CHINA GLASS HOLDINGS LIMITED
中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 3300)

Beijing Qinchang Glass Co., Ltd.

Shaanxi Blue Star Glass Co., Ltd.

2006
Interim Report

* For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Cheng *(Chief Executive Officer)*
Mr. Li Ping
Mr. Lu Guo

Non-Executive Directors

Mr. Zhao John Huan *(Chairman)*
Mr. Liu Jinduo
Mr. Raymond Koon-Kwong Auyeung
(Appointed on 3 October 2005 and
resigned on 29 May 2006)
Mr. Eddie Chai (Appointed on 3 July 2006)

Independent Non-Executive Directors

Mr. Song Jun
Mr. Wong Wai Ming (Resigned on 29 May 2006)
Mr. Sik Siu Kwan (Appointed on 29 May 2006)
Mr. Zhang Baiheng

SENIOR MANAGEMENT

Mr. Zhou Qiping
Mr. Jiang Hongfang
Mr. Zhang Zuozhen
Mr. Lau Ying Kit *(Qualified Accountant and Company Secretary)*

AUDIT COMMITTEE

Mr. Sik Siu Kwan *(Chairman)*
Mr. Song Jun
Mr. Zhao John Huan

REMUNERATION COMMITTEE

Mr. Zhao John Huan *(Chairman)*
Mr. Song Jun
Mr. Sik Siu Kwan

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 8, 26/F., West Tower
Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Reid Management Limited
Argyle House
41a Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46 Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose

As to the People's Republic of China (the "PRC") Law
Jingtian & Gongcheng

As to Bermuda and British Virgin Islands Laws
Appleby Spurling Hunter

As to Cayman Islands Law
Walkers SPV Limited

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Suqian Branch
Standard Chartered Bank, Shanghai Branch

AUDITORS

KPMG
Certified Public Accountants

STOCK CODE

Hong Kong Stock Exchange 3300

Consolidated Income Statement

for the six months ended 30 June 2006 - unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2006	2005
	Note	**RMB'000**	RMB'000
Turnover	3	**220,284**	193,367
Cost of sales		**(226,948)**	(152,980)
Gross (loss)/profit		**(6,664)**	40,387
Other revenue		**1,190**	119
Other net (loss)/income		**(339)**	48
Distribution costs		**(9,314)**	(7,776)
Administrative expenses		**(11,756)**	(10,445)
(Loss)/profit from operations	3	**(26,883)**	22,333
Finance costs	4	**(7,015)**	(6,088)
(Loss)/profit before taxation	4	**(33,898)**	16,245
Income tax	5	**4,479**	(218)
Net (loss)/profit for the period		**(29,419)**	16,027
Attributable to:			
Equity shareholders of the Company	17	**(28,833)**	16,027
Minority interests	17	**(586)**	—
Net (loss)/profit for the period		**(29,419)**	16,027
Basic (loss)/earnings per share (RMB)	7	**(0.08)**	0.06

The notes on pages 8 to 22 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2006 - unaudited

(Expressed in RMB)

	Note	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Non-current assets			
Property, plant and equipment	8	**506,037**	494,680
Lease prepayments		**56,427**	57,058
Goodwill	9	**14,113**	14,113
Deferred tax assets		**5,807**	1,282
		582,384	567,133
Current assets			
Inventories	10	**62,246**	57,186
Trade and other receivables	11	**41,526**	26,368
Cash and cash equivalents	12	**81,549**	113,585
		185,321	197,139
Current liabilities			
Trade and other payables	13	**208,811**	164,236
Bank loans	14	**100,000**	150,000
Income tax payable		**837**	928
		309,648	315,164
Net current liabilities		**(124,327)**	(118,025)
Total assets less current liabilities		**458,057**	449,108

The notes on pages 8 to 22 form part of this interim financial report.

	Note	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Non-current liabilities			
Bank loans	14	**46,000**	—
Amount due to a related company	15	**45,116**	47,443
Convertible notes	16	**2,276**	2,189
Deferred tax liabilities		**1,459**	1,413
		94,851	51,045
NET ASSETS		**363,206**	398,063
CAPITAL AND RESERVES	17		
Share capital		**38,336**	38,336
Reserves		**312,067**	346,338
Total equity attributable to equity shareholders of the Company		**350,403**	384,674
Minority interests		**12,803**	13,389
TOTAL EQUITY		**363,206**	398,063

The notes on pages 8 to 22 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2006 - unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2006	2005
	Note	**RMB'000**	RMB'000
Total equity at 1 January		**398,063**	148,583
Equity movements arising from the Reorganisation		**—**	(89,852)
Capitalisation issue		**—**	128,946
Issuance of shares		**—**	208,934
Share issue expenses		**—**	(25,210)
Contributions from minority interests		**—**	9,900
Dividends declared during the period	6(b)	**(4,824)**	—
Exchange differences on translation into presentation currency		**(614)**	—
Net (loss)/profit for the period		**(29,419)**	16,027
Total equity at 30 June		**363,206**	397,328

The notes on pages 8 to 22 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2006 - unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2006	2005
	Note	**RMB'000**	RMB'000
Cash generated from operations		**12,612**	17,924
Income tax paid		**(91)**	(1,645)
Net cash from operating activities		**12,521**	16,279
Net cash used in investing activities		**(33,143)**	(68,998)
Net cash (used in)/generated from financing activities		**(10,454)**	106,232
Net (decrease)/increase in cash and cash equivalents		**(31,076)**	53,513
Cash and cash equivalents at 1 January	12	**113,585**	106,453
Effect of foreign exchange rate changes		**(960)**	—
Cash and cash equivalents at 30 June	12	**81,549**	159,966

The notes on pages 8 to 22 form part of this interim financial report.

1 CORPORATE REORGANISATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") completed on 22 May 2005 to rationalise the group structure in preparation of the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries comprising the Group. The shares of the Company were listed on the Stock Exchange on 23 June 2005.

2 BASIS OF PREPARATION

The Group is regarded as a continuing entity resulting from the Reorganisation and has been accounted for on the basis of merger accounting. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group throughout the six months ended 30 June 2005, rather than from 22 May 2005. Accordingly, the consolidated financial statements of the Group for the six months ended 30 June 2005 include the financial statements of the Company and its subsidiaries with effect from 1 January 2005 or since their respective dates of incorporation, whichever is a shorter period, as if the group structure had been in existence throughout the six months ended 30 June 2005. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 22 September 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 BASIS OF PREPARATION (continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 23.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 April 2006.

3 SEGMENT REPORTING

An analysis of the geographical location of the operations of the Group was as follows:

	The People's Republic of China (the "PRC")		**Overseas**		**Consolidated**	
For the six months ended	**2006**	2005	**2006**	2005	**2006**	2005
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover	**136,839**	122,358	**83,445**	71,009	**220,284**	193,367
Segment results	**(17,844)**	21,318	**5,346**	19,069	**(12,498)**	40,387
Unallocated operating income and expenses					**(14,385)**	(18,054)
(Loss)/profit from operations					**(26,883)**	22,333

4 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**6,777**	6,194
Bank charges and other finance costs	**497**	975
Total borrowing costs	**7,274**	7,169
Less: amounts capitalised	**(259)**	(1,081)
	7,015	6,088
Staff costs: #		
– Salaries, wages and other benefits	**11,767**	11,562
– Contributions to defined contribution retirement plans	**1,848**	1,778
	13,615	13,340
Other items:		
Cost of inventories #	**226,948**	152,980
Operating lease charges in respect of #		
– land	**48**	22
– office buildings	**250**	113
Depreciation and amortisation #	**21,363**	16,495
Net loss on disposal of property, plant and equipment	**5**	—
Interest income	**1,148**	85
Net foreign exchange loss	**327**	105

Cost of inventories includes RMB26.0 million (six months ended 30 June 2005: RMB22.8 million) for the six months ended 30 June 2006, relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5 INCOME TAX

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Provision for income tax on the estimated profits for the period	**—**	—
Deferred taxation	**(4,479)**	218
	(4,479)	218

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the six months ended 30 June 2006.

The Company, Success Castle Limited (a wholly-owned subsidiary of the Company) and JV Investments Limited (a 65.05%-owned subsidiary of the Company), are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Taxation for subsidiaries of the Group established in the People's Republic of China (the "PRC subsidiaries") was subject to a statutory PRC Enterprise Income Tax rate at 33%. The PRC subsidiaries are registered as foreign investment enterprise, and according to the relevant income tax rules and regulations applicable to enterprises with foreign investment in the PRC, the PRC subsidiaries obtained approval from the state tax bureau that they are entitled to a 100% relief from PRC Enterprise Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

6 DIVIDENDS

(a) Dividends attributable to the interim period

The Board of Directors of the Company does not recommend the payment of an interim dividend for the period (six months ended 30 June 2005: Nil).

(b) Dividends attributable to the previous financial year approved and declared during the interim period

The final dividend in respect of the financial year ended 31 December 2005, approved and declared during the interim period, of HK$0.013 per share (equivalent to RMB0.0134 per share) (six months period ended 30 June 2005: Nil).

7 BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2006 is based on the loss attributable to equity shareholders of the Company of RMB28,833,000 and the weighted average number of 360,000,000 ordinary shares.

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the profit attributable to equity shareholders of the Company of RMB16,027,000 and the weighted average number of 274,000,000 ordinary shares, after taken into account the 270,000,000 ordinary shares of the Company in issue as at the date of the Company's prospectus dated 13 June 2005, as if the shares were outstanding throughout the six months ended 30 June 2005 and the issuance of 90,000,000 ordinary shares by placing and public offer on 23 June 2005.

There were no dilutive potential ordinary shares for the six months ended 30 June 2005 and 2006 and, therefore, diluted (loss)/earnings per share are not presented.

8 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2005	124,065	259,491	1,118	10,295	394,969
Additions	1,737	3,727	770	260,299	266,533
Transfer in/(out)	53,885	215,990	—	(269,875)	—
Disposals	—	(22)	(129)	—	(151)
At 31 December 2005	179,687	479,186	1,759	719	661,351
Accumulated depreciation:					
At 1 January 2005	(18,307)	(119,567)	(302)	—	(138,176)
Charge for the period	(4,063)	(24,465)	(99)	—	(28,627)
Written back on disposals	—	9	123	—	132
At 31 December 2005	(22,370)	(144,023)	(278)	—	(166,671)
Net book value:					
At 31 December 2005	157,317	335,163	1,481	719	494,680

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2006	179,687	479,186	1,759	719	661,351
Additions	873	1,110	—	30,987	32,970
Transfer in/(out)	—	510	—	(510)	—
Disposals	—	(45,848)	(129)	—	(45,977)
At 30 June 2006	180,560	434,958	1,630	31,196	648,344
Accumulated depreciation:					
At 1 January 2006	(22,370)	(144,023)	(278)	—	(166,671)
Charge for the period	(2,690)	(17,981)	(61)	—	(20,732)
Written back on disposals	—	44,973	123	—	45,096
At 30 June 2006	(25,060)	(117,031)	(216)	—	(142,307)
Net book value:					
At 30 June 2006	155,500	317,927	1,414	31,196	506,037

9 GOODWILL

	RMB'000
Cost:	
At 1 January 2005, 31 December 2005 and 30 June 2006	14,113
Accumulated impairment losses:	
At 1 January 2005, 31 December 2005 and 30 June 2006	—
Carrying amount:	
At 31 December 2005 and 30 June 2006	14,113

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the following Group's cash generating unit:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
The second glass production line of Jiangsu SHD New Materials Company Limited ("Jiangsu SHD"), a subsidiary of the Group	**14,113**	14,113

During the year ended 31 December 2005, Jiangsu SHD acquired the remaining 20% equity interest in Suqian Huaxing New Building Materials Company Limited ("Suqian Huaxing") from Jiangsu Glass Group Company Limited for a consideration of RMB49.8 million. The excess of the cost of purchase over the fair value of the identifiable assets and liabilities was RMB14.1 million, which was recorded as goodwill and allocated to Suqian Huaxing. Jiangsu SHD then cancelled the legal person status of Suqian Huaxing on 23 December 2004, and as a result, Suqian Huaxing becomes a branch of Jiangsu SHD, which also referred to as above the second glass production line of Jiangsu SHD.

10 INVENTORIES

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Raw materials	**20,455**	17,085
Work in progress and finished goods	**30,668**	26,035
Racks, spare parts and consumables	**12,030**	15,321
	63,153	58,441
Less: Provision	**(907)**	(1,255)
	62,246	57,186

An analysis of the amount of inventories recognised as an expense is as follows:

	Six months ended 30 June	
	2006 RMB'000	2005 RMB'000
Carrying amount of inventories sold	**227,296**	152,980
Reversal of write-down of inventories	**(348)**	—
	226,948	152,980

At 31 December 2005 and 30 June 2006, RMB12.7 million and RMB14.1 million of finished goods were carried at estimated net realisable value.

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Trade and bills receivables	**16,876**	11,668
Prepayments, deposits and other receivables	**24,650**	14,700
	41,526	26,368

Credit terms up to two months from the date of billing may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. An ageing analysis of trade and bills receivables is as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Current	**16,668**	10,657
1 to 3 months overdue	**—**	1,011
3 to 6 months overdue	**208**	—
	16,876	11,668

12 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents represented cash at bank and on hand as at each balance sheet date.

Included in cash and cash equivalents were RMB2.0 million and RMB4.0 million as at 31 December 2005 and 30 June 2006, respectively, pledged to secure bills issued by the Group.

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

13 TRADE AND OTHER PAYABLES

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Trade and bills payables	**91,991**	58,685
Amount due to a company under common significant influence (Note)	**4,585**	4,448
Advances received from customers	**11,269**	9,567
Accrued charges and other payables	**100,966**	91,536
	208,811	164,236

Note: The amounts as at 31 December 2005 and 30 June 2006 are unsecured, bearing interest at a rate of 6.12% per annum and are repayable by monthly equal instalments in the next twelve months.

All of the trade and other payables are expected to be settled within one year.

An ageing analysis of trade and bills payables is as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Due within 1 month or on demand	**71,991**	48,685
Due after 1 month but within 6 months	**20,000**	10,000
	91,991	58,685

14 BANK LOANS

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Bank loans	**146,000**	150,000
The bank loans are repayable as follows:		
- Within 1 year or on demand	**100,000**	150,000
- After 1 year but within 2 years	**46,000**	—
	146,000	150,000

14 BANK LOANS (continued)

At 30 June 2006, the banking facilities of the Group, amounting to RMB120.0 million (at 31 December 2005: RMB120.0 million), were utilised to the extent of RMB60.0 million (at 31 December 2005: RMB120.0 million).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet and income statement ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. At 30 June 2006, certain covenants relating to drawn down facilities of RMB60.0 million had been breached (at 31 December 2005: Nil). The Group has entered into a series of negotiations with the financial institution granted the above banking facilities into re-financing the above mentioned drawn down facilities. On 14 July 2006, this financial institution has granted the Group new banking facilities of RMB90.0 million repayable by instalments in a three year period from the first drawdown date. The utilised drawn down facilities of RMB60.0 million as at 30 June 2006 had been repaid and RMB90.0 million from the new banking facilities had been drawn down on 30 August 2006.

15 AMOUNT DUE TO A RELATED COMPANY

The amount as at 30 June 2006 is arising from the purchase of land use rights (see Note 19(a)). The amount is unsecured, bearing interest at a rate of 6.12% per annum and is repayable by monthly equal instalments till December 2014.

16 CONVERTIBLE NOTES

On 20 December 2005, JV Investments Limited issued convertible notes to Pilkington Italy Limited, an equity shareholder of the Company, for a principal amount of US$503,482 (equivalent to approximately RMB4.085 million) which is convertible into 5,052 shares of JV Investments Limited. All of the convertible notes shall be automatically converted into 5,052 shares of JV Investments Limited to be held by Pilkington Italy Limited if at any time up to 30 December 2012, Pilkington Italy Limited shall be interested in or have the ability to control 10% or more of the voting rights of the Company.

The principal amount of the convertible notes shall be repaid to Pilkington Italy Limited on 31 December 2012 or such later date as shall be agreed by Pilkington Italy Limited and JV Investments Limited in writing, subject to conversion.

Interest on the outstanding principal amount of the convertible notes shall be payable upon any declaration of dividends by JV Investments Limited in an amount equal to the aggregate amount of dividends or distribution declared on the shares of JV Investments Limited then in issue, multiplied by a fraction, the numerator of which is the number of the conversion shares and the denominator which is the total number of ordinary shares of JV Investments Limited then outstanding plus the conversion shares and the convertible notes are unsecured.

17 CAPITAL AND RESERVES

	Attributable to equity shareholders of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserves**	**Other reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	60,107	—	22,000	28,477	—	—	37,999	148,583	—	148,583
Equity movements arising from the Reorganisation	(60,001)	—	—	—	(68,570)	—	38,719	(89,852)	—	(89,852)
Capitalisation issue	28,646	100,300	—	—	—	—	—	128,946	—	128,946
Issuance of shares	9,584	199,350	—	—	—	—	—	208,934	—	208,934
Share issue expenses	—	(25,210)	—	—	—	—	—	(25,210)	—	(25,210)
Contributions from minority interests	—	—	—	—	—	—	—	—	9,900	9,900
Net profit for the period	—	—	—	—	—	—	16,027	16,027	—	16,027
At 30 June 2005	38,336	274,440	22,000	28,477	(68,570)	—	92,745	387,428	9,900	397,328
At 1 July 2005	38,336	274,440	22,000	28,477	(68,570)	—	92,745	387,428	9,900	397,328
Issuance of convertible notes	—	—	1,233	—	—	—	—	1,233	663	1,896
Contributions from minority interests	—	—	—	—	—	—	—	—	2,827	2,827
Exchange differences on translation into presentation currency	—	—	—	—	—	(4,063)	—	(4,063)	—	(4,063)
Net profit/(loss) for the period	—	—	—	—	—	—	76	76	(1)	75
Appropriations to reserves	—	—	—	2,131	—	—	(2,131)	—	—	—
At 31 December 2005	38,336	274,440	23,233	30,608	(68,570)	(4,063)	90,690	384,674	13,389	398,063
At 1 January 2006	38,336	274,440	23,233	30,608	(68,570)	(4,063)	90,690	384,674	13,389	398,063
Dividends declared during the period	—	—	—	—	—	—	(4,824)	(4,824)	—	(4,824)
Exchange differences on translation into presentation currency	—	—	—	—	—	(614)	—	(614)	—	(614)
Net loss for the period	—	—	—	—	—	—	(28,833)	(28,833)	(586)	(29,419)
At 30 June 2006	38,336	274,440	23,233	30,608	(68,570)	(4,677)	57,033	350,403	12,803	363,206

18 CAPITAL COMMITMENTS

(a) Capital commitments

At 31 December 2005 and 30 June 2006, the outstanding capital commitments of the Group not provided for in the interim financial report are summarised as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
- contracted for	**1,093**	507
- authorised but not contracted for	**—**	—
	1,093	507

(b) Operating lease commitments

At 31 December 2005 and 30 June 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Within 1 year	**343**	45
After 1 year but within 5 years	**380**	180
After 5 years	**1,086**	409
	1,809	634

The Group leases certain properties under operating leases. None of the leases includes contingent rentals.

19 MATERIAL RELATED PARTY TRANSACTIONS

(a) Purchase of land use rights

On 4 January 2005, the Group purchased the buildings and the land use rights for the related land it had previously leased from Jiangsu Glass Group Company Limited under operating leases. The consideration for the land use rights is RMB56.076 million and is repayable by 120 monthly equal instalments within ten years. During the repayment period, the outstanding amount is bearing interest at a rate of 6.12% per annum. For the six months ended 30 June 2006, interest expenses of RMB1.56 million incurred had been paid to Jiangsu Glass Group Company Limited (six months ended 30 June 2005: RMB1.69 million).

(b) Management services agreement

The Company and JV Investments Limited have entered into a management services agreement with Well Faith Management Limited ("Well Faith"), Mei Long Developments Limited and Pilkington Italy Limited (both the equity shareholders of JV Investments Limited) on 30 December 2005. Pursuant to the management services agreement, Well Faith is the exclusive provider of management services to JV Investments Limited. The Company agreed to pay the relevant management services fee at US$285,527 per annum for three years. For the six months ended 30 June 2006, management services fee of RMB1.17 million incurred had been paid to Well Faith (six months ended 30 June 2005: Nil).

(c) Labour services agreement

The Group has entered into a labour services agreement with Suqian Huawei Labour Service Company Limited ("Suqian Huawei"), a subsidiary of Jiangsu Glass Group Company Limited for providing temporary staff to the Group. For the six months ended 30 June 2006, labour service cost of RMB0.97 million incurred had been paid to Suqian Huawei (six months ended 30 June 2005: Nil).

(d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2006	2005
	RMB'000	RMB'000
Short-term employee benefits	**716**	572
Retirement scheme contributions	**28**	28
	744	600

(Expressed in RMB unless otherwise indicated)

20 POST BALANCE SHEET EVENTS

(a) Pursuant to the equity transfer agreements on 14 February 2006 and the equity transfer supplemental agreements on 28 June 2006 entered into between Better Rise Group Limited (a subsidiary of the Company) and Hony Capital Ltd. and Beijing Hony Investment Counsellor Co., Ltd., the Company acquired 56.2% equity interest in Beijing Qinchang Glass Co., Ltd. for a consideration of RMB66.76 million on 24 July 2006.

(b) Pursuant to a sale and purchase agreement on 14 February 2006 and a sale and purchase supplemental agreement on 28 June 2006 entered into between JV Investments Limited and Clear Aim Holdings Limited and Hony II, L.P., JV Investments Limited acquired 100% equity interest in Clear Aim Holdings Limited for a consideration of RMB50.0 million on 24 July 2006.

21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD ENDED 30 JUNE 2006

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2006 and which have not been adopted in this interim financial report:

	Effective for accounting periods beginning on or after
HKFRS 7, Financial instruments: disclosures	1 January 2007
HK(IFRIC) 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies	1 March 2006
HK(IFRIC) 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC) 9, Reassessment of embedded derivatives	1 June 2006
Amendments to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007
Revised guidance on implementing HKFRS 4, Insurance contracts	1 January 2007

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 3 to 22.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700, "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

KPMG
Certified Public Accountants

Hong Kong, 22 September 2006

MARKET REVIEW

During the first half of 2006, the glass industry remained in its cyclical trough and witnessed accelerated downward trend following its downturn from the beginning of the interim period in 2005. As the increase in production volume exceeded the increase in demand for glass, the selling price of glass continued to decline. In addition, cost of sales increased as a result of surging international crude oil prices.

According to the statistics released by National Bureau of Statistics of the People's Republic of China, the total output of glass in China for the first half of 2006 was 192 million weight cases, representing an increase of 11.6% as compared with the same period last year. Meanwhile, fixed asset investment and real estate are still subject to pressure for the first half of 2006 under the continued impact of macroeconomic control measures implemented by the government, resulting in a decrease of 2 percentage points in the sales/production ratio of the glass industry for the first half of 2006, as compared with the same period last year. Given these factors, selling prices of glass for the first half of 2006 remained at low levels.

Moreover, surging international oil prices have driven heavy oil prices to escalate to a high level and caused many glass enterprises to use coal tar instead, pushing prices of coal tar to maintain high levels. According to the information released by China Building Materials Information, the average procurement price of heavy oil was RMB2,483.69, representing an increase of 61.92%, as compared with the same period last year.

BUSINESS REVIEW

The Group is currently operating three flat glass production lines with a daily melting capacity of 1,500 tons.

The Group's third production line commenced operation in late 2005. Since then the production volume of the Group for the first half of 2006 was 3.9 million weight cases, representing an increase of 34% as compared with the same period last year. Correspondingly, sales volume was 3.82 million weight cases with a sales/production ratio of 98%, representing an increase of 2 percentage points as compared with the same period last year. For the six-month period ended 30 June 2006, domestic sales accounted for 62% of turnover, representing a marginal decrease of 1 percentage point as compared with the same period last year; while export sales for the first half of the year accounted for the remaining 38%, representing a marginal increase of 1 percentage point as compared with the same period last year.

In 2006, the glass industry continued to operate under a challenging environment as in 2005 with various conflicts and pressures such as an imbalance between market demand and supply, limitations in the resource environment and sustained high prices of raw materials. Because of the pressure on selling prices in the domestic market, domestic selling prices fell below costs. The pressure brought by domestic selling prices was not offset despite the Group's efforts in increasing export sales. Consequently, overall average selling prices also fell below costs, resulting in a gross loss. In addition, surging oil prices have created substantial pressure on costs. However, the gradual decline in prices of soda ash was far from offsetting the impact of the oil price hike. Accordingly, average production costs increased by 9% as compared with the same period last year. Despite the use of coal tar by the Group as fuel, prices of coal tar continued to increase under the impact of rising heavy oil prices.

Given the pressure of oversupply, the decrease in overall selling prices and the increase in costs driven by oil prices, the Group recorded loss for the first half of 2006.

OUTLOOK

In view of relatively stable export prices of glass over domestic prices as well as the oversupply in domestic sales, the Group will step up its efforts in increasing exports to maintain its competitiveness. The export sales volume has increased by 18% as compared with the same period last year.

According to the information released by China Building Materials Information, prices of glass in the southern China market first saw a rally at the beginning of March this year and increased on average by over 20% from its trough by the end of April. Other regional markets in the country commenced their price adjustment in different ranges at the beginning of April. It is anticipated that the upward trend will remain in the second half of the year with steady increments. In view of the smaller growth in production capacity as compared with that of last year, the Group is cautiously optimistic about the average sales price of glass in the second half year.

As for the strategy for mergers and acquisitions, the Group has successfully completed its first merger and acquisition activity. The resolution to acquire Shaanxi Blue Star Glass Co., Ltd.（陝西藍星玻璃有限公司） (a subsidiary of Clear Aim Holdings Ltd.) and Beijing Qinchang Glass Co., Ltd.（北京秦昌玻璃有限公司）(each of which owning a production line) was approved by shareholders on 24 July this year. The production lines of the aforesaid companies are expected to help increase our production capacity by 750 tone per day and increase our daily melting capacity to 2,250 tons. At this cyclical trough of the industry, the Group will also strengthen the implementation of this strategy to acquire well-established enterprises so as to achieve synergy for the Group.

FINANCIAL REVIEW

For the first half of 2006, the Group recorded a gross loss of 3%, representing a decrease of 24% as compared with the same period last year. It was mainly attributable to falling domestic selling prices due to oversupply and the increase in costs under the impact of crude oil prices. The Group recorded a loss after tax of RMB29.42 million, representing a decrease of 284% as compared with the same period last year. It was mainly attributable to oversupply of glass and surging oil prices.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group's cash and cash equivalents were approximately RMB82 million (2005: RMB114 million) and outstanding bank loans were approximately RMB146 million (2005: RMB150 million). Gearing ratio (total interest-bearing liabilities divided by total assets) as at 30 June 2006 was 26% (2005: 27%). As at 30 June 2006, the Group's current ratio (current assets divided by current liabilities) was 0.60 (2005: 0.63) and assets-liabilities ratio (total liabilities divided by total assets) was 0.53 (2005: 0.48).

The Group's current cash reserves and cash flows from ordinary operations are sufficient to meet its present day-to-day operating requirements. However, the Group will consider external fund raisings, if necessary, for business development. The Group will monitor the conditions of capital and debt markets and the status of its latest development carefully in order to ensure that its financial resources are utilised efficiently.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's sales transactions and monetary assets were primarily denominated in Hong Kong dollars, RMB and United States dollars ("USD"). Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB but overseas sales income was primarily denominated in USD. Although the People's Bank of China in the PRC adopted the new floating exchange rate system from 21 July 2005 with a 2% appreciation in RMB, the Group was of the view that it was a normal adjustment to the historical value of RMB and the future appreciation of RMB will closely associate with the development of the PRC economy. With the sustainable development of domestic economy, the Group expects that RMB will continue to appreciate. Our net assets, profits and dividend may be affected by the fluctuation of the RMB exchange rate.

During the six-month period ended 30 June 2006, the Group did not adopt any derivatives for hedging purposes.

The Board of Directors submit herewith their interim report together with the unaudited financial statements of the Group for the six months ended 30 June 2006.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2006 (Dividend for the six months ended 30 June 2005: Nil).

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

As at 30 June 2006, the interests and/or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), or otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities [1]	Percentage of interest in such corporation in class
Zhou Cheng	The Company	Interest of a controlled corporation [2]	31,617,000 Shares (L)	8.78%
Liu Jinduo	The Company	Interest of a controlled corporation [3]	225,207,000 Shares (L)	62.56%
			72,000,000 Shares (S) [4]	20.00%
Liu Jinduo	First Fortune Enterprises Limited ("First Fortune")	Interest of a controlled corporation [5]	1 ordinary share (L)	100%
Liu Jinduo	Hony International Limited ("Hony International")	Interest of a controlled corporation [6]	6 ordinary shares (L)	60%
Liu Jinduo	Easylead Management Limited ("EML")	Beneficial owner	1 ordinary share (L)	33 $^1/_3$%
Liu Jinduo	Beijing Wanhang Best Joint Investment Adviser Ltd.	Interest of a controlled corporation [7]	800,000 ordinary shares (L)	100%
Liu Jinduo	Best Joint Investments Limited	Interest of a controlled corporation [8]	100 ordinary shares (L)	100%

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities [1]	Percentage of interest in such corporation in class
Liu Jinduo	Brightway Enterprises Ltd.	Interest of a controlled corporation [9]	60 class L shares (L)	100%
Liu Jinduo	Grand Smart Management Limited	Interest of a controlled corporation [10]	1 ordinary share (L)	100%
Liu Jinduo	Kenmore Enterprises Holdings Ltd.	Interest of a controlled corporation [11]	1 ordinary share (L)	100%
Liu Jinduo	Kinluck Enterprises Ltd.	Interest of a controlled corporation [12]	1 ordinary share (L)	100%
Liu Jinduo	Milford Enterprises Holdings Ltd.	Interest of a controlled corporation [13]	1 ordinary share (L)	100%
Liu Jinduo	New Power Investments Inc.	Interest of a controlled corporation [14]	1 ordinary share (L)	100%
Liu Jinduo	Norisa Investments Inc.	Interest of a controlled corporation [15]	1 ordinary share (L)	100%
Liu Jinduo	Marketway Development Limited	Interest of a controlled corporation [16]	1 ordinary share (L)	100%
Liu Jinduo	Castle Power Holdings Limited	Interest of a controlled corporation [17]	1 ordinary share (L)	100%
Liu Jinduo	Time Region Investments Limited	Interest of a controlled corporation [18]	1 ordinary share (L)	100%
Liu Jinduo	Huge Option Investments Limited	Interest of a controlled corporation [19]	1 ordinary share (L)	100%
Liu Jinduo	Newtone Limited	Interest of a controlled corporation [20]	2 ordinary shares (L)	100%
Liu Jinduo	Sino Express Limited	Interest of a controlled corporation [21]	2 ordinary shares (L)	100%
Liu Jinduo	Koway Investments Limited	Interest of a controlled corporation [22]	2 ordinary shares (L)	100%

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities [1]	Percentage of interest in such corporation in class
Liu Jinduo	Pacific Crown Limited	Interest of a controlled corporation [23]	2 ordinary shares (L)	100%
Liu Jinduo	Rich Sunshine Limited	Interest of a controlled corporation [24]	2 ordinary shares (L)	100%
Liu Jinduo	Goldsco Investments Limited	Interest of a controlled corporation [25]	2 ordinary shares (L)	100%
Liu Jinduo	Jiangsu Glass Group Company Limited	Interest of a controlled corporation [26]	101,686,927 ordinary shares (L)	92%
Liu Jinduo	Suqian Subo Development Co., Ltd.	Interest of a controlled corporation [27]	42,011,400 ordinary shares (L)	60%

Notes:

(1) The letters "L" and "S" denote the Director's long position and short position in such securities, respectively.

(2) These Shares are beneficially-owned by Swift Glory Investments Limited ("Swift Glory"), which is owned as to 90% by Zhou Cheng. He is taken to be interested in these Shares by virtue of Part XV of the SFO.

(3) These Shares are beneficially-owned by First Fortune, the indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these Shares by virtue of Part XV of the SFO.

(4) 72,000,000 Shares are the subject of the first option granted by First Fortune in favour of Pilkington Italy Limited pursuant to an option agreement dated 3 June 2005.

(5) These shares are beneficially-owned by Hony International, a subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(6) These shares are beneficially-owned by EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(7) These shares are beneficially-owned by Hony International, a subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(8) These shares are beneficially-owned by Hony International, a subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(9) These shares are beneficially-owned by Best Joint Investments Limited, an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(10) These shares are beneficially-owned by Best Joint Investments Limited, an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(11) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(12) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(13) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(14) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(15) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(16) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(17) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(18) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(19) These shares are beneficially-owned by Brightway Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(20) These shares are beneficially-owned by Kenmore Enterprises Holdings Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(21) These shares are beneficially-owned by Kinluck Enterprises Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(22) These shares are beneficially-owned by Milford Enterprises Holdings Ltd., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(23) These shares are beneficially-owned by New Power Investments Inc., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(24) These shares are beneficially-owned by Norisa Investments Inc., an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(25) These shares are beneficially-owned by Marketway Development Limited, an indirect subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

(26) These shares are beneficially-owned by Suqian Subo Development Co., Ltd., a Subsidiary of EML. EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virture of Part XV of the SFO.

(27) These shares are beneficially-owned by EML, which is beneficially owned as to one-third by each of Cao Zhijing, Zhang Zuxiang and Liu Jinduo. Liu Jinduo is taken to be interested in these shares by virtue of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2006, the interest and/or a short position of the persons, other than Directors and chief executive of the Company, in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

The Company

Name	Capacity	Class and number of Shares [1]	Approximate percentage of shareholding
First Fortune	Beneficial owner	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Hony International	Interest of a controlled corporation [4]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
EML	Interest of a controlled corporation [5]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Right Lane Limited	Interest of a controlled corporation [5]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Cao Zhijiang	Interest of a controlled corporation [6]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Zhang Zuxiang	Interest of a controlled corporation [6]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Liu Jinduo	Interest of a controlled corporation [6]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Legend Holdings Limited [7]	Interest of a controlled corporation [8]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Employees' Shareholding Society of Legend Holdings Limited	Interest of a controlled corporation [9]	225,207,000 Shares (L) 72,000,000 Shares (S) [2] [3]	62.56% 20.00%
Swift Glory	Beneficial owner	31,617,000 Shares (L)	8.78%
Zhou Cheng	Interest of a controlled corporation [10]	31,617,000 Shares (L)	8.78%

Name	Capacity	Class and number of Shares [1]	Approximate percentage of shareholding
Pilkington plc [11]	Interest of a controlled corporation	72,000,000 Shares (L)	20%
Pilkington Brothers Limited [12]	Interest of a controlled corporation	72,000,000 Shares (L)	20%
Pilkington Italy Limited [13]	Beneficial owner	72,000,000 Shares (L)	20%

Notes:

(1) The letters "L" and "S" denote the person's long position and short position in such securities, respectively.

(2) 13,500,000 Shares of which are the subject of the stock borrowing agreement between First Fortune and Guotai Junan Securities (Hong Kong) Limited.

(3) 72,000,000 Shares of which are the subject of the first option granted by First Fortune in favour of Pilkington Italy Limited pursuant to an option agreement dated 3 June 2005.

(4) First Fortune is a wholly-owned subsidiary of Hony International. Hony International is taken to be interested in these Shares by virtue of Part XV of the SFO.

(5) Hony International is owned as to 60% by EML and 40% by Right Lane Limited. EML and Right Lane Limited are taken to be interested in these Shares by virtue of Part XV of the SFO.

(6) EML is owned as to one-third by each of Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Each of them is taken to be interested in these Shares by virtue of Part XV of the SFO.

(7) The English company name ``Legend Holdings Limited'' is a direct transliteration of its Chinese company name "聯想控股有限公司"

(8) These Shares are beneficially held by Right Lane Limited, a direct wholly-owned subsidiary of Legend Holdings Limited.

(9) Employees' Shareholding Society of Legend Holdings Limited is an equity holder of Legend Holdings Limited which in turn wholly owns Right Lane Limited. It is therefore taken to be interested in these Shares by virtue of Part XV of the SFO.

(10) Swift Glory is owned as to 90% by Zhou Cheng. Zhou Cheng will be taken to be interested in these Shares by virtue of Part XV of the SFO.

(11) Pilkington plc, a company incorporated in England.

(12) Pilkington Brothers Limited is a direct subsidiary of Pilkington plc.

(13) Pilkington Italy Limited is a company incorporated in England and a wholly-owned direct subsidiary of Pilkington Brothers Limited. It has an option to acquire 20% of the enlarged capital of the Company pursuant to an option agreement dated 3 June 2005.

CHARGE ON ASSETS

The Group had not charged any of its assets as at 30 June 2006.

CAPITAL COMMITMENTS

As at 30 June 2006, details of the Group's capital commitments were set out in Note 18 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There was no significant contingent liabilities of the Group as at 30 June 2006.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment forwards enhancing the value of the Company and its shares. As at 30 June 2006, no option has been granted by the Company under the scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the reporting period.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on information that is publicly available to the Company and to the best knowledge of the Directors.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2006, the Group had employed about 1,570 employees in the PRC and Hong Kong (31 December 2005: about 1,380 employees). According to the relevant market situation, employee's remuneration level had maintained in a competitive level, and also corresponds with their performance.

MATERIAL ACQUISITION OR DISPOSAL

The Group's first production line commenced its overhaul in February 2006 and schedule to commence production in September 2006.

Other than disclosed above, the Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and affiliated companies during the six-month period ended 30 June 2006.

POST BALANCE SHEET EVENTS

At the special general meeting held on 24 July 2006, the resolution to acquire the two production lines of Shaanxi Blue Star Glass Co., Ltd.（陝西藍星玻璃有限公司）and Beijing Qinchang Glass Co., Ltd（北京泰昌玻璃有限公司）(each of which owning a production line) by the Group was passed by the shareholders. Such production lines will help increase our production capacity by 750 tons per day and increase our daily melting capacity to 2,250 tons.

Other than disclosed above, There was no significant subsequent event.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2006 with the Company's management and the external auditors.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meeting are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, save as disclosed below, the Company has complied with the Code of Corporate Governance Practices ("CCGP"), as set out in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2005.

Under Code Provisions B.1.4 and C.3.4 of the CCGP, the Company should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on its website. Since the Company has not yet established its own website, the above requirement with regard to providing such information on a website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code contained in the Listing Rules. Having made specific enquiry of all the Directors, the Company confirms that the Directors have strictly complied with the Model Code during this reporting period.

By order of the Board
Zhao John Huan
Chairman

Hong Kong, 22 September 2006