China Specialty Glass AG

INTERIM REPORT Q3/9M 2013

CHINA SPECIALTY GLASS AG

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LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

CSG Group performed well in the first nine months of 2013. Our revenues grew by 35.8% to EUR 108.8 million compared to the same period of the previous year. The gross profit increased from EUR 37.4 million to EUR 52.8 million in the period under review, with gross profit margin slightly increased from 46.8% in nine months ended 30 September 2012 to 48.5% in nine months ended 30 September 2013, due to cost of sales increased disproportionally lower than increase of sales revenue as a result of declining prices for raw materials.

EBIT increased significantly to kEUR 44,265 in first nine months of 2013 by 194.9% from kEUR 15,011 in first nine months of 2012. Such increase was mainly due to the loss arising from the recognition of the convertible loan in first nine months of 2012. Without considering the effect arising from the recognition of the convertible loan, the EBIT would be kEUR 27,529 in first nine 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 and it is expected to be completed by 2015. Sichuan plant is expected to go into full operation in 2016.

According to a non-binding notification of the Guangzhou government, CSG may need to relocate its production site in Guangzhou by 2016. Although no official decision has been made, CSGs management forehanded browses the market for a suitable piece of land in the suburban area of Guangzhou in 2014.

CSG Group is on a good way to meet the expectations as of the budget plan for 2013 which scheduled an increase of around 40 per cent in net profit and revenue.

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,

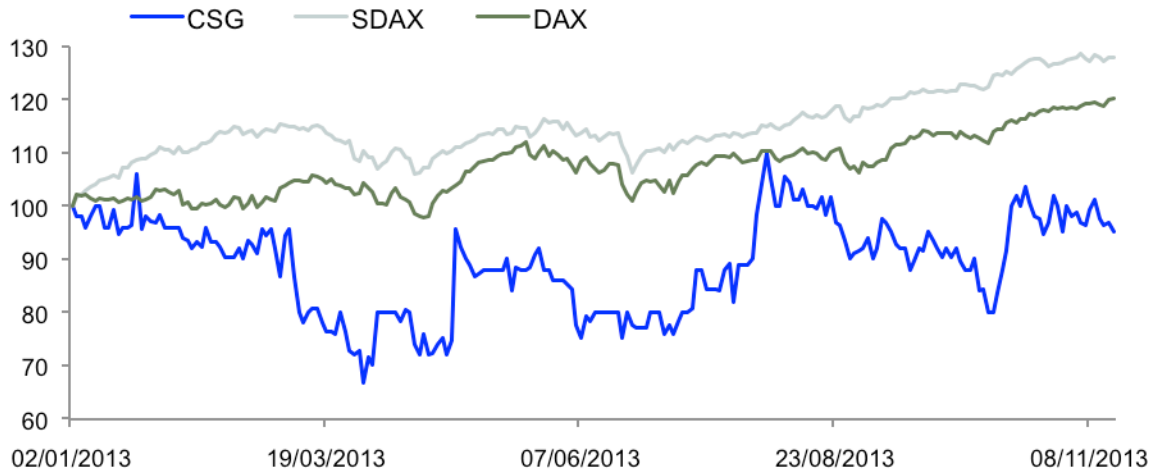
Mr. Nang Heung SZE, 29 November 2013

Chairman and CEO
China Specialty Glass AG

THE CSG SHARE

Share Price Performance

XETRA closing prices as of Nov 15, 2013
CSG share: EUR 2.38



The overall market sentiment during the first nine months 2013 was very positive. The DAX, Germany´s most important stock index, reached a new all time high with 9,168.69 points on November 15, 2013 – 20.4% above year-end price 2012. Since the beginning of July it has been following a continuous upward trend. Same did SDAX with a last quotation of 6,721.11 points as of November 15.

The CSG share could not keep up with the strong performance of its German benchmark indices. At the beginning of the year it traded sideways, but during March it depreciated greatly. After a loss of 27.2% during the first quarter, the share reached its year-low at EUR 1.67 on April 2. Since then it developed volatile, but with a positive trend. During the second quarter, the share price went up by 9.9% outperforming benchmark indices like the DAX and the SDAX. It closed at EUR 2.00 as of June 28. Referring to the first half-year of 2013, this still represents a loss of 20%, but at the beginning of the third quarter the CSG share continued its clear upward trend. Until the beginning of August the share price rose by 37.5% and closed at EUR 2.75 on August 2 – the highest price level in 2013 as per today. This was followed by a downward trend ending at October 9 with a closing price of EUR 2.00. Then a rebound effect took the price back above EUR 2.50. As of November 15, CSG share quoted at EUR 2.38 representing a current market capitalisation of EUR 42.1 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 November 15, 2013)	EUR 42.1 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 growth to rebound to 7.9% in the third quarter

Mainland China has released its real GDP growth for the third quarter on 18th October. Although economic growth slowed to 7.5% in the second quarter from 7.7% in the first quarter, July and August macro data suggested that economic conditions have been improving after the government implemented "mini-stimulus" policies, including accelerating infrastructure projects and offering tax breaks for small companies to boost growth.

Fixed asset investment (FAI) growth accelerated to 20.1% in July and 21.4% in August from 19.9% in the second quarter on the back of more infrastructure investment. Steady income growth also continued to support private consumption, with retail sales increasing more than 13% during the same period. Even exports, the main drag on growth in the second quarter, rebounded with global conditions improving. Against such a background, Mainland China expects GDP growth in the third quarter to accelerate to 7.9% from 7.6% in the first half.

Economic recovery looks sustainable

Mainland China expects that the recovery could be sustained into the final quarter due to various reasons.

First, leading economic indicators are pointing to further growth ahead. The widely watched manufacturing Purchasing Managers Index (PMI), compiled by the National Bureau of Statistics (NBS) and the China Federation of Logistics and Purchasing, rose from 50.3 in July to 51.0 in August and 51.1 in September. The increase marks the third consecutive month of improvement and the highest reading since April 2012. Meanwhile, HSBC China manufacturing PMI also rebounded to a five-month high of 50.2 in September from 50.1 in August, suggesting that mainland China's growth rebound is gaining momentum.

Second, fiscal policy will become more expansionary in the final quarter. The budget deficit was targeted to reach RMB 1.2 trillion this year, or about 2% of GDP, higher than an actual fiscal deficit of RMB 850 billion, or 1.5% of GDP, in 2012. In the first eight months of this year, the fiscal account recorded a surplus of RMB 1.04 trillion, which means that fiscal policy will become more expansionary in the reminder of the year if the target is to be reached. In addition, the latest tax reform measure of replacing business tax with value-added tax has already been implemented nationwide in August. It is estimated that the change could result in RMB 120 billion in tax reductions in 2013, and small-and-medium-sized enterprises will in particular benefit.

Third, the Mainland is likely to keep an accommodative monetary policy stance to support growth. Total social financing, a comprehensive measure of all types of financing for the economy, including bank loans, entrusted loans, trust loans, corporate bond issuance, etc, surged to RMB1.57 trillion in August from RMB 809 billion in July. The growth of broad money supply (M2) also accelerated to 14.7% from 14.5% during the same period.

Last but not least, global conditions are gradually improving, which will bode well for export growth. The US economy is forecast to maintain moderate growth on the back of rising home prices and an improving labour market. In the Eurozone, not only has the debt crisis stabilised, but the worst of the recession in the Eurozone seems to be over as well. The region's economy expanded 0.3% in the second quarter compared with the previous three months, after six consecutive quarters of contraction. Latest data, including purchasing manager indexes and business confidence, also raised hope that the recovery might be taking root. The new export order sub-index of Mainland's official PMI in August also rose above 50, which suggests faster export growth ahead.

With the growth momentum likely to be sustained, Mainland China expects GDP growth forecast to 7.7% for 2013, from our previous estimate of 7.5%.

Inflation remained muted but home prices kept rising

Consumer price inflation decreased to 2.6% in August from 2.7% in July as food prices rose at a slower pace. Overall food prices rose 4.7% in August after increasing 5.0% in July as the deceleration in prices of grain and fresh vegetables offset the rise in meat and poultry prices. Non-food price edged down to 1.5%, compared to 1.6% in July, due to the deceleration of building decoration and utilities costs. Meanwhile, producer price inflation edged up to -1.6% in August from -2.3% in July, registering the 18th consecutive month of decline amid weak global commodity prices. For 2013 as a whole, Mainland China has revised lower our forecast for consumer price inflation to 2.6% from previous estimate of 2.8% due to mild non-food inflation and lower global commodity prices.

However, according to the NBS 70-city survey, property prices continued to rise in August. The number of cities that experienced higher prices on a year-on-year basis for new properties rose to 66 in August from 62 in July. On average, prices rose by 7.5% in August from the same month last year, the highest level since December 2010, up 6.7% in July. In particular, home prices jumped about 18% in Guangzhou and Shenzhen, and 15% in Beijing and Shanghai, while Wenzhou was the only city to post a decline in home prices.

Further reform on the way

Mainland China's leaders appear to have reached a consensus to implement further reforms to the country's social, economic and political institutions to maintain social harmony, sustain economic growth and ensure political stability. The Qianhai Shenzhen-Hong Kong modern service industry cooperation zone launched in mid-2012 and the Shanghai free-trade zone recently established are clear evidence of the leaders' commitment to further reforms.

The third Plenary Session of the 18th Chinese Communist Party has been held in November and approved a decision on "major issues concerning comprehensively deepening reforms" at the close of their four-day meeting.

China has set 60 detailed targets covering 15 areas, each with far-reaching significance in its soon-to-be-released reform roadmap to deepen overall reform. The decision specified reform targets in the areas of economic, political, cultural, societal, ecological, and party progress to launch expansive and thorough reform. Economic restructuring will lead the overall reform campaign, accounting for about half of the 15 major tasks, as the economy, after three decades of breakneck expansion, begins to slow down, burdened by industrial overcapacity, piles of debt and waning competitiveness. The decision proposes further defining the fiscal and tax mechanism to match and balance responsibilities of government agencies with their spending.

We will pay close attention to the development and change of policy after the third Plenary Session of the 18th Chinese Communist Party.

DEVELOPMENT OF CSG GROUP

During the past nine months ended 30 September 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.. Such loan was repaid fully during the third quarter of 2013.

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 nine months ended 30 September 2013, with the comparative information of nine months ended 30 September 2012.

Amounts in kEUR	Q3 2013	Q3 2012 (Restated)	+/- %	9M 2013	9M 2012 (Restated)	+/- %
Revenue	**43,025**	31,771	35.4	**108,814**	80,151	35.8
Cost of sales	**(21,757)**	(17,531)	24.1	**(56,053)**	(42,720)	31.2
Gross profit	**21,268**	14,240	49.3	**52,761**	37,431	41.0
Other revenue	**35**	112	-68.8	**1,871**	134	1,296.3
Selling and distribution expenses	**(2,042)**	(1,573)	29.8	**(5,552)**	(3,906)	42.1
Administrative expenses	**(981)**	(1,097)	-10.6	**(2,846)**	(4,274)	-33.4
Finance income	**109**	6	1,716.7	**290**	188	54.3
Finance costs	**(1,134)**	(1,001)	13.3	**(3,706)**	(2,034)	82.2
Loss on conversion bonds and conversion privileges on initial recognition	**-**	(152)	-100.0	**-**	(12,519)	-100.0
Change in fair value of derivative financial instrument	**37**	-	NA	**50**	1	4,900.0
Research and development costs	**(836)**	(708)	18.1	**(2,019)**	(1,856)	8.8
Profit before taxation	**16,456**	9,827	67.5	**40,849**	13,165	210.3
Income tax	**(2,873)**	(1,654)	73.8	**(6,976)**	(4,518)	54.4
Profit for the period	**13,583**	8,173	66.2	**33,873**	8,647	291.7
Other Comprehensive Income: Currency translation reserve movement	**(4,628)**	(2,169)	113.4	**(1,294)**	1,958	-166.1
Total Comprehensive Income	**8,955**	6,004	49.2	**32,579**	10,605	207.2
Profit attributable to: owners of the parent	**13,583**	8,173	66.2	**33,873**	8,647	291.7
Total Comprehensive income attributable to: owners of the parent	**8,955**	6,004	49.2	**32,579**	10,605	207.2
Earnings per share (undiluted = diluted)	**€0.77**	€0.46	66.2	**€1.91**	€0.49	291.7
Weighted average number of shares	**17,700,000**	17,700,000	-	**17,700,000**	17,700,000	-

Sales

During the nine months ended 30 September 2013, revenue of EUR 108.8 million was generated, representing an increase of EUR 28.6 million or 35.8% compared to the same period in 2012 (9 months ended 30 September 2012: EUR 80.2 million). Such increase in sales was mainly due to an increase in total sales quantity and average unit selling price in 3Q 2013. Revenue of bank security glass increased from EUR 33.0 million during the first nine months ended 30 September 2012 by EUR 16.7 million or 50.6% to EUR 49.7 million in the first nine months ended 30 September 2013. Revenue of automotive security glass increased from EUR 32.0 million during the first nine months of 2012 by EUR 4.5 million or 14.1% to EUR 36.5 million in the nine months of 2013. Revenue of construction glass increased from EUR 15.2 million during the first nine months of 2012 by EUR 7.5 million or 49.3% to EUR 22.7 million in the nine months of 2013.

Analysis of Business Segments	**Q3 2013**		**Q3 2012**		**+/- (in %)**	**9M 2013**		**9M 2012**		**+/- (in %)**
SECURITY GLASS										
Automotive security glass										
Quantity (m^2)	68,109		58,689		16.1	172,568		158,784		8.7
Sales (EUR' mil)	14.4	33.4%	12.0	37.7%	20.0	36.5	33.5%	32.0	39.9%	14.1
Cost of sales (EUR' mil)	(6.2)		(5.5)		12.7	(16.1)		(14.5)		11.0
Gross profit (EUR' mil)	8.2	38.5%	6.5	45.5%	26.2	20.4	38.6%	17.5	46.7%	16.6
Gross margin (in %)	56.9%		54.2%		5.1	55.9%		54.7%		2.2
Bank security glass										
Quantity (m^2)	174,870		126,494		38.2	447,917		315,285		42.1
Sales (EUR' mil)	19.8	45.9%	13.1	41.2%	51.1	49.7	45.6%	33.0	41.1%	50.6
Cost of sales (EUR' mil)	(10.7)		(7.8)		37.2	(27.3)		(19.0)		43.7
Gross profit (EUR' mil)	9.1	42.7%	5.3	37.1%	71.7	22.4	42.4%	14.0	37.3%	60.0
Gross margin (in %)	46.0%		40.5%		13.6	45.1%		42.4%		6.2
CONSTRUCTION GLASS										
Quantity (m^2)	266,425		212,612		25.3	699,222		451,495		54.9
Sales (EUR' mil)	8.9	20.6%	6.7	21.1%	32.8	22.7	20.8%	15.2	19.0%	49.3
Cost of sales (EUR' mil)	(4.9)		(4.2)		16.7	(12.7)		(9.2)		38.0
Gross profit (EUR' mil)	4.0	18.8%	2.5	17.5%	60.0	10.0	18.9%	6.0	16.0%	66.7
Gross margin (in %)	44.9%		37.3%		20.4	44.1%		39.5%		11.6
TOTAL										
Quantity (m^2)	509,404		397,795		28.1	1,319,707		925,564		42.6
Sales (EUR' mil)	43.1	100.0%	31.8	100.0%	35.5	108.9	100.0%	80.2	100.0%	35.8
Cost of sales (EUR' mil)	(21.8)		(17.5)		24.6	(56.1)		(42.7)		31.4
Gross profit (EUR' mil)	21.3	100.0%	14.3	100.0%	49.0	52.8	100.0%	37.5	100.0%	40.8
Gross margin (in %)	49.4%		45.0%		9.9	48.5%		46.8%		3.7

Automotive security glass

Sales quantity of automotive security glass increased in the nine months ended 30 September 2013 by 8.7% which results in sales of EUR 36.5 million compared to sales of EUR 32.0 million in the nine months ended 30 September 2012. As a result, gross profit increased by 16.6% from EUR 17.5 million in nine months ended 30 September 2012 to EUR 20.4 million in nine months ended 30 September 2013.

The sales quantity of automotive security glass was increased by 8.7% to 172,568 square meters in 3Q 2013. The gross profit margin of automotive security glass increased slightly from 54.7% in 3Q 2012 to 55.9% in 3Q 2013.

In nine months ended 30 September 2013, automotive security glass accounted for 33.5% of the total sales while it accounted for 39.9% in nine months ended 30 September 2012.

Bank security glass

Sales revenue and gross profit of bank security glass improved during the nine months ended 30 September 2013. Sales revenue of bank security glass increased by 50.6% to EUR 49.7 million in nine months ended 30 September 2013 from EUR 33.0 million in nine months ended 30 September 2012. Gross profit increased by 60.0% to EUR 22.4 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 42.1% to 447,917 square meters in 3Q 2013. The gross profit margin of bank security glass improved slightly from 42.4% in 3Q 2012 to 45.1% in 3Q 2013.

In nine months ended 30 September 2013, bank security glass accounted for 45.6% of the total sales while it was 41.1% in nine months ended 30 September 2012.

Construction glass

In nine months ended 30 September 2013, sales revenue of construction glass improved significantly from EUR 15.2 million in nine months ended 30 September 2012 to EUR 22.7 million in nine months ended 30 September 2013 while gross profit increased by 66.7% from EUR 6.0 million in nine months ended 30 September 2012 to EUR 10.0 million in nine months ended 30 September 2013.

The sales quantity of construction glass was increased significantly by 54.9% to 699,222 square meters in 3Q 2013. The gross profit margin of construction glass increased from 39.5% in 3Q 2012 to 44.1% in 3Q 2013.

In nine months ended 30 September 2013, construction glass accounted for 20.8% of the total sales while it accounted for 19.0% in nine months ended 30 September 2012.

Cost of sales

Cost of sales increased to approximately EUR 56.1 million in the first nine months of 2013 by approximately EUR 13.4 million or 31.4% from 42.7 million in the first nine months of 2012. Cost of sales increased slightly disproportionally lower than sales revenue.

Raw material prices dropped compared to the first nine months of 2012. Raw material prices decreased to approximately EUR 35.9 per square meter by approximately EUR 4.5 or 11.1% from EUR 40.4 per square meter compared to the first nine months of 2012. Raw material accounted for approximately 84.5% of cost of sales in nine months ended 30 September 2013 while it accounted for approximately 87.5% in nine months ended 30 September 2012.

Gross profit

Gross profit during the nine months ended 30 September 2013 increased by EUR 15.3 million or 40.8% from EUR 37.4 million in nine months ended 30 September 2012 to approximately EUR 52.8 million. This was mainly due to the increases in the sales of bank security glass, and construction glass. Gross profit of bank security glass increased from EUR 14.0 million in nine months ended 30 September 2012 by EUR 8.4 million or 60.0% to EUR 22.4 million. Gross profit of automotive security glass and construction glass was increased by 16.6% and 66.7% to EUR 20.4 million and EUR 10.0 million respectively for the first nine months of 2013.

The overall gross profit margin increased slightly from 46.8% in nine months ended 30 September 2012 to 48.5% in nine months ended 30 September 2013 due to cost of sales increased slightly disproportionally lower than the increase of sale revenue.

Other revenue

Other revenue increased from kEUR 134 in nine months ended 30 September 2012 by kEUR 1,737 or 13.0 times to kEUR 1,871 in nine months ended 30 September 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 3.9 million in nine months ended 30 September 2012 by EUR 1.7 million or 42.1% to EUR 5.6 million in nine months ended 30 September 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 5.1% in nine months ended 30 September 2013 after 4.9% in nine months ended 30 September 2012.

Administrative expenses

Administrative expenses decreased from EUR 4.3 million in nine months ended 30 September 2012 by EUR 1.5 million or 33.4% to EUR 2.8 million in nine months ended 30 September 2013 mainly due to the recognized exchange loss arising from the release of fixed deposits in 3Q 2012.

The ratio of administrative expenses to sales was 2.6% in nine months ended 30 September 2013 and 5.3% in nine months ended 30 September 2012.

Research and development expenses

Research and development expenses in the first nine months ended 30 September 2013 of the Group amounted to EUR 2.0 million representing 1.9% of overall revenue (nine months ended 30 September 2012: EUR 1.9 million).

Finance costs

Finance costs increased significantly by EUR 1.7 million or 82.2% from EUR 2.0 million in nine months ended 30 September 2012 to EUR 3.7 million in nine months ended 30 September 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 13.2 million in nine months ended 30 September 2012 by EUR 27.6 million or 210.3% to EUR 40.8 million in nine months ended 30 September 2013, mainly due to the loss arising from the recognition of the convertible loan in first nine months of 2012. EBIT increased to kEUR 44,265 in first nine months of 2013 by 194.9% from kEUR 15,011 in first nine months of 2012. EBIT margin increased from 18.7% in 3Q 2012 to 40.7% in the current reporting period. Without considering the effect arising from the recognition of the convertible loan, the EBIT would be kEUR 27,529 in first nine 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. As long as the application for high tech enterprise status for the operating company in Sichuan is in process, Sichuan site is using a 25% tax rate. The average tax rate was 17.0% in nine months ended 30 September 2013.

Net profit

Net profit in the nine months ended 30 September 2013 increased to EUR 33.9 million from EUR 8.6 million in nine months ended 30 September 2012.

Net profit margin

The net profit margin increased from 10.8% in nine months ended 30 September 2012 to 31.1% in nine months ended 30 September 2013 mainly due to the loss arising from the recognition of the convertible loan in first nine months of 2012.

Summary income situation

Management is fully satisfied with the revenue movement as well as the gross profit margin in the first nine 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 September 2013 and 31 December 2012:

Amounts in kEUR	30 September 2013	31 December 2012 (Audited)	% of change
Assets			
Non-current assets			
Property, plant and equipment	**40,114**	29,850	34.4
Prepayments for acquisition of property, plant and equipment	**7,099**	13,006	-45.4
Land use rights	**11,295**	11,472	-1.5
Intangible assets	**5**	8	-37.5
Prepayments on operating lease	**1,658**	1,736	-4.5
Deferred tax assets	**124**	160	-22.5
	60,295	56,232	7.2
Current assets			
Inventories	**3,120**	2,398	30.1
Trade and other receivables	**35,992**	23,819	51.1
Tax receivable	**465**	970	-52.1
Lease deposit to related party	**5**	5	0.0
Prepayments on operating lease	**112**	112	0.0
Cash and bank balances	**115,102**	84,412	36.4
	154,796	111,716	38.6
Total assets	**215,091**	167,948	28.1
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	**7,799**	9,093	-14.2
Retained earnings	**98,025**	64,152	52.8
	147,424	114,845	28.4
Non-current Liabilities			
Convertible loan – loan component	**18,189**	17,261	5.4
Security bank loans	**24,487**	24,024	1.9
	42,676	41,285	3.4
Current Liabilities			
Corporate income tax payable	**2,815**	1,471	91.4
Trade and other payables	**21,004**	9,108	130.6
Related party payables	**336**	333	0.9
Convertible loan-convertible component	**836**	906	-7.7
	24,991	11,818	111.5
Total equity and liabilities	**215,091**	167,948	28.1

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 10.2 million or 34.4% to EUR 40.1 million as of 30 September 2013.

The Group's PPE acquisition costs of kEUR 44,101 represented mainly the plants & office buildings of kEUR 26,863, machinery of kEUR 15,770, office equipment of kEUR 357, motor vehicles of kEUR 425 and construction in progress of kEUR 686 of both GHW and SHW as at 30 September 2013.

Additions of Group's PPE amounted to kEUR 12,179 of which kEUR 23 is additions of plants & office buildings of SHW, kEUR 15 is additions of machinery of both GHW and SHW, kEUR 7 is additions of office equipment of both GHW and SHW, kEUR 225 is additions of motor vehicles, and kEUR 11,909 is additions of construction in progress of SHW during the reporting period. kEUR 5,907 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 September 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 rights

It represented mainly the land use rights owned by 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 86 for the first nine 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 0.7 million or 30.1% to EUR 3.1 million as of 30 September 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 12.2 million or 51.1% to EUR 36.0 million as of 30 September 2013.

The amount of trade receivables increased from EUR 21.8 million as of 31 December 2012 to EUR 29.1 million as of 30 September 2013. As of 30 September 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 6.9 million as of 30 September 2013. The increase is mainly due to a payment of a draft guarantee to one of our suppliers as warranty.

Tax Receivable

It represents a 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.

Lease deposit to related party

The lease deposit 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 30.7 million from EUR 84.4 million as at 31 December 2012 to EUR 115.1 million as at 30 September 2013 mainly due to cash generated from the operation.

EQUITY

The ultimate holding company, China Specialty Glass AG, was listed on the prime standard segment 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 147,424 while the total capital of the Group is kEUR 215,091. Accordingly, the equity ratio is about 68.5% (previous 3Q: 66.4%).

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 three 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 39 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 minus interest already paid.

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 18.2 million) as of 30 September 2013. The detail calculation of carrying amount of loan component is as below:

	kEUR
Carrying amount of loan component at 31 December 2012	**17,261**
Interest expense	**602**
Interest paid	**(402)**
Amortize the initial transaction cost of the convertible loan	**1,127**
Translation reserve	**(399)**
Carrying amount of loan component at 30 September 2013	**18,189**

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 convertible component consists of a USD 1.1 million carrying amount (approximately EUR 0.8 million) as of 30 September 2013.

The development of the fair value of the convertible component of the convertible loan is as follows:

	1 January 2013 to 30 September 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	**(50)**	(62)
Translation reserve	**(20)**	-
Fair value of convertible component at end of period	**836**	906

CURRENT LIABILITIES

Trade and other payables

Trade and other payables increased from EUR 9.1 million as of 31 December 2012 by EUR 11.9 million to EUR 21.0 million as of 30 September 2013.

Trade payables increased from EUR 6.4 million as of 31 December 2012 by EUR 6.2 million to EUR 12.6 million as of 30 September 2013 in line with increase in purchases and inventories due to Sichuan is now in production and we need to hold higher level of stocks to meet expected demands for Sichuan plant. Another reason for the trade payables increased is due to an extension of the time allowed for payment to one year with one of our suppliers.

Other payables increased from EUR 2.7 million as of 30 September 2012 by EUR 5.7 million to EUR 8.4 million as of 30 September 2013. The increase is mainly due to a payment of a draft to one of our suppliers as warranty.

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. and such loan was repaid during the third quarter of 2013.

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 nine months ended 30 September 2013:

Amounts in kEUR	9M 2013	9M 2012
		(Restated)
Net cash generated from operating activities	**40,947**	19,770
Net cash used in investing activities	**(6,138)**	(9,078)
Net cash (used in)/ generated from financing activities	**(1,847)**	20,650
Net increase in cash and bank balances	**32,962**	31,342
Cash and bank balances at beginning of the period	**84,412**	56,572
Effects of currency translation	**(2,272)**	(5,939)
Cash and bank balances at end of the period	**115,102**	81,975

Compared to 30 September 2012 the net cash position as of 30 September 2013 has been improved. The Group generated the net cash inflows amounting to EUR 40.9 million from its operations. Cash outflows of EUR 6.1 million and EUR 1.8 million came from investment and financing activities respectively. 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 115.1 million as at 30 September 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 2,019 in the reporting period (9 months ended 30 September 2012: kEUR 1,856).

HUMAN RESOURCES

In the 9 months ended 30 September 2013, the Group had an average of 794 employees (9 months ended 30 September 2012: 556 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 nine months ended 30 September 2013 and 2012 are as follows:

Function	Average number of employees	
	9M 2013	**9M 2012**
Management and Administration	**98**	82
Sales and marketing	**70**	54
Production	**626**	420
	794	556

For the nine months ended 30 September 2013, total costs of payroll for the Group amounted to EUR 4.0 million compared to EUR 3.0 million in nine months ended 30 September 2012 which included a year-end bonus. This represents 3.7% and 3.7% to the total revenue in nine months ended 30 September 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.

The Group will continue its efforts in expanding its production capacity in the new production site in Sichuan and production expansion in Guangzhou, China. Phase I of Sichuan plant was completed in 2012, and Phase II of Sichuan plant is still under construction and it is expected to be completed by 2015. Sichuan plant is expected to go into full operation in 2016. According to a non-binding notification of the Guangzhou government, CSG may need to relocate its production site in Guangzhou by 2016. Although no official decision has been made, CSGs management forehanded browses the market for suitable piece of land in the suburban area of Guangzhou in 2014.

CSG AG won an important order tendered by the Chinese Ministry of Public Security and became exclusive supplier for security glass features for public police cars. The contract will be tendered annually.

Except for the above, there was no significant change in opportunity and risk as of 30 September 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 Guangzhou, China. Phase II of Sichuan plant is still under construction and it is expected to be completed by 2015. Sichuan plant is expected to go into full operation in 2016. According to a non-binding notification of the Guangzhou government, CSG may need to relocate its production site in Guangzhou by 2016. Although no official decision has been made, CSGs management forehanded browses the market for a suitable piece of land in the suburban area of Guangzhou in 2014.

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.

CSG Group is on a good way to meet the expectations as of the budget plan for 2013 which scheduled an increase of around 40 per cent in net profit and revenue.

Munich, 29 November 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

	9 months ended 30 September 2013	30 September 2012
	kEUR	kEUR (Restated)
Revenue	108,814	80,151
Cost of sales	(56,053)	(42,720)
Gross profit	52,761	37,431
Other revenue	1,871	134
Selling and distribution expenses	(5,552)	(3,906)
Administrative expenses	(2,846)	(4,274)
Finance income	290	188
Finance costs	(3,706)	(2,034)
Loss on conversion bonds and conversion privileges on initial recognition	-	(12,519)
Change in fair value of derivative financial instrument	50	1
Research and development costs	(2,019)	(1,856)
Profit before taxation	40,849	13,165
Taxation	(6,976)	(4,518)
Net profit attributable to owners of the parent	33,873	8,647
Other Comprehensive Income:		
Currency translation reserve movement	(1,294)	1,958
Total Comprehensive Income	32,579	10,605
Profit attributable to: owners of the parent	33,873	8,647
Total Comprehensive income attributable to: owners of the parent	32,579	10,605
Earnings per share (undiluted= diluted)	€ 1.91	€ 0.49
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 September 2013	31 December 2012	30 September 2012
	kEUR	**kEUR**	**kEUR**
Assets		**(Audited)**	**(Restated)**
Non-current assets			
Property, plant and equipment	**40,114**	29,850	34,817
Prepayments for acquisition of property, plant and equipment	**7,099**	13,006	7,300
Land use rights	**11,295**	11,472	12,047
Intangible assets	**5**	8	8
Prepayments on operating lease	**1,658**	1,736	1,808
Deferred tax asset	**124**	160	1,020
	60,295	56,232	57,000
Current assets			
Inventories	**3,120**	2,398	3,093
Trade and other receivables	**35,992**	23,819	21,500
Tax receivables	**465**	970	1,394
Lease deposit to related party	**5**	5	5
Prepayments on operating lease	**112**	112	115
Cash and bank balances	**115,102**	84,412	81,975
	154,796	111,716	108,082
Total assets	**215,091**	167,948	165,082
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	**7,799**	9,093	11,547
Retained earnings	**98,025**	64,152	59,921
	147,424	114,845	109,631
Non-current Liabilities			
Convertible loan – loan component	**18,189**	17,261	17,008
Secured bank loans	**24,487**	24,024	25,437
	42,676	41,285	42,445
Current Liabilities			
Corporate income tax payable	**2,815**	1,471	1,631
Trade and other payables	**21,004**	9,108	9,924
Convertible loan – convertible component	**836**	906	1,007
Related party payables	**336**	333	444
	24,991	11,818	13,006
Total equity and liabilities	**215,091**	167,948	165,082

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	Statu-tory reserves	Trans-lation 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	-	-	-	1,958	8,647	10,605
Balance at 30 September 2012	17,700	19,739	724	11,547	59,921	109,631
Total comprehensive income	-	-	3,437	(2,454)	4,231	5,214
Balance at 1 January 2013	17,700	19,739	4,161	9,093	64,152	114,845
Total comprehensive income	-	-	-	(1,294)	33,873	32,579
Balance at 30 September 2013	**17,700**	**19,739**	**4,161**	**7,799**	**98,025**	**147,424**

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).

*Foreign currency translation reserve is part of the OCI.

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

	9 months ended 30 September 2013	9 months ended 30 September 2012
	kEUR	kEUR
Cash flows from operating activities		(Restated)
Profit before taxation	40,847	13,165
Adjustments for:		
Finance income	(290)	(188)
Finance costs	3,705	2,599
Loss on disposal of property, plant and equipment	-	4
Depreciation of property, plant and equipment	1,874	894
Amortization of long term prepayments on operating lease	86	64
Amortization of land use rights	223	99
Loss on initial recognition of convertible loan and derivative financial instrument	-	12,366
Change in fair value of derivative financial instrument	(50)	-
Amortization of intangible assets	2	2
Operating profit before working capital changes	46,397	29,005
Change in inventories	(724)	(634)
Change in trade and other receivables	(12,265)	(6,753)
Change in trade and other payables	12,236	1,809
Cash generated from operations	45,644	23,427
Interest received	565	188
Change in VAT	516	-
Income tax paid	(5,778)	(3,845)
Net cash generated from operating activities	40,947	19,770
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,179)	(8,627)
Acquisition of land use rights	-	(451)
Change in prepayment for acquisition of machineries	6,041	-
Net cash used in investing activities	(6,138)	(9,078)
Cash flows from financing activities		
Bank loans obtained (including convertible loan)	6,106	39,393
Repayment of short term bank loans	(6,106)	(16,047)
Repayment of secured bank loan	(244)	-
Interest paid	(1,609)	(2,599)
Change in liabilities	6	(542)
Net cash generated from/ (used in) financing activities	(1,847)	20,650
Net increase in cash and bank balances	32,962	31,342
Cash and bank balances at beginning of the period	84,412	56,572
Effects of currency translation	(2,272)	(5,939)
Cash and bank balances at end of the period	115,102	81,975

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 and it is expected to be completed by 2015. Sichuan plant is expected to go into full operation in 2016.

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 nine months ended 30 September 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 nine months ended 30 September 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 September 2013 were approved and authorized for issue by the Management Board of CSG AG at 28 November 2013. They were approved by the Supervisory Board in its meeting at 28 November 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 September 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 September 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 September 2013 were approved and authorized for issue by the Management Board of CSG AG at 28 November 2013. They were approved by the Supervisory Board in its meeting at 28 November 2013.

3.2 Standards, Interpretations and Amendments to Standards and Interpretations applied for the nine months ended 30 September 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 nine months ended 30 September 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 Disclosure of prior period restatement

The Group 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 86 and to a decrease in PPE amortization by kEUR 58. This leads to a loss of kEUR 28.

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%. The reconition of the convertible loan created a loss of kEUR 11,508 as of 30 September 2012, the recognition of the conversion right created a loss of kEUR 1,011. The total income effect of kEUR 12,519 has been corrected under the position “Loss on initial recognition of conversion bonds and conversion privileges”. 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 2,259.

These items have not been shown in the 3Q 2012 Report. We refer to “Financial liabilities” under section 10. In sum these effects lead to a loss of kEUR 10,288 which was not considered in the 3Q 2012 interim Report. The total P&L effect of the above corrections is a negative kEUR 10,288. Subsequently the equity of the Group has decreased by kEUR 10,288.

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 September 2012	€ 1.00 = RMB 8.1346	€ 1.00 = RMB 8.1008
31 December 2012	€ 1.00 = RMB 8.3378	€ 1.00 = RMB 8.1160
30 September 2013	€ 1.00 = RMB 8.3080	€ 1.00 = RMB 8.1883
30 September 2012	€ 1.00 = HKD 9.9714	€ 1.00 = HKD 9.9488
31 December 2012	€ 1.00 = HKD 10.2525	€ 1.00 = HKD 9.9753
30 September 2013	€ 1.00 = HKD 10.4768	€ 1.00 = HKD 10.2175

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 September 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 nine months ended 30 September 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 35.8% 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 slightly disproportionally lower than increase in turnover which leads to a higher gross profit margin during the reporting period. This is mainly due to a decrease in raw material prices.

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 nine 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 3Q 2012.

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

R&D expenses in the first nine months of 2013 increased by 8.8% to EUR 2.0 million.

The composition and amounts of non-current assets at 30 September 2013 increased due to acquisition of plants and equipment 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. The significant increase in other receivables is mainly due to a payment of a draft guarantee for the extended credit period in respect of a supplier.

Trade payables increased due to increase in purchases and inventories and an extension of credit period to one year from one of the suppliers. The increase in inventories is due to Sichuan is now in production and that we need to hold higher level of stocks to meet expected demands for Sichuan plant. The significant increase of other payables is mainly due to a payment of a draft to one of our suppliers as warranty.

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 September 2013 increased significantly due to increases of 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.. Such loan was repaid fully during the third quarter of 2013.

Foreign currency translation reserves decreased compared with reserves at 31 December 2012, due to foreign currency exchange rate fluctuation of the Group in the first nine 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 nine months period ended 30 September 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 September 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 a carrying amount as of 30 September 2012 of kEUR 17,008. The restatement of the loan component created a loss of kEUR 12,519. The net effect of the restatement of the convertible loan is negative kEUR 12,518.

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 September 2013 is kEUR 50. 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 836. 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 11.34
b) Conversion entitlement based on the agreement 7.6%
c) Percentage of public float immediately after relisting 25%
d) Probability of relisting 2.5%
e) Non-marketability discount 30%
f) Stock price volatility 39.986
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 September 30, 2013 for the 6-month period starting 31 May 2013 is 10.2914%

No transfers into or out of level 3 has been proceeded within the third 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 99 in nine months ended 30 September 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 86 has been amortized in P&L in nine months ended 30 September 2013. Please refer to notes for prepayments on operating lease for more detail.

Lease deposit 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%.

	9 months ended 30 September 2013	**9 months ended 30 September 2012**
	kEUR	kEUR
Guangzhou City Liwan District Yaoxiang Property Management Center		
Rental charged on factory and office building	**99**	112
Rental deposit due to rental agreement renewal	**4**	4
SHI Chunli		
Rental charged on office building and land	**86**	99
Key management personnel compensation		
Salaries and related cost (expense)	**138**	124
Retirement scheme contribution	**3**	2

Key management/directors of the Group and its subsidiaries

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

Included in “salaries and related cost” are amounts of directors’ remuneration totaling kEUR 96 for the nine months ended 30 September 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, 29 November 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, 29 November 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 September 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, 29 November 2013

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

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

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Published by
China Specialty Glass AG
Maximiliansplatz 15
80333 Munich
Germany
T: +49 40 60 91 86 0
F: +49 40 60 91 86 60

Concept and design:

Kirchhoff Consult AG, Hamburg

Investor Relations Contact

He, Jing
CFO

T: +49 40 60 91 86 0
F: +49 40 60 91 86 60
E: ir@csg-ag.com

FINANCIAL CALANDAR

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CHINA SPECIALTY GLASS AG