT H1 2013

CHINA SPECIALTY GLASS AG

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LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

CSG Group performed well in the first six months of 2013. Our revenues grew by 36.0% to EUR 65.8 million compared to the same period of the previous year. The gross profit increased from EUR 23.2 million to EUR 31.5 million in the period under review, with gross profit margin remained at 47.9% in both six months ended 30 June 2012 and six months ended 30 June 2013.

EBIT increased significantly to kEUR 26,784 in first six months of 2013 by 539.4% from kEUR 4,189 in first six months of 2012. Such increase was mainly due to the loss arising from the recognition of the convertible loan in first six months of 2012. Without considering the one-off effect arising from the recognition of the convertible loan, the EBIT would be kEUR 14,107 in first six months of 2012.

Corresponding to its growth strategy CSG intends to further increase its product sales by the expansion of its sales network in China and abroad. The required enhanced production capacity will be achieved through the new laminated and thermal pre-stressed glass production line in Sichuan Province. The Sichuan project has different phases in accordance with the agreement between the Group and the Management Committee of Guangdong - Wenchuan Industrial Park Administration Committee ("Management Committee") of May 2010. Phase I of Sichuan plant is done and has been put into operation in 2013. Phase II of Sichuan plant is still under construction. The progress is according to the plan.

Given the growth opportunities for CSG Group and its market leading position, the company expects to increase its revenues by around 40 per cent in 2013. Net profit is expected to grow at the same pace.

I thank you, our shareholders, for your trust and commitment to us. And on behalf of CSG Group, I want to assure you, that we will do our utmost to deliver the performance and sustainable growth that we all can be proud of.

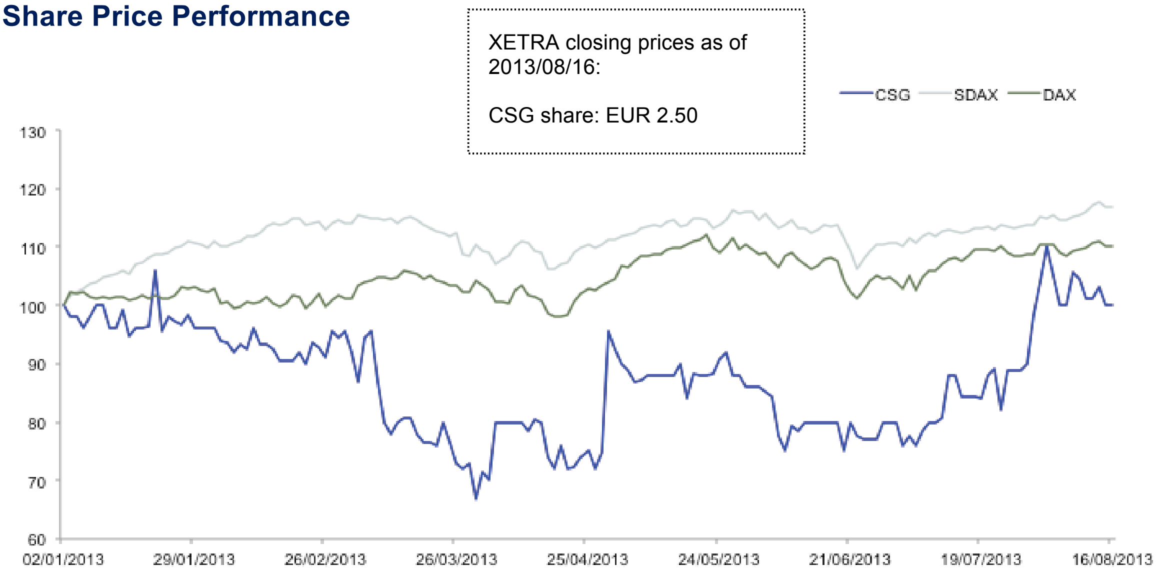
Yours sincerely,

Mr. Nang Heung SZE, 6th September 2013

Chairman and CEO
China Specialty Glass AG

THE CSG SHARE

Share Price Performance



The CSG share price performance could not reflect the strong operative performance during the first quarter of 2013, but showed a very good development since April.

The overall market sentiment during the first half of 2013 has been rather positive. The DAX, Germany´s most important stock index, reached its new all time high with above 8,500 points during the second quarter of the year. On 28 June 2013 it closed at 7,959.22 points – 4.6% above its year-end price 2012.

At the beginning of the year, the CSG share could not keep up with the strong performance of its German benchmark indices. It began to trade sideways and depreciated greatly during March. After a loss of 27.2% in the first quarter, the share reached its year-low at EUR 1.67 on 2 April. Since then, the development has been very positive. During the second quarter, the share price went up by 9.9%, outperforming benchmark indices like the DAX and the SDAX, and closed at EUR 2.00 on 28 June. Referring to the first half of 2013, this still represents a loss of 20%, but at the beginning of the third quarter the CSG share continued its strong upwards trend. During July and the beginning of August the share price rose by another 25%. It reached its year-high at EUR 2.75 on 2 August and closed at EUR 2.50 on 16 August – the same price as the last closing price of the previous year and a gain of 37.4% since the beginning of the second quarter. This results in a current market capitalisation of EUR 44.25 million.

CSG strives to continuously meet the information needs of investors with an open and transparent communication policy. Shareholders can obtain relevant capital market-related information on the internet at www.csg-ag.de/investor-relations/.

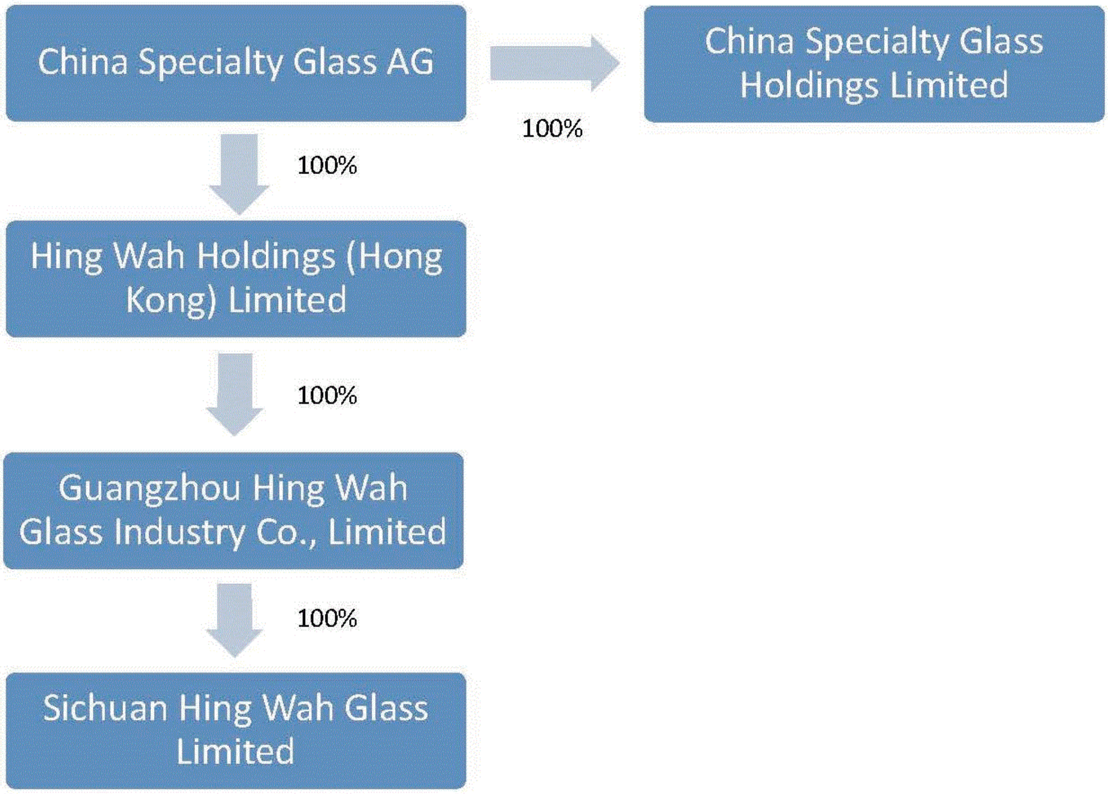
CSG Share Basic Data

ISIN / WKN / Ticker	DE000A1EL8Y8 / A1EL8Y / 8GS
Stock exchange, Market segment	Frankfurt Stock Exchange, Prime Standard
Share capital	EUR 17,700,000
Designated sponsor	VEM Aktienbank AG
Market capitalisation (as of 16 August 2013)	EUR 44.25 million

INTERIM GROUP MANAGEMENT REPORT

THE CSG GROUP

Group Structure



The group structure of CSG Group is unchanged to the structure disclosed in the audited consolidated annual financial statement as at 31 December 2012. The operating business of CSG Group was and is carried out by Guangzhou Hing Wah Glass Industrial Co., Limited ("GHW") and Sichuan Hing Wah Glass Limited ("SHW").

Business Purpose

CSG AG is the German holding company of the CSG Group of companies, mainly active in China. The CSG Group develops, produces and sells specialty glass under its "Hing Wah" brand. The Group distributes its products to customers in the domestic market in China directly through its own distribution channels.

The Group is one of the leading security glass manufacturers in China producing security glass, a class of specialty glass used primarily for personal protection against physical violence and forced intrusion, for the Chinese banking security and automotive security industry. It also provides various specialty glass products for the construction glass market.

The Group provides technical consultation and installation guidance to its customers in connection with the sales. CSG Group's current production facilities are located in both Guangzhou, Guangdong Province in Southern China, and Chengdu, Sichuan Province in Western China. The former is operated by the Group's wholly-owned operative subsidiary GHW while the latter is operated by another wholly-owned subsidiary of the Group (Sichuan Hing Wah Glass Limited).

Management

The members of Board of management are also the key members of the management. Top decisions are made by members of Board of management and passed down, and the middle management and other staffs are responsible for implementation of their decisions. Members of Board of management meet with the middle management regularly per week in order to gather feedback from them. With such feedback information, the Board of management compares the actual with the forecast and update the business strategies accordingly. In next meeting, the middle management can be informed about the updated strategies and they will follow and implement.

Geographic reach of business

The Group is selling all their products in the PRC, with a main focus on the Guangdong and Sichuan Provinces, the areas our production facilities are located in.

ECONOMIC AND INDUSTRY ENVIRONMENT

Economic outlook remains challenging

The People's Bank of China (PBOC) announced on 19 July that it will remove the lending rate floor, which was previously 70% of the benchmark lending rate, effective 20 July. The central bank also announced to remove controls on bill discount rates and lending rates of rural cooperatives, but keep mortgage rates unchanged given concerns about rising property prices.

Although these changes will have little immediate impact given that nearly 90% of bank loans in the first quarter were priced at or above the benchmark rate, they signal Central Government's determination to push forward financial reforms despite the growth slowdown. From a long-term perspective, such reform should increase the role of the market in allocating capital and introduce more competition in the financial system. The next significant step toward interest rate liberalisation would be to allow greater flexibility in the setting of deposit rates by increasing the allowable margin over the benchmark deposit rate.

Economic growth losing further momentum

Mainland China's economic growth continued to lose momentum in the second quarter as the external sector was hit by a global slowdown and domestic demand was constrained by Central Government's tightening policy for the property market and frugality campaign. Latest report showed that the Mainland economy grew by 7.5% in the second quarter. That was down from 7.7% in the first quarter, and the second consecutive quarterly slowdown. For the first half, the economy expanded by 7.6%, just above the official full-year target of 7.5%.

Against a background of slowing global growth, the Mainland's trade performance deteriorated sharply in the second quarter, following inflated trade data in the previous quarter. Exports and imports rose by only 3.7% and 5.0% respectively, down from 18.4% and 8.4% in the first quarter. That left Mainland with a US$65.7 billion trade surplus in the second quarter.

Domestic demand was more resilient, but did not show significant rebound. The retail sales of consumer goods grew 13.0% in the second quarter after increasing 12.4% in the previous quarter, while fixed asset investment (FAI) in urban areas advanced 19.7% after rising 20.9%. On the production side, the real growth of industrial output moderated to 9.1% from 9.5% during the corresponding period.

A breakdown of the GDP components showed that investment and consumption were still the key growth drivers, contributing a total of 7.5 percentage points to the first half's economic growth. Net exports of goods and services only added 0.1 percentage point to overall growth.

Inflation rebounded modestly but home price kept rising

Consumer price inflation rose moderately to 2.7% in June from 2.1% in May due to alow base effect and accelerating food prices. Overall food prices rose 4.9% in June after increasing 3.2% in May, while non-food prices rose 1.6%, unchanged during the same period. In particular, pork prices in June showed the first positive year-on-year change in 14 months at 1.1% after climbing by 4.6% on a month-on-month basis.

Although both food and non-food prices were flat from May in month-on-month terms, reflecting muted inflationary pressures in June, however, given that pork prices would continue to increase, we expect inflation to rebound to about 3.0% in July. For 2013 as a whole, we expect our consumer price inflation forecast of 2.8%, up slightly from 2.6% last year.

The Mainland's property prices kept on rising in June due to buyer sentiment and strong end-user demand. Of the 70 cities being surveyed by the National Bureau of Statistics (NBS), 63 showed month-on-month increases in home prices in June. Home prices in 70 major cities are estimated to have increased by an average of 6.1% in June from the same month last year, the fastest since September 2011, up from 5.3% in May.

On a month-on-month basis, it rose by 0.7%. Eight cities, including Beijing, Shanghai, Guangzhou and Shenzhen, experienced double-digit growth in house price in June year-on-year, while only five cities experienced this in May.

Meanwhile, property FAI growth maintained growth momentum, but home sales showed-signs of cooling as the State Council introduced five tightening measures in February to-curb housing demand. According to the NBS, property FAI grew 19.5% in June after increasing 19.4% in May, and new starts rose 14.2% from a decrease of 1.5% over the same period. New property sales growth decelerated to 17.7% in value terms and 10.8% in volume terms in June, down from 33.4% and 28.3% in May respectively.

Economic growth is set to slow further

The outlook for the Mainland economy remains challenging in the second half due to weak external demand and slow household income growth. Externally, the euro area, which has been the Mainland's largest export market, accounting for 16.3% of its total exports in 2012, is forecast to remain in recession at -0.6% this year as countries in the region implemented austerity measures to meet fiscal targets. While the situation in the US is better on the back of a housing market recovery, it is difficult to see a strong rebound in the second half with fiscal policy becoming more restrictive and the unemployment rate still elevated. The Beige Book business survey released on 17 July, which will be used as background information by the Federal Open Market Committee at its upcoming meeting on 30 and 31 July, said that the US economy maintained a "modest to moderate pace" of growth. In the event, nominal export growth is forecast to remain single-digital growth at 8% this year. In particular, shipment to the euro area is unlikely to record any growth.

Domestically, investment growth is expected to weaken further in the second half as sluggish export growth would weigh on manufacturing FAI, which accounts for about 35% of total FAI, while real estate and infrastructure investment growth would remain resilient. In fact, manufacturing investment growth slid further to 17.1% in the first half from 22% in 2012 and 31.8% in 2011. In June alone, manufacturing investment only increased 15.1%, the lowest reading this year. Meanwhile, slow household income growth would constrain consumption spending. Disposable personal income in the urban areas only expanded by a real 6.5% in the first half, down from 9.7% in the same time of 2012 and also below the economic growth of 7.6%, while real income growth for rural workers also decelerated to 9.2% from 12.4% during the same period.

Against such a backdrop, it is expected that a revised downward the GDP growth forecast for the Mainland economy to 7.5% for this year, from previous estimate of 7.7%. This would represent a slightly weaker growth in the second half than in the first half.

Macro policies to ease modestly

With economic growth momentum weakening, the Central Government is starting to shift slightly in favor of policies to support growth. In recent weeks, Premier Li Keqiang frequently mentioned “stabilising growth” in various public statements. For example, on 16 July, he stated that the government’s policy will focus more on “stabilising growth” if the economy approaches the lower bound of a “reasonable level”, related to both growth and the labour market. He also reiterated a commitment to achieving the annual growth target of 7.5% this year, and said that economic growth would not be allowed to sink below 7%. On 13 July, the State Council announced a series of new measures to support the growth of the environmental/energy-saving and IT sectors. We believe that it is part of the government’s effort to “stabilise growth”. Therefore, the macro policy stance would move towards some modest easing in the rest of this year to support economic growth.

On the monetary policy front, though it is expected that the PBOC to keep interest rates steady this year, it will inject appropriate liquidity in the banking system via open market-operations, and liquidity crunch like in June and early July is unlikely to re-emerge.

On the fiscal policy front, government spending will speed up in the coming months. It is expected fiscal expenditure to reach about RMB 8,000 billion in the second half from about RMB 6,000 billion in the first half, with the headline ratio rising to about 28% of GDP from 24%. Fiscal spending will likely be focused on social housing, railway and urban infrastructure projects and tax reductions.

DEVELOPMENT OF CSG GROUP

During the past six months ended 30 June 2013, a number of key developments occurred for CSG Group:

- Additional bank financing
- New product development
- Market expansion

Additional bank financing

By end of March of 2013, the Group has entered into a short term loan agreement with a PRC financial institution, Ping An Bank.

The loan consists of a RMB 50 million (approximately EUR 6.2 million) short term loan, which shall be used for the financing of the Group's operation. The loan bears interest on 110% of the People's Bank of China (PBoC) basic loan rate, in total currently approximately 6.6 percent p.a..

New product development

The company is increasingly focusing on research & development in order to launch new and high profit margin products. The company will set up a separate R&D centre in Chengdu and will hire new research staff to develop and finally launch innovative products.

Intruder resistance glass series is one of our innovative products which launched in 2010 and is gaining a lot of popularity by both old and new banking and automotive clients. Intruder resistance glass is similar to bulletproof glass in structure and in the production process except that glass used for the former undergoes a chemical tempering process before the lamination step. It is capable of withstanding the forceful impact of heavy objects such as an axe or hammer. The integrity of such glass as a whole remains intact despite the visible surface damage suffered upon repeated impact.

In addition, new business sectors, specifically, stores of luxury and high-end goods (e.g. jewellery, top fashion, ATM booth), have placed orders for this product application. The banks of Guangdong Province, Hunan Province and Fujian Province have also begun to replace traditional bulletproof glass by intruder resistant glass. The intruder resistant glass series has a higher unit selling price with a more attractive gross profit margin and is expected to become one of the major sales generating series in foreseeable years.

Given the increasing number of jewelry store robberies, the Ministry of Public Security has urged jewelers to upgrade their measures of security to prevent robbery. This move is likely to inject new momentum. Some local authorities, such as the Hunan Provincial Department of Public Security, have clearly stipulated that display cases for gold, silver and jewelry must be made of shatterproof glass that complies with national standards (GA844-2009) plus corner reinforcement. Jewelry stores failing to meet these standards are not approved to set up display cases.

ATM and self-service banking is widely recognized as an effective way of expanding business; therefore, the number of ATM will continue to grow at a rapid pace. From banks' perspective, one ATM costs RMB 500,000 to 600,000 (including installation of intruder resistant glass shield), which is much cheaper than the labor cost of 3 to 4 employees at a counter. Additionally, self-service machines now can offer a much wider range of commonly-used services, including depositing, withdrawal, transfer, payment and inquiry, and clients are more receptive to self-service banking.

Market expansion

We have allocated resources to explore the market of automotive security glass in overseas countries in order to improve the profitability of the Group in the foreseeable future.

Also, if possible, we expect to acquire small competitors and suppliers which will support the company in expanding regionally.

INCOME AND EARNINGS

The following table represents the income statement information of the interim consolidated financial statements of the Group under IFRS of the six months ended 30 June 2013, with the comparative information of six months ended 30 June 2012.

Amounts in kEUR	Q2 2013	Q2 2012 (Restated)	+/- %	H1 2013	H1 2012 (Restated)	+/- %
Revenue	**35,048**	30,184	16.1	**65,789**	48,380	36.0
Cost of sales	**(17,910)**	(15,500)	15.5	**(34,296)**	(25,189)	36.2
Gross profit	**17,138**	14,684	16.7	**31,493**	23,191	35.8
Other revenue	**1,803**	18	9916.7	**1,836**	22	8245.5
Selling and distribution expenses	**(1,824)**	(1,351)	35.0	**(3,510)**	(2,333)	50.5
Administrative expenses	**(1,092)**	(2,579)	-57.7	**(1,865)**	(3,177)	-41.3
Finance income	**99**	79	25.3	**181**	182	-0.5
Finance costs	**(1,624)**	(743)	118.6	**(2,572)**	(1,033)	149.0
Change in fair value of convertible component of convertible loan	**22**	1	2100	**13**	1	1200
Loss on initial recognition of convertible loan loan and convertible component	**-**	(12,367)	-100.0	**-**	(12,367)	-100.0
Research and development costs	**(657)**	(671)	-2.1	**(1,183)**	(1,148)	3.0
Profit/(Loss) before taxation	**13,865**	(2,929)	-573.4	**24,393**	3,338	630.8
Income tax	**(2,211)**	(1,810)	22.2	**(4,103)**	(2,864)	43.3
Profit/(Loss) for the period	**11,654**	(4,739)	-345.9	**20,290**	474	4180.6
Other Comprehensive Income: Currency translation reserve movement	**(1,358)**	6,429	-121.1	**3,334**	4,127	-19.2
Total Comprehensive Income	**10,296**	1,690	509.2	**23,624**	4,601	413.5
Profit/(Loss) attributable to: owners of the parent	**11,654**	(4,739)	-345.9	**20,290**	474	4180.6
Total Comprehensive income attributable to: owners of the parent	**10,296**	1,690	509.2	**23,624**	4,601	413.5
Earnings/(Loss) per share (undiluted = diluted)	**€0.66**	€(0.27)	-345.9	**€1.15**	€0.03	4180.6
Weighted average number of shares	**17,700,000**	17,700,000	-	**17,700,000**	17,700,000	-

Sales

During the six months ended 30 June 2013, revenue of EUR 65.8 million was generated, representing an increase of EUR 17.4 million or 36.0% compared to the same period in 2012 (6 months ended 30 June 2012: EUR 48.4 million). Such increase in sales was mainly due to an increase in total sales quantity in H1 2013, as overall gross profit margin was approximately stable. Revenue of bank security glass increased from EUR 19.9 million during the first six months ended 30 June 2012 by EUR 10.0 million or 50.3% to EUR 29.9 million in the first six months ended 30 June 2013. Revenue of automotive security glass increased from EUR 20.0 million during the first six months of 2012 by EUR 2.1 million or 10.5% to EUR 22.1 million in the six months of 2013. Revenue of construction glass increased from EUR 8.5 million during the first six months of 2012 by EUR 5.3 million or 62.4% to EUR 13.8 million in the six months of 2013.

Analysis of Business	Q2 2013		Q2 2012		+/- (in %)	H1 2013		H1 2012		+/- (in %)
SECURITY GLASS										
Automotive security glass										
Quantity (m^2)	53,898		66,455		-18.9	104,459		100,095		4.4
Sales (EUR' mil)	11.1	31.6%	13.4	44.4%	-17.2	22.1	33.6%	20.0	41.3%	10.5
Cost of sales (EUR' mil)	(4.8)		(5.9)		-18.6	(9.9)		(8.9)		11.2
Gross profit (EUR' mil)	6.3	36.6%	7.5	51.4%	-16.0	12.2	38.7%	11.1	47.8%	9.9
Gross margin (in %)	56.8%		56.0%		1.4	52.2%		55.5%		-0.5
Bank security glass										
Quantity (m^2)	145,769		105,028		38.8	273,047		188,791		44.6
Sales (EUR' mil)	16.5	47.0%	11.1	36.8%	48.6	29.9	45.4%	19.9	41.1%	50.3
Cost of sales (EUR' mil)	(9.0)		(6.3)		42.9	(16.6)		(11.3)		46.9
Gross profit (EUR' mil)	7.5	43.6%	4.8	32.9%	56.3	13.3	42.2%	8.6	37.1%	54.7
Gross margin (in %)	45.5%		43.2%		5.1	44.5%		43.2%		2.9
CONSTRUCTION GLASS										
Quantity (m^2)	238,519		163,217		46.1	432,797		238,883		81.2
Sales (EUR' mil)	7.5	21.4%	5.7	18.9%	31.6	13.8	21.0%	8.5	17.6%	62.4
Cost of sales (EUR' mil)	(4.1)		(3.4)		20.6	(7.8)		(5.0)		56.0
Gross profit (EUR' mil)	3.4	19.8%	2.3	15.8%	47.8	6.0	19.0%	3.5	15.1%	71.4
Gross margin (in %)	45.3%		40.4%		12.3	43.5%		41.2%		5.6
TOTAL										
Quantity (m^2)	434,849		334,700		29.9	810,303		527,769		53.5
Sales (EUR' mil)	35.1	100.0%	30.2	100.0%	16.2	65.8	100.0%	48.4	100.0%	36.0
Cost of sales (EUR' mil)	(17.9)		(15.6)		14.7	(34.3)		(25.2)		36.1
Gross profit (EUR' mil)	17.2	100.0%	14.6	100.0%	17.8	31.5	100.0%	23.2	100.0%	35.8
Gross margin (in %)	49.0%		48.3%		1.4	47.9%		47.9%		-0.1

Automotive security glass

Sales quantity of automotive security glass increased in the six months ended 30 June 2013 by 4.4% which results in sales of EUR 22.1 million compared to sales of EUR 20.0 million in the six months ended 30 June 2012. As a result, gross profit increased by 9.9% from EUR 11.1 million in six months ended 30 June 2012 to EUR 12.2 million in six months ended 30 June 2013.

The sales quantity of automotive security glass was increased by 4.4% to 104,459 square meters in H1 2013.The gross profit margin of automotive security glass decreased slightly from 55.5% in H1 2012 to 55.2% in H1 2013.

In six months ended 30 June 2013, automotive security glass accounted for 33.6% of the total sales while it accounted for 41.3% in six months ended 30 June 2012.

Bank security glass

Sales revenue and gross profit of bank security glass improved during the six months ended 30 June 2013. Sales revenue of bank security glass increased by 50.3% to EUR 29.9 million in six months ended 30 June 2013 from EUR 19.9 million in six months ended 30 June 2012. Gross profit increased by 54.7% to EUR 13.3 million due to the launch of new products, i.e. bank intruder resistant glass, which has a higher profit margin than the traditional bank bullet-proof glass.

The sales quantity of bank security glass was increased by 44.6% to 273,047 square meters in H1 2013. The gross profit margin of bank security glass improved slightly from 43.2% in H1 2012 to 44.5% in H1 2013.

In six months ended 30 June 2013, bank security glass accounted for 45.4% of the total sales while it was 41.1% in six months ended 30 June 2012.

Construction glass

In six months ended 30 June 2013, sales revenue of construction glass improved significantly from EUR 8.5 million in six months ended 30 June 2012 to EUR 13.8 million in six months ended 30 June 2013 while gross profit increased by 71.4% from EUR 3.5 million in six months ended 30 June 2012 to EUR 6.0 million in six months ended 30 June 2013.

The sales quantity of construction glass was increased by 81.2% to 432,797 square meters in H1 2013. The gross profit margin of construction glass increased from 41.2% in H1 2012 to 43.5% in H1 2013.

In six months ended 30 June 2013, construction glass accounted for 21.0% of the total sales while it accounted for 17.6% in six months ended 30 June 2012.

Cost of sales

Cost of sales increased to approximately EUR 34.3 million in the first six months of 2013 by approximately EUR 9.1 million or 36.2% from 25.2 million in the first six months of 2012, in line with the increase of turnover during the reporting period.

Raw material prices dropped compared to the first six months of 2012. Raw material prices decreased to approximately EUR 36.04 per square meter by approximately EUR 5.8 or 13.9% from EUR 41.84 per square meter compared to the first six months of 2012. As the customers' demands change and more raw materials are needed per product, the increase of the total cost of raw materials was higher than the increase of revenue. Raw material accounted for approximately 85.2% of cost of sales in six months ended 30 June 2013 while it accounted for approximately 87.7% in six months ended 30 June 2012.

Gross profit

Gross profit during the six months ended 30 June 2013 increased by EUR 8.3 million or 35.8% from EUR 23.2 million in six months ended 30 June 2012 to approximately EUR 31.5 million. This was mainly due to the increase in the sales of bank security glass, automotive security glass and construction glass. Gross profit of bank security glass increased from EUR 8.6 million in six months ended 30 June 2012 by EUR 4.7 million or 54.7% to EUR 13.3 million. Gross profit of automotive security glass and construction glass was increased by 9.9% and 71.4% to EUR 12.2 million and EUR 6.0 million respectively for the first six months of 2013.

The overall gross profit margin remained at 47.9% in both six months ended 30 June 2012 and six months ended 30 June 2013.

Other revenue

Other revenue increased from kEUR 22 in six months ended 30 June 2012 by kEUR 1,814 or 82 times to kEUR 1,836 in six months ended 30 June 2013 primarily due to the recognized exchange gain arising from the conversion of the loan into capital during the reporting period.

Selling and distribution expenses

Selling and distribution expenses increased from EUR 2.3 million in six months ended 30 June 2012 by EUR 1.2 million or 50.5% to EUR 3.5 million in six months ended 30 June 2013 primarily owing to increases in staff salary, transportation and advertisement expenses during the reporting period.

The percentage of selling and distribution expenses in relation to total sales was 5.3% in six months ended 30 June 2013 after 4.8% in six months ended 30 June 2012.

Administrative expenses

Administrative expenses decreased from EUR 3.2 million in six months ended 30 June 2012 by EUR 1.3 million or 41.3% to EUR 1.9 million in six months ended 30 June 2013 mainly due to the recognized exchange loss arising from the release of fixed deposits in H1 2012.

The ratio of administrative expenses to sales was 2.8% in six months ended 30 June 2013 and 6.6% in six months ended 30 June 2012.

Research and development expenses

Research and development expenses in the first six months ended 30 June 2013 of the Group amounted to EUR 1.2 million representing 1.8% of overall revenue (six months ended 30 June 2012: EUR 1.1 million).

Finance costs

Finance costs increased significantly by EUR 1.6 million or 1.5 times from EUR 1.0 million in six months ended 30 June 2012 to EUR 2.6 million in six months ended 30 June 2013. The increase is in line with the increase of bank loans.

Operating profit for the period/ EBIT

Profit before taxation for the period increased from EUR 3.3 million in six months ended 30 June 2012 by EUR 21.1 million or 6.3 times to EUR 24.4 million in six months ended 30 June 2013, mainly due to the loss arising from the recognition of the convertible loan in first six months of 2012. EBIT increased to kEUR 26,784 in first six months of 2013 by 539.4% from kEUR 4,189 in first six months of 2012. EBIT margin increased from 8.7% in H1 2012 to 40.7% in the current reporting period. Without considering the one-off effect arising from the recognition of the convertible loan, the EBIT would be kEUR 14,107 in first six months of 2012.

Taxation

The Group's tax rate is substantially that of its operating company in Guangzhou, which since 2010 has been deemed a "high tech enterprise" subject to a reduced tax rate of 15% for six years. Prior to the successful application of high tech enterprise status, another operating company in Sichuan is using 25% tax rate. The average tax rate was 16.8% in six months ended 30 June 2013.

Net profit

Net profit in the six months ended 30 June 2013 increased to EUR 20.3 million from EUR 0.5 million in six months ended 30 June 2012.

Net profit/ (loss) margin

The net profit margin increased from 1.0% in six months ended 30 June 2012 to 30.8% in six months ended 30 June 2013 mainly due to the loss arising from the initial recognition of the convertible loan in first six months of 2012.

Summary income situation

Management is fully satisfied with the revenue movement as well as the gross profit margin in the first six months of 2013. The increase of the net profit is in line with the expectations of the management.

FINANCIAL POSITION

The following table shows the composition and development of the Group's assets, equity and liabilities as of 30 June 2013 and 31 December 2012:

Amounts in kEUR	30 June 2013	31 December 2012 (Audited)	% of change
Assets			
Non-currentassets			
Property, plant and equipment	**36,534**	29,850	22.4
Prepayment for acquisition of property, plant and equipment	**7,290**	13,006	-43.9
Land use rights	**11,930**	11,472	4.0
Intangible assets	**6**	8	-25.0
Prepayment on operating lease	**1,742**	1,736	0.3
Deferred tax assets	**141**	160	-11.9
	57,643	56,232	2.5
Current assets			
Inventories	**3,353**	2,398	39.8
Trade and other receivables	**26,599**	23,819	11.7
Tax receivable	**480**	970	-50.5
Loan to related party	**5**	5	0.0
Prepayment on operating lease	**116**	112	3.6
Cash and bank balances	**115,772**	84,412	37.2
	146,325	111,716	31.0
Total assets	**203,968**	167,948	21.4
Capital and Reserves			
Share capital	**17,700**	17,700	0.0
Capital reserve	**19,739**	19,739	0.0
Statutory reserve	**4,161**	4,161	0.0
Foreign currency translation reserve	**12,427**	9,093	36.7
Retained earnings	**84,442**	64,152	31.6
	138,469	114,845	20.6
Non-current Liabilities			
Convertible loan – loan component	**18,430**	17,261	6.8
Security bank loans	**24,680**	24,024	2.7
	43,110	41,285	4.4
Current Liabilities			
Corporate income tax payable	**1,708**	1,471	16.1
Trade and other payables	**13,218**	9,108	45.1
Interest-bearing bank borrowings	**6,218**	-	NA
Related party payables	**339**	333	1.8
Convertible loan – convertible component	**906**	906	0.0
	22,389	11,818	89.4
Total equity and liabilities	**203,968**	167,948	21.4

NON-CURRENT ASSETS

Property, plant and equipment (PPE)

The Group's PPE increased from EUR 29.9 million as of 31 December 2012 by approximately EUR 6.6 million or 22.4% to EUR 36.5 million as of 30 June 2013.

The Group's PPE cost of kEUR 40,010 represented mainly the plants & office buildings of kEUR 15,947, machinery of kEUR 16,210, office equipment of kEUR 366, motor vehicles of kEUR 439 and construction in progress of kEUR 7,048 of both GHW and SHW as at 30 June 2013.

Additions of Group's PPE amounted to kEUR 6,913 of which kEUR 23 is additions of plants & office buildings of SHW, kEUR 1 is additions of machinery of SHW, kEUR 4 is additions of office equipment of both GHW and SHW, kEUR 225 is additions of motor vehicles, and kEUR 6,660 is additions of construction in progress of SHW during the reporting period. kEUR 5,716 of additions of construction in progress is transferred from prepayment for acquisition of property, plant and equipment.

Deferred tax assets

The deferred tax asset arose from temporary difference as a result of aligning the Sichuan's operating subsidiary's accounts to IFRS.

Prepayments for acquisition of property plant and equipment

Prepayments for acquisition of property plant and equipment represented the prepayments made for the acquisition of machineries in both GHW and SHW production sites. As at 30 June 2013 these machineries were machines that have been paid partially and not being delivered. Machinery will be delivered during 2013 and the complete delivery of all machineries is planned to be made by end of 2013.

Land use right

It represented mainly the land use rights owned by our subsidiary, Sichuan Hing Wah Glass Ltd.

Prepayments on operating lease

Prepayments on operating lease relates to the land use rights and premises in Guangzhou for which an advance payment was made to a related party, Mr. Shi Chunli. Following the conclusion of the lease agreement, which the Group determined to be an operating lease in respect of the land, as the term is relatively short compared to the useful life of the land, the advance payment was reclassified as a lease prepayment for leasehold land. It is being amortized to income over the 20 years term of the lease (20 years lease term and a free of charge extension of 10 years).

The rent expenses for this operating lease amounted to kEUR 57 for the first six months of 2013.

CURRENT ASSETS

Inventories

Inventories comprise raw materials and finished goods. Inventories increased from EUR 2.4 million as of 31 December 2012 by EUR 1.0 million or 39.8% to EUR 3.4 million as of 30 June 2013 due to the need to hold higher level of stocks to meet expected demands.

Trade and other receivables

Trade and other receivables increased from EUR 23.8 million as of 31 December 2012 by EUR 2.8 million or 11.7% to EUR 26.6 million as of 30 June 2013.

The amount of trade receivables increased slightly from EUR 21.8 million as of 31 December 2012 to EUR 24.1 million as of 30 June 2013. As of 30 June 2013, there was no trade receivable with overdue date of more than 30 days.

Other receivables increased from EUR 2.0 million as of 31 December 2012 to EUR 2.5 million as of 30 June 2013.

Tax Receivable

It represents the receivable of corporate income tax paid by Guangzhou factory in the first quarter of 2010 and import tax paid by Sichuan factory during the last quarter of 2012.

Loan to related party

The loan to a related party includes the operating lease deposit made to a related PRC company which is controlled by one of the board members, Mr. Shi Chunli.

Cash and bank balances

Cash and bank balances of the Group increased by EUR 31.4 million from EUR 84.4 million as at 31 December 2012 to EUR 115.8 million as at 30 June 2013 mainly due to cash generated from the operation and funding from new short term bank loans.

EQUITY

The ultimate holding company, China Specialty Glass AG, was listed on the Prime Standardsegment of the German Stock Exchange on 1 July 2011. In the course of the listing a capital increase of 2,650,000 shares also took place, which became effective when it was registered in the German trade registry on 19 July 2011. This led to an increase in the share capital from 15,050,000 shares to 17,700,000 shares and a corresponding reduction in authorized capital from 7,525,000 shares to 4,875,000 shares. The proceeds received in excess of the nominal value of the shares issued were credited to capital reserves after related issuance costs were deducted (net of the tax saving thereon).

The total equity of the Group is kEUR 138,469 while the total capital of the Group is kEUR 203,968. Accordingly, the equity ratio is about 67.9% (previous H1: 64.7%).

NON-CURRENT LIABILITIES

Convertible loan and Secured bank loans

The secured bank loan consists of a RMB 200 million (approximately EUR 24.0 million, using exchange rate at the inception date) secured term loan, which shall be used for the partial financing of the new production facilities in Guangzhou. These new facilities are expected to accelerate the CSG business development. The loan bears interest on 151% of the People's Bank of China (PBoC) basic loan rate, in total currently approximately 10 percent p.a. and has a term of six years. The security of the RMB loan facility includes the shares of Sichuan Hing Wah Glass Limited, the current and future fixed assets of Guangzhou Hing Wah Industry Co., Ltd., and interest pledge.

The convertible loan serves mainly for purposes of capital injection to the Guangzhou incorporated subsidiary to support further business growth. The loan bears interest on a 6-month LIBOR plus margin basis, in total currently approximately 10.52 percent per annum, and has a term of six years. The loan is convertible, at the sole option of the lender into 6.0 per cent to 10.13 per cent (on a pre-listing basis) of the shares of a newly formed offshore subsidiary of China Specialty Glass AG, the China Specialty Glass Holdings Limited incorporated in Cayman Islands. The convertible loan has to be seen in context of a planned relisting in Hong Kong. Following a transfer of the operating business of the Group into this entity the relisting in Hong Kong is planned. Should no such listing occur or should Credit Suisse not exercise the conversion option, the loan will be repaid at maturity plus a performance fee. The security of the convertible loan includes the shares of Hing Wah Holdings (Hong Kong) Limited, China Specialty Glass Holdings Limited and their existing and future offshore subsidiaries; 100% equity interest of Guangzhou Hing Wah Glass Industry Co., Limited; all assets of the corporate guarantor, Luckyway Global Group Limited incorporated in British Virgin Islands; and the debt service reserve account.

If qualified relisting occurs within 24 months from the date of the issue of the convertible loan, Credit Suisse shall have the right to convert the convertible loan into 8% of the China Specialty Glass Holdings Limited's common shares on a pre-relisting, fully diluted basis or 6% of the China Specialty Glass Holdings Limited's common shares on a post-relisting, fully diluted basis or an amount of common shares of the listed company which will give an equivalent return.

If qualified relisting occurs after 24 months from the date of the issue of the convertible loan, Credit Suisse shall have the right to convert the convertible loan into 10.13% of the China Specialty Glass Holdings Limited's common shares on a pre-relisting, fully diluted basis or 7.6% of the China Specialty Glass Holdings Limited's common shares on a post-relisting, fully diluted basis or an amount of common shares of the listed company which will give an equivalent return.

If no qualified relisting occurs prior to 36 months from the issue date of the convertible loan or an event described in the termsheet of the convertible loan occurs, the convertible loan shall be repaid and Credit Suisse shall be entitled to a performance fee of a gross yield of 20% per annum based on the original convertible loan principal amount and RMB loan facility amount with interest.

Loan component

The market value of the loan component of the Convertible Loan was recognized initially at fair value at inception date. The fair value of the loan component is determined using the prevailing market interest rate for similar non-convertible debt. Transaction costs relating to the convertible loan are included in the carrying amount of the loan component, and amortize during the contract period. The loan component is subsequently carried at amortized cost.

The loan component consists of a USD 10.0 million face amount (approximately EUR 7.6 million, using the exchange rate at the inception date) and a USD 24.0 million carrying amount (approximately EUR 18.4 million) as of 30 June 2013. The detail calculation of carrying amount is as below:

	kEUR
Carrying amount of loan component at 31 December 2012	**17,261**
Interest expense	**399**
Interest paid	**(403)**
Amortize the initial transaction cost of the convertible loan	**916**
Translation reserve	**257**
Carrying amount at 30 June 2013	**18,430**

Convertible component

The conversion option of the convertible loan is a derivative with the equity of the Company as underlying. The convertible component is subsequently re-measured at fair value. Gains or losses arising from changes in fair value are taken directly to profit or loss for the reporting period. The fair value of the conversion right as of 30 June 2013 has been calculated by an external appraiser (Ascent Partners, Hong Kong).

The convertible component consists of a USD 1.2 million carrying amount (approximately EUR 0.9 million) as of 30 June 2013.

The development of the fair value of the conversion right is as follows:

	1 January 2013 to 30 June 2013	22 May 2012 to 31 December 2012
	kEUR	kEUR
Fair value of convertible component at beginning of period	**906**	968
Change in fair value	**(13)**	(62)
Translation reserve	**13**	-
Fair value at end of period	**906**	906

CURRENT LIABILITIES

Trade and other payables

Trade and other payables increased from EUR 9.1 million as of 31 December 2012 by EUR 4.1 million to EUR 13.2 million as of 30 June 2013.

Trade payables increased from EUR 6.4 million as of 31 December 2012 by EUR 3.0 million to EUR 9.4 million as of 30 June 2013 in line with increase in purchases and extension of credit period of one of the suppliers.

Other payables increased from EUR 2.7 million as of 30 June 2012 by EUR 1.1 million to EUR 3.8 million as of 30 June 2013.

Related party payables

Related party payables include payables of EUR 0.3 million to one of the management board members, Mr. Sze Nang Heung.

Interest-bearing bank borrowings

The Group has entered into a new bank loan of EUR 6.2 million with a PRC bank, Ping An Bank, with a term of interest on 110% of the People's Bank of China (PBoC) basic loan rate, in total currently approximately 6.6 percent p.a.

Summary financial situation

The financial situation reflects from the management point of view the widening investments into the non-current assets, especially in the new factory in Sichuan in the current year. The equity basis and equity ratio are very solid. Additional loans will secure the financing of future expansion and restructuring of the group.

CASH FLOWS AND LIQUIDITY

The following table is extracted from the Group's cash flows data, which was derived from the Group's interim consolidated financial statements under IFRS for the six months ended 30 June 2013:

Amounts in kEUR	H1 2013	H1 2012 (Restated)
Net cash generated from operating activities	**29,912**	9,528
Net cash used in investing activities	**(760)**	(9,028)
Net cash generated from financing activities	**626**	14,038
Net increase in cash and bank balances	**29,778**	14,538
Cash and bank balances at beginning of the period	**84,412**	56,572
Effects of currency translation	**1,582**	3,335
Cash and bank balances at end of the period	**115,772**	74,445

Compared to 30 June 2012 the net cash position as of 30 June 2013 has been improved. The Group generated the net cash inflows amounting to EUR 29.9 million and EUR 0.6 million from its operations and financing activities respectively. Cash outflows of EUR 0.8 million came from investing activities. Investment activities include the acquisition of plants and equipments in Guangzhou and Sichuan factories during the reporting period.

Cash at end of period

Cash and bank balances amounted to EUR 115.8 million as at 30 June 2013. Most of cash and bank balances were in China and comprised of mainly RMB, HKD and EUR.

Cash management

CSG's basic target cash management is to ensure that enough funds are available at each given point of time to fulfill its financial obligations. Therefore CSG has cash planning and monitors the actual inflows and outflows. The limitations on transfers to and from PRC are also an important framework condition for the cash planning.

Summary of cash flow and liquidity

The management stated that liquidity situation meets the expectation and is solid. Furthermore management does not expect any liquidity shortage in 2013 and beyond.

RESEARCH AND DEVELOPMENT

The Group's Research and Development is built on a system of inter-departmental coordination and participation. The Group considers research and development as well as product design to be of key importance for its success. During the reporting period, the Group has not launched any innovative product. The Group does not consider that it meets the criteria to capitalize development costs as an intangible asset.

The Group incurred research and development costs of kEUR 1,183 in the reporting period (6 months ended 30 June 2012: kEUR 1,148).

HUMAN RESOURCES

In the 6 months ended 30 June 2013, the Group had an average of 781 employees (6 months ended 30 June 2012: 528 employees). The increase of average number of employee is due to the recruitment of staff in Sichuan production site and increase of employees in Guangzhou factory. The breakdown of the average number of employees of the Group in six months ended 30 June 2013 and 2012 are as follows:

Function	Average number of employees	
	H1 2013	**H1 2012**
Management and Administration	**90**	77
Sales and marketing	**75**	55
Production	**616**	396
	781	528

For the six months ended 30 June 2013, total costs of payroll for the Group amounted to EUR 2.5 million compared to EUR 1.7 million in six months ended 30 June 2012 which included a year-end bonus. This represents 3.8% and 3.5% to the total revenue in six months ended 30 June 2013 and 2012, respectively.

RISK AND OPPORTUNITY REPORT

Responsible corporate governance is dependent on a properly functioning risk management system. The risk management system implemented by China Specialty Glass Group is geared toward meeting the practical requirements of our operations. It is designed to highlight opportunities and risks at an early stage and to help avoid or limit them where they occur.

The Management Board keeps the Supervisory Board regularly informed about existing risks and their development. The Supervisory Board is provided by the Management Board with regular reports and updates on business policy and all issues of relevance for the Company relating to the planning, business development, the risk situation and the risk management system recently being implemented.

There was no significant change in opportunity and risk as of 30 June 2013.

EVENTS AFTER THE REPORTING DATE

There were no other significant non-adjusting events or any significant adjusting events to report between the reporting date and the date of preparation of these financial statements.

OUTLOOK

The following statements on the future development and performance of the Group and the key underlying assumptions concerning market and industry developments are based on assessments which the Group considers realistic on the basis of the information currently available. They nevertheless involve a degree of uncertainty and an unavoidable risk that forecast developments may not actually occur, either in the general pattern or to the extent anticipated.

The Chinese economy is likely to experience slower growth in 2013 than in 2012. However, China will continue to face risks from high level of debt-financed investment that took place over the past years.

According to the upstream demand of bulletproof glass, it is expected that the sales volume of bulletproof glass will keep increasing and the sales volume of the entire industry will reach around RMB 3.97 billion in 2015.

As a fundamental part of the Group's business model, the Group intends to increase its product sales through sales network expansion both domestically and internationally. The Group will continue to expand its sales network in western, central and northeastern parts of the country. Moreover, in selected Asian countries, the Group intends to initially focus on the automotive security glass market and expand to other product segments later on.

Furthermore the Group will continue its efforts in expanding its production capacity in the new production site in Sichuan and production expansion in its current operating facility in Guangzhou, China.

Corresponding to its growth strategy CSG intends to further increase its product sales by the expansion of its sales network in China and abroad. The required enhanced production capacity will be achieved through the new laminated and thermal pre-stressed glass production line in Sichuan Province.

Given the growth opportunities for CSG Group and its market leading position, the company expects to increase its revenues by around 40 per cent in 2013. Net profit is expected to grow at the same pace.

Munich, 6th September 2013
China Specialty Glass AG

The Board of Management

Nang Heung Sze (CEO) Chun Li Shi (Co-CEO) Jing He (CFO)

Chao Zhou (COO)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statement of Comprehensive Income

	6 months ended	
	30 June 2013	30 June 2012
	kEUR	kEUR (Restated)
Revenue	65,789	48,380
Cost of sales	(34,296)	(25,189)
Gross profit	31,493	23,191
Other revenue	1,836	22
Selling and distribution expenses	(3,510)	(2,333)
Administrative expenses	(1,865)	(3,177)
Finance income	181	182
Finance costs	(2,572)	(1,033)
Change in fair value of convertible component of convertible loan	13	1
Loss on initial recognition of convertible loan loan and convertible component	-	(12,367)
Research and development costs	(1,183)	(1,148)
Profit before taxation	24,393	3,338
Taxation	(4,103)	(2,864)
Net profit attributable to owners of the parent	20,290	474
Other Comprehensive Income:		
Currency translation reserve movement	3,334	4,127
Total Comprehensive Income	23,624	4,601
Profit attributable to: owners of the parent	20,290	474
Total Comprehensive income attributable to: owners of the parent	23,624	4,601
Earnings per share (undiluted= diluted)	€1.15	€ 0.03
Weighted average number of shares	17,700,000	17,700,000

The annexed notes form an integral part of and should be read in conjunction with these interim consolidated financial statements.

Interim Consolidated Statement of Financial Position

	30 June 2013	31 December 2012	30 June 2012
	kEUR	kEUR	kEUR
Assets		(Audited)	(Restated)
Non-currentassets			
Property, plant and equipment	**36,534**	29,850	32,239
Prepayment for acquisition of property, plant and equipment	**7,290**	13,006	9,085
Land use right	**11,930**	11,472	14,103
Intangible assets	**6**	8	9
Prepayment on operating lease	**1,742**	1,736	1,882
Deferred tax asset	**141**	160	1,005
	57,643	56,232	58,323
Current assets			
Inventories	**3,353**	2,398	2,898
Trade and other receivables	**26,599**	23,819	23,932
Tax receivables	**480**	970	486
Loan to related party	**5**	5	5
Prepayment on operating lease	**116**	112	118
Cash and bank balances	**115,772**	84,412	74,445
	146,325	111,716	101,884
Total assets	**203,968**	167,948	160,207
Equity and Liabilities			
Capital and Reserves			
Share capital	**17,700**	17,700	17,700
Capital reserve	**19,739**	19,739	19,739
Statutory reserves	**4,161**	4,161	724
Foreign currency translation reserve	**12,427**	9,093	13,716
Retained earnings	**84,442**	64,152	51,748
	138,469	114,845	103,627
Non-current Liabilities			
Convertible loan – loan component	**18,430**	17,261	17,339
Secured bank loans	**24,680**	24,024	25,474
	43,110	41,285	42,813
Current Liabilities			
Corporate income tax payable	**1,708**	1,471	1,990
Trade and other payables	**13,218**	9,108	10,281
Interest-bearing bank borrowings	**6,218**	-	-
Convertible loan – convertible component	**906**	906	1,042
Related party payables	**339**	333	454
	22,389	11,818	13,767
Total equity and liabilities	**203,968**	167,948	160,207

The comparability is affected by movements in the relative value of the functional currency (RMB) of the Chinese operating subsidiary compared to the presentational currency (EUR).

The annexed notes form an integral part of and should be read in conjunction with these interim consolidated financial statements.

Interim Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Group					
	Share capital	Capital reserve	Statutory reserves	Translation Reserve	Retained earnings	Total Equity
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 1 January 2012	17,700	19,739	724	9,589	51,274	99,026
Total comprehensive income	-	-	-	4,127	474	4,601
Balance at 30 June 2012	17,700	19,739	724	13,716	51,748	103,627
Total comprehensive income	-	-	3,437	(4,623)	12,404	11,218
Balance at 1 January 2013	17,700	19,739	4,161	9,093	64,152	114,845
Total comprehensive income	-	-	-	3,334	20,290	23,624
Balance at 30 June 2013	**17,700**	**19,739**	**4,161**	**12,427**	**84,442**	**138,469**

The comparability is affected by movements in the relative value of the functional currency (RMB) of the Chinese operating subsidiary compared to the presentational currency (EUR).

The annexed notes form an integral part of and should be read in conjunction with these interim consolidated financial statements.

Interim Consolidated Statement of Cash Flows

	6 months ended 30 June 2013	6 months ended 30 June 2012
	kEUR	kEUR
		(Restated)
Cash flows from operating activities		
Profit before taxation	24,393	3,338
Adjustments for:		
Finance income	(181)	(182)
Finance costs	2,572	1,313
Loss on disposal of property, plant and equipment	-	5
Depreciation of property, plant and equipment	1,240	538
Loss on initial recognition of convertible loan	-	12,367
Change in fair value of convertible component of CB	(13)	(1)
Amortization of land use right	88	72
Convertible loan transaction cost and interest payable	917	-
Amortization of intangible assets	1	2
Operating profit before working capital changes	29,017	17,452
Change in inventories	(849)	(366)
Change in trade and other receivables	(1,351)	(7,610)
Change in trade and other payables	4,271	1,912
Change in prepayment on operating lease	57	(12)
Cash generated from operations	31,145	10,376
Finance income	459	182
Income tax paid	(1,692)	(2,030)
Net cash generated from operating activities	29,912	9,528
Cash flows from investing activities		
Acquisition of property, plant and equipment	(836)	(6,422)
Acquisition of land use right	-	(2,606)
Investment in a subsidiary	-	
Decrease in prepayment for acquisition of machineries	76	-
Net cash used in investing activities	(760)	(9,028)
Cash flows from financing activities		
Bank loans obtained, net	6,218	16,205
Finance costs	(2,850)	(1,313)
Change in related party liabilities	(2,742)	(854)
Net cash generated from financing activities	626	14,038
Net increase in cash and bank balances	29,778	14,538
Cash and bank balances at beginning of the period	84,412	56,572
Effects of currency translation	1,582	3,335
Cash and bank balances at end of the period	115,772	74,445

The annexed notes form an integral part of and should be read in conjunction with these interim consolidated financial statements.

Selected notes to the interim consolidated financial statements of China Specialty Glass AG.

1. Nature of operations

The CSG Group comprises CSG AG, Hing Wah Holdings (Hong Kong) Limited ("HWG HK-Holding"), its 100% subsidiaries China Specialty Glass Holdings Limited ("CSGH"), Guangzhou Hing Wah Glass Industry Co., Limited ("GHW.") and Sichuan Hing Wah Glass Ltd. ("SHW") (hereafter referred to as "Group").

The CSG Group develops, produces and sells specialty glass under its "Hing Wah" brand. The Group distributes its products to customers in the domestic market in China directly through its own sales network.

The Group is one of the leading security glass manufacturers in China producing security glass, a class of specialty glass used primarily for personal protection against physical violence and forced intrusion, for the Chinese banking security and automotive security industry. It also provides various specialty glass products for the construction glass market.

The Group provides technical consultation and installation guidance to its customers in connection with the sales. CSG Group's current production facility is located in Guangzhou, Guangdong Province in Southern China, and operated by the Group's wholly-owned operative subsidiary GHW. The Group has a new production facility in Sichuan Province. The Sichuan project has different phases in accordance with the agreement between the Group and the Management Committee of Guangdong - Wenchuan Industrial Park Administration Committee ("Management Committee") of May 2010. Phase I of Sichuan plant is done and has been put into operation in 2013. Phase II of Sichuan plant is still under construction. The progress is according to the plan.

The Group's subsidiary GHW is located at No.6, Hougang Xijie, Guanghai Road, Guangzhou, Guangdong, the People's Republic of China (the "PRC") and SHW is located at Guangdong Road, Chengdu-Aba Industrial Park, Jintang Huaikou, Chengdu, Sichuan, PRC. The Group sells its products to customers in the PRC.

On 19 December 2012, a new wholly-owned subsidiary, China Specialty Glass Holdings Limited ("CSGH") was incorporated in Cayman Islands, of which its sole director is Mr. Sze Nang Heung.

2. General Information and Statement of compliance with IFRS

These interim consolidated financial statements of the Group are prepared for the six months ended 30 June 2013.

The interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and its interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC) for interim financial information effective within the European Union. Accordingly, these interim financial statements do not include all of the information required in annual financial statements by IFRS.

The interim consolidated financial statements have been reviewed. In the opinion of the Group's Management Board, the interim consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for interim periods. Results of the six months ended 30 June 2013 are not necessarily indicative of future results.

The preparation of interim financial statements in conformity with IAS 34 "Interim Financial Reporting" requires the Management Board to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The accounting principles and practices as applied in the interim financial statements correspond to those pertaining to the most recent annual financial statements. A detailed description of the accounting policies is published in the notes to the financial statements of the Group's financial statements for the financial year ended 31 December 2012.

The interim consolidated financial statements of the Group have been rounded to the nearest thousand Euro. Amounts are stated in thousands of Euros (kEUR) except where otherwise indicated.

The interim consolidated financial statements of the Group for the period from 1 January to 30 June 2013 were approved and authorized for issue by the Management Board of CSG AG at 5th September 2013. They were approved by the Supervisory Board in its meeting at 5th September 2013.

3. Significant accounting policies and changes in estimates

3.1 Statement of compliance and basis of preparation

These interim consolidated financial statements of the Group are prepared for the period from 1 January to 30 June 2013 with comparatives.

The interim consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in so far as these have been adopted by the European Union ("EU") in effect at 30 June 2013 and in accordance with Sec. 315a Para. 3 of the German Commercial Code.

The interim consolidated financial statements of the Group have been rounded to the nearest thousand Euro. Amounts are stated in thousands of Euros (kEUR) except where otherwise indicated.

The interim consolidated financial statements of the Group for the period from 1 January to 30 June 2013 were approved and authorized for issue by the Management Board of CSG AG at 5th September 2013. They were approved by the Supervisory Board in its meeting at 5th September 2013.

3.2 Standards, Interpretations and Amendments to Standards and Interpretations applied for the six months ended 30 June 2013

The Group has applied the following standards and interpretations of the IASB as well as their changes or revisions first time adopted for the six months ended 30 June 2013:

- Amendments to IAS 12 – Income Taxes (Deferred tax recovery of underlying assets)
- Improvements to IAS 19 – Employee benefits
- Amendments to IFRS 1 – First time adoption of International Financial Reporting Standards (Severe Hyperinflation)
- Amendments to IFRS 1 – First time adoption of International Financial Reporting Standards (Accounting for government loans)
- Amendments to IFRS 7 – Financial Instruments: Disclosures
- IFRS 13 – Fair Value Measurement
- IFRIC 20 – Stripping Costs in the production phase of surface mining
- Improvements to IFRS (issued by IASB)

No material effect arose on the interim condensed consolidated financial statement of financial position, consolidated financial statement of cash flows or consolidated statement of comprehensive income of the Group as a result of the first-time application of the above mentioned standards, interpretations or changes to them, as well as changes from the Annual Improvements Project.

3.3 Restatement of income and earnings of H1 2012

The company decided to treat a lease contract in respect of the Guangzhou plant as an operating lease contract instead of a finance lease contract. Consequently the correction of prepayment on operating lease leads to an increase in rental expense by kEUR 57 and to a decrease in PPE amortization by kEUR 42.

Moreover, on 26 April 2012 the Group has entered into two secured loan agreements with the Shanghai Branch and the Singapore Branch of Credit Suisse AG ("Credit Suisse") with a face amount of EUR 24.0 million and EUR 9.6 million of which the second loan has also a convertible portion. The initial fair value is calculated using cash flows discounted at a rate based on the effective rate of 15.22%. An external valuation report from Ascent Partners, Hong Kong, has been obtained. The valuation of the convertible loan created a loss of kEUR 11,369 as of 30 June 2012, the recognition of the conversion right created a loss of kEUR 998. The total income effect of kEUR 12,367 has been corrected under the position "Loss on initial recognition of convertible loan and convertible component". Moreover, the directly attributable transaction costs related to the convertible loan have been allocated to the loan component and amortized during the loan period, which created a gain of kEUR 2,448. These items have not been shown in the H1 Report 2012. We refer to "Financial liabilities" under section 10. In sum these effects lead to a loss of kEUR 9,918 which was not considered in the interim Report H1 2012.

The total P&L effect of both corrections is a negative kEUR 9,933. Subsequently the equity of the Company has decreased by kEUR 9,933.

Furthermore we wrongfully allocated an exchange difference of kEUR 1,725 to the finance cost in H1 2012. This has been reclassified to administrative costs. There is no effect neither on profit nor on equity from this reallocation.

4. Currency translation

Items included in the interim consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB).

The presentation currency of the Group is EURO (EUR), being the presentation currency of its ultimate German domiciled legal parent and holding Group, and therefore the financial information has been translated from RMB to EUR and from HKD to EUR before consolidation in EUR at the following rates:

	Period end rates		Average rates	
30 June 2012	€ 1.00 = RMB	7.9417	€ 1.00 = RMB	8.1946
31 December 2012	€ 1.00 = RMB	8.3378	€ 1.00 = RMB	8.1160
30 June 2013	€ 1.00 = RMB	8.0412	€ 1.00 = RMB	8.1995
30 June 2012	€ 1.00 = HKD	9.6553	€ 1.00 = HKD	10.0717
31 December 2012	€ 1.00 = HKD	10.2525	€ 1.00 = HKD	9.9753
30 June 2013	€ 1.00 = HKD	10.1095	€ 1.00 = HKD	10.1897

5. Significant events and transactions

On 1 April 2013, CSG AG and Hing Wah Holdings (Hong Kong) Limited had entered into an agreement that the outstanding amount of loan owed by Hing Wah Holdings (Hong Kong) Limited to CSG AG amounted to EUR 20,468,316.88 (equivalent to approximately HKD 207,511,890.19) shall be terminated by capitalization the outstanding loan as the additional share capital of Hing Wah Holdings (Hong Kong) Limited.

On 23 April 2013, CSG AG expanded its Management Board from three to four members. The Supervisory Board appointed Mr. Chao Zhou as new Member of the Management Board effective as of May 1, 2013. Mr. Zhou has extensive experience in the field of special glass industry. In his last position he worked as Vice General Manager and corporate representative at CSG's subsidiary Guangzhou Hing Wah Glass Industry Co. Ltd. for more than fifteen years.

On 1 May 2013, Mr. Zhou became Chief Operating Officer (COO). In the context of the succession plan of CSG Mr. Stanley Shi, previous COO, assumed the role as Co-Chief Executive Officer (Co-CEO) of the company together with his father, the current CEO, Nang Heung Sze.

There were no other significant events or transactions in the period between 31 December 2012 and 30 June 2013.

6. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocation resources and assessing performance of the operating segments, has been identified as the Management Board of CSG AG which makes strategic decisions.

The management board reassessed this situation and came to the conclusion that the Company is actually a one segment entity. Other than in the prior year, the company has changed the management reporting as well as the resource allocation. The business segments will no longer form the basis of the management reporting. This is a result of the following reasons:

1. Product lines:

The main economic activity of the Company is the production of security glass. All types of glass are produced on the identical machinery line. Due to this fact, the management decided that the management report is not segmented according to product lines.

2. Customers:

There is no single customer that represents more than 10% of the Group’s revenue for the first six months ended 30 June 2013. As this portion is well below of 10% of the total sales, segmentation along the customer base is not appropriate.

3. Geographic:

CSG AG is selling all goods in the PRC also due to the size of the company there are some differences in market and climate conditions, we feel that these differences are not significant enough to constitute segmentation of the business.

7. Analysis of selected items of the interim consolidated financial statements

Sales increased approximately 36.0% as compared to the sales made by the Group's operating subsidiaries in the same period of 2012 mainly due to increases in average sales selling prices and sales quantity.

Cost of sales increased in line with sales revenue during the reporting period.

Other revenue increased primarily due to the recognized exchange gain arising from the convertion of the loan into capital during the reporting period.

Selling and distribution expenses increased significantly due to the increases in transportation, the advertisement and staff salaries expenses when compared to the sales of the Group's operating subsidiary in the first six months of 2012.

Administrative expenses decreased during the reporting period mainly due to the recognized exchange loss arising from the release of fixed deposits in H1 2012.

Finance costs increased significantly in line with the increase of bank loans.

R&D expenses in the first six months of 2013 increased by 3.0% to EUR 1.2 million.

The composition and amounts of non-current assets at 30 June 2013 increased due to acquisition of plants and equipment and costs of land use right but partially offset by decrease in prepayments for acquisition of property, plant and equipment when compared to amounts of non-current assets at 31 December 2012.

Inventory fluctuated with the trading cycle.

Trade and other receivables increased in line with increased revenue.

Trade and other payables increased in line with increase in purchases and extension of credit period of one of the suppliers.

The tax receivable results from the fact that the Group paid tax at 25% in the first quarter of 2010, however was subsequently granted status as a high tech enterprise, which afforded it the benefit of a lower preferential rate of 15% for 2010. The Group expects to be able to claim back the overpaid tax.

The composition and amounts of current liabilities at 30 June 2013 increased significantly due to increases of a new bank loan and trade payable and other payables. The Group has entered into a new bank loan with a PRC bank, Ping An Bank, with a term of interest on 110% of the People's Bank of China (PBoC) basic loan rate, in total currently approximately 6.6 percent p.a..

The convertible loan's external valuation report as of 30 June 2013 from Ascent Partners, Hong Kong, has been obtained. Per this report, the fair value of convertible component of the convertible loan is USD 1.2 million. Details please refer to the section of convertible loan.

Foreign currency translation reserves increased compared with reserves at 31 December 2012, due to foreign currency exchange rate fluctuation of the Group in the first six months of 2013.

8. Earnings per share

The basic earnings per share have been calculated using the profit attributable to the owners of China Specialty Glass AG (the legal parent) as the numerator. The weighted average number of outstanding shares used forbasic earnings per share for the six months period ended 30 June 2013 amounted to 17,700,000 shares.

9. Commitments and contingencies

Between the financial statements of the Group for the year ended 31 December 2012 and the accounting period of the interim financial statements as at 30 June 2013, no material changes in commitments and contingencies have occurred.

10. Financial liabilities

The Group's financial liabilities include convertible loan – loan component, convertible loan – convertible component, bank borrowings, and trade and other payables.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Convertible loan and convertible component

Convertible loan of the Group is recognised initially at fair value. The fair value of the loan component is determined using the prevailing market interest rate for similar non-convertible debt. Transaction costs relating to the convertible loan are included in the carrying amount of the liability component. The loan component is subsequently carried at amortised cost.

At initial recognition of convertible loan, the convertible component is measured at fair value and presented as current liabilities at inception date.

The restatement of the loan component leads to an initial carrying amount as of 30 June 2012 of kEUR 17,261. The restatement of the loan component created a loss of kEUR 11,369. The initial fair value of the convertible component as of 30 June 2012 amounts to kEUR 1,042, the restatement created a loss of kEUR 998. The restatement of the directly attributable transaction costs created a gain of kEUR 2,448. The net effect of the restatement of the convertible loan is negative kEUR 9,918.

The convertible component is subsequently re-measured at fair value. Gains or losses arising from changes in fair value are taken directly to profit or loss for the period. The profit and loss effect as of 30 June 2013 is kEUR 13. As of IFRS 7.27A is the convertible component classified as level 3. The fair value of the instrument as of cutoff date is kEUR 906. A valuation report of Ascent Partners, Hong Kong, is available to the Group. The valuation model as described by K. Tsiveriotis and C. Fernandes, which results in a set of two coupled parabolic partial differential equations solved numerically by means of finite-difference method, has been applied to value the financial instrument.

The market approach using valuation multiples derived from the market prices and financial data of listed companies in a similar business and with a similar business model is employed to estimate the underlying company value. The following valuation parameters have been adopted in the model:

a) EV/EBITDA median 10.36 (30 June 2012: 11,23)
b) Conversion entitlement based on the agreement 7.6% (30 June 2012: 7.6%)
c) Percentage of public float immediately after relisting 25% (30 June 2012: 25%)
d) Probability of relisting 2.5% (30 June 2012: 2.5%)
e) Non-marketability discount 30% (30 June 2012: 30%)
f) Stock price volatility 41.480 (30 June 2012: 50.709)
g) Discount rate of debt component: China Interbank Corporate Bond (A) Yield
h) Discount rate of equity component: China Interbank Corporate Bond (A) Yield+USD/RMB forward premium
i) Coupon rate as of June 30, 2013 for the 6-month period starting 31 May 2013 is 10.2914% (30 June 2012: 10.5061%)

No transfers into or out of level 3 has been proceeded within the second quarter 2013.

Other financial liabilities

Bank borrowings and trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

11. Related party disclosures– Significant related party transactions

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decision of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

There were no sales or purchases of goods or services or other transactions between the Group and related parties.

The Group leases several buildings under operating leases from Guangzhou City Liwan District Yaoxiang Property Management Center; the rentals are paid monthly and amounted to kEUR 67 in six months ended 30 June 2013. And the Group leases buildings and land use right under a long term operating lease contract from Mr. SHI Chunli, the rentals have already been paid in full for 20 years, and rentals amounted to kEUR 57 has been amortized in P&L in six months ended 30 June 2013. Please refer to notes for prepayment on operating lease for more detail.

Loan to related party of kEUR 5 in the statement of financial position relates to the rental safe deposit on the above rental agreements with Guangzhou City Liwan District Yaoxiang Property Management Center.

Related party payables relate mainly to Mr. SZE Nang Heung, the ultimate controlling shareholder and Management Board member of the Group.

Related Party (natural person)	Relation to China Specialty Glass-Group
Mr. Nang Heung SZE, PRC	CEO and indirect major shareholder of the Company through Luckyway Global Group Ltd., Road Town, Tortola, British Virgin Islands
Mr. Chun Li SHI, PRC	Member of the Management Board and Son of Mr. Nang Heung SZE
Miss Jing HE, PRC	Member of the Management Board (term started 1 March 2013)
Mr. Chao ZHOU, PRC	Member of the Management Board (term started 1 May 2013)
Mr. Chi-Hsiang Michael LEE, Taiwan	Member of the Management Board of CSG AG (term ended 1 March 2013)
Mr. Xin Young Shi	Member of the Supervisory Board of CSG AG
Mr.Hao Chun Chang	Chairman of the Supervisory Board of CSG AG (term started 23 April 2012)
Mr. Andreas Mathias Grosjean	Member of the Supervisory Board of CSG AG (term started 23 April 2012)
Guangzhou City Liwan District Yaoxiang Property Management Center (formerly known as Guangzhou City Liwan District Glass Factory), Guangzhou City, Guangdong Province, PRC	100% of the shares are held by Mr. Chun Li SHI, Son of Mr. SZE. Prior majority shareholder was Mr. SZE.
HK Chung Hwa Enterprises Development Company, Guangzhou City, Guangdong Province, PRC	100% of the shares are held by Mr. SZE.
Luckyway Global Group Ltd., Road Town, Tortola, British Virgin Islands	Its shareholding in CSG AG amounted to 55.1% (8,284,609 voting rights) prior to IPO and were held directly and it received back the shares it had lent to the IPO Bank for delivery of the shares to IPO investors after creation of the new shares subscribed in the IPO. The IPO capital increase was registered on 19 July 2011. The shareholding increased from 55.1% at 1 July 2011 to now 63.2%.

	6 months ended 30 June 2013 kEUR	6 months ended 30 June 2012 kEUR
Guangzhou City Liwan District Yaoxiang Property Management Center		
Rental charged on factory and office building	**67**	64
Rental deposit due to rental agreement renewal	**5**	5
SHI Chunli		
Rental charged on office building and land	**57**	57
Key management personnel compensation		
Salaries and related cost (expense)	**100**	70
Retirement scheme contribution	**2**	2

Key management/directors of the Group and its subsidiaries

- Mr. SZE Nang Heung
- Mr. SHI Chunli
- Ms. HE Jing
- Mr. ZHOU Chao
- Mr. CHEN Zong
- Mr. QIU Yiguan
- Mr. LI Qiaorong
- Mr. WONG Chi Man
- Mr. HUANG Hai Jun

Included in “salaries and related cost” are amounts of directors’ remuneration totaling kEUR 62 for the six months ended 30 June 2013.

Sale and purchase of goods

There were no sales or purchases of goods or services or other transactions between the Group and related parties.

Leasing

The Group leases several buildings and land use rights under operating leases from Guangzhou City Liwan District Yaoxiang Property Management Center and from Mr. SHI Chunli.

12. Events after the reporting date

There were no other significant non-adjusting events or any significant adjusting events to report between the reporting date and the date of preparation of these financial statements.

Munich, 6th September 2013
China Specialty Glass AG

The Board of Management

Nang Heung Sze (CEO) | Chun Li Shi (Co-CEO) | Jing He (CFO)

Chao Zhou (COO)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, and the Group's interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the fiscal year.

Munich, 6th September 2013
China Specialty Glass AG

The Board of Management

Nang Heung Sze (CEO) Chun Li Shi (Co-CEO) Jing He (CFO)

Chao Zhou (COO)

REVIEW REPORT

To China Specialty Glass AG

We have reviewed the interim consolidated financial statements of China Specialty Glass AG, comprising the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and selected explanatory notes, together with the interim group management report of China Specialty Glass AG for the period from 1 January 2013 to 30 June 2013, that are part of the half year financial report pursuant to Article 37x paragraph 3 WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, 6th September 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Dirk Bauer	Robert Binder
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

IMPRINT

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FINANCIAL CALENDAR

Annual General Meeting
10 September 2013

Publication of Q3/9M 2013 report
29 November 2013

CHINA SPECIALTY GLASS AG