浙江玻璃股份有限公司
Zhejiang Glass Company, Limited

Stock Code: 739

2007

Growing from Strength to Strength

Interim Report 2007

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. FENG Guangcheng *(Chairman)*
Mr. GAO Huojin
Mr. SHEN Guangjun
Ms. HONG Yumei
Mr. JIANG Liqiang
(appointed with effect from 29 June 2007)
Mr. CHUNG Kwok Mo John
(resigned with effect from 15 May 2007)

Non-executive Directors

Mr. LIU Jianguo
Mr. XIE Yong
(appointed with effect from 29 June 2007)
Mr. SHI Guodong
(retired with effect from 29 June 2007)

Independent non-executive Directors

Dr. LI Jun
Mr. WANG Yanmou
Mr. WANG Herong
(retired with effect from 29 June 2007)
Mr. SU Gongmei
Mr. ZHOU Guochun
(appointed with effect from 29 June 2007)

SUPERVISORS

Mr. LOU Zhenrong
Mr. XU Yuxiang
Mr. ZHANG Guoqing
(retired with effect from 29 June 2007)
Mr. FU Guohua
Mr. NI Daoxin
(retired with effect from 29 June 2007)
Mr. MAO Junchun
(retired with effect from 29 June 2007)
Mr. YANG Kuang
(retired with effect from 29 June 2007)
Mr. FANG Shengli
(appointed with effect from 29 June 2007)
Mr. XU Mingfeng
(appointed with effect from 29 June 2007)
Mr. MEI Lingfeng
(appointed with effect from 29 June 2007)
Mr. JI Peng (elected on 24 August 2007)

SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited

Stock Code: 739

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Zhong Tian CPAs Ltd.

LEGAL ADVISORS

as to Hong Kong law:
Chiu & Partners

as to PRC law:
Commerce & Finance Law Offices

LEGAL ADDRESS

Yangxunqiao Township
Shaoxing County
Zhejiang Province
The People's Republic of China

PLACE OF BUSINESS IN HONG KONG

1301 Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

COMPANY SECRETARIES

Ms. TAO Haiping
Mr. CHOW Yiu Ming
(appointed with effect from 20 June 2007)
Ms. HUNG Wing Yan Winnei
(resigned with effect from 20 June 2007)

AUTHORISED REPRESENTATIVES

Mr. FENG Guangcheng
Ms. TAO Haiping

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-1716, 17/F.
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183 Queen's Road East
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INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

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The directors (the "Directors") of Zhejiang Glass Company, Limited (the "Company") are pleased to present the unaudited condensed interim financial information of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2007. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2007 and the consolidated balance sheet as at 30 June 2007 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 8 to 26 of this report.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007
(Amounts expressed in Renminbi)

		Unaudited Six months ended 30 June	
		2007	2006
	Note	**RMB'000**	RMB'000
Revenue	3	**1,016,332**	584,874
Cost of sales		**(794,542)**	(559,174)
Gross profit		**221,790**	25,700
Other gains	8	**5,042**	16,911
Distribution and selling expenses		**(30,028)**	(24,213)
General, administrative and other operating expenses		**(25,513)**	(21,694)
Operating profit/(loss)	4	**171,291**	(3,296)
Finance costs		**(65,730)**	(76,506)
Profit/(loss) before income tax		**105,561**	(79,802)
Income tax (expense)/income	5	**(5,279)**	1,416
Profit/(loss) for the period		**100,282**	(78,386)
Attributable to:			
Equity holders of the Company	6	**95,973**	(75,774)
Minority interests		**4,309**	(2,612)
		100,282	(78,386)
Basic and diluted earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company	6	**RMB0.133**	RMB(0.131)
Proposed interim dividends	7	**–**	–

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007 and 31 December 2006

(Amounts expressed in Renminbi)

	Note	30 June 2007 Unaudited RMB'000	31 December 2006 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**3,445,508**	2,908,462
Construction-in-progress	9	**1,253,091**	1,501,350
Land use rights	9	**145,468**	142,405
Deposits for land use rights	9	**10,869**	8,869
Intangible assets	9	**25,776**	26,187
Long-term prepayments		**31,250**	32,500
		4,911,962	4,619,773
Current assets			
Inventories		**283,164**	212,532
Due from a related company	16	**27,299**	14,984
Prepayments, deposits, and other current assets		**90,688**	79,335
Bills receivable		**9,700**	10,122
Accounts receivable	10	**155,082**	113,009
Pledged deposits		**159,193**	174,308
Cash and cash equivalents		**708,135**	538,574
		1,433,261	1,142,864
Non-current assets classified as held for sale	11	**114,406**	134,406
		1,547,667	1,277,270
Total assets		**6,459,629**	5,897,043
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share Capital	14	**720,833**	720,833
Other reserves		**592,411**	594,715
Retained earnings			
– proposed dividends		**–**	–
– others		**361,705**	265,732
		1,674,949	1,581,280
Minority interests		**40,067**	35,758
Total equity		**1,715,016**	1,617,038

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

As at 30 June 2007 and 31 December 2006
(Amounts expressed in Renminbi)

	Note	**30 June 2007 Unaudited RMB'000**	31 December 2006 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Long-term bank loans	13	**1,353,000**	1,160,000
Long-term payables		**6,077**	9,362
Deferred tax liabilities		**27,766**	47,005
		1,386,843	1,216,367
Current liabilities			
Accounts payable	12	**605,595**	507,955
Bills payable		**488,100**	570,250
Accruals and other payables		**154,558**	176,059
Due to a related company	16	**249**	–
Deposits and advance from customers		**142,337**	117,305
Taxes payable		**66,941**	42,211
Current portion of long-term bank loans	13	**72,000**	100,000
Short-term bank loans	13	**1,827,990**	1,549,858
		3,357,770	3,063,638
Total liabilities		**4,744,613**	4,280,005
Total equity and liabilities		**6,459,629**	5,897,043
Net current liabilities		**1,810,103**	1,786,368
Total assets less current liabilities		**3,101,859**	2,833,405

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007
(Amounts expressed in Renminbi)

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Statutory surplus reserve (note b)	Statutory public welfare fund (note a)	Acquisition surplus	Retained profits	Proposed dividends	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006	578,713	350,066	65,588	65,588	7,749	322,740	–	39,101	1,429,545
Net loss for the period	–	–	–	–	–	(75,774)	–	(2,612)	(78,386)
Balance at 30 June 2006	578,713	350,066	65,588	65,588	7,749	246,966	–	36,489	1,351,159
Balance at 1 January 2007	**720,833**	**455,790**	**131,176**	**-**	**7,749**	**265,732**	**-**	**35,758**	**1,617,038**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**95,973**	**-**	**4,309**	**100,282**
Interim dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Others	**-**	**(2,304)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,304)**
Balance at 30 June 2007	**720,833**	**453,486**	**131,176**	**-**	**7,749**	**361,705**	**-**	**40,067**	**1,715,016**

Note (a): Pursuant to the provisions under the PRC Company Law which came into effect on 1 January 2006, the Company ceased appropriation to statutory public welfare fund from 1 January 2006 onwards. Balance of this fund was transferred to statutory surplus fund in accordance with the regulation promulgated by the Ministry of Finance of the PRC.

Note (b): No appropriations were made to the statutory surplus reserve by the Group for the six months ended 30 June 2007. Such appropriations will be made at year end in accordance with the provisions of the PRC Company Law and the Company's articles of association.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2007
(Amounts expressed in Renminbi)

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Net cash inflow from operating activities	**199,135**	64,850
Net cash used in investing activities	**(403,367)**	(57,477)
Net cash inflow from financing activities	**373,793**	187,606
Increase in cash and cash equivalents	**169,561**	194,979
Cash and cash equivalents at 1 January	**538,574**	561,457
Cash and cash equivalents at 30 June	**708,135**	756,436
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**708,135**	756,436

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts expressed in Renminbi unless otherwise stated)

1. Basis of preparation

The unaudited condensed consolidated interim financial information ("Interim Financial Information") has been prepared in accordance with HKAS 34, 'Interim Financial Reporting' and based on the relevant Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

One underlying assumption under HKFRS is that the financial statements are prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future.

As of 30 June 2007, the Group had net current liabilities of approximately RMB1,810 million (31 December 2006: RMB1,786 million). This condition indicates the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

Nevertheless, the Directors had adopted the going concern basis in the preparation of the Interim Financial Information of the Group based on the following assumptions and conditions:

1. The Group will succeed in negotiating with its bankers to roll over the outstanding bank loans and/or to extend their repayment terms to meet its working capital and financial requirements in the near future.

2. The Group has been actively exploring the availability of alternative sources of long-term financing in order to re-finance its existing short-term bank loans.

3. The Company will succeed in working out a remedial plan with International Finance Corporation ("IFC") for the breach of certain loan covenants associated with a loan facility granted to and drawn down by the Company ("Loan from IFC") in an aggregated amount of US$60 million, equivalent to approximately RMB457 million.

1. Basis of preparation (continued)

4. The Group is expected to derive sufficient operating cash flow in 2007 from its existing flat glass products, soda ash products, as well as from the sales of ultra-thin and other glass products to be produced by 3 new production lines, two of those have been put into use in early 2007 and mid 2007 respectively while the other one is expected to be put into operation in or about September 2007.

5. On 21 June 2007, the Company has entered into a conditional capital subscription agreement with a third party. Pursuant to the agreement, the third party agrees to pay approximately RMB905 million as capital contribution injected into the Qinghai Soda Ash Co., Ltd. ("QSAC"), a 92.74% subsidiary of the Company, in return for a 35% of equity interests in QSAC (Note 17). The capital injection is expected to be utilised to finance the remaining capital expenditure of the second phase construction by QSAC.

In addition, the Directors would take relevant measures in 2007 in order to control the cash flow of the Group, such as closely monitoring the expected cash outlays on the existing production line construction projects and reducing the dividend pay-out ratio for 2007 and 2008.

In light of the above measures undertaken and the assumptions and conditions adopted in the preparation of cash flow projection of the Group for 2007, the Directors are confident that the Group will have sufficient working capital to finance its operations in order to maintain its operating scale and meet its obligations in the next twelve months from the balance sheet date. Accordingly, the Directors are satisfied that it is appropriate to prepare the Interim Financial Information of the Group on a going concern basis. The Interim Financial Information does not include any adjustment relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. Accounting Policies

The accounting policies used in the Interim Financial Information are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

The following new standards and interpretations are mandatory for financial year ending 31 December 2007.

- HK(IFRIC)-Int 7, 'Applying the Restatement Approach under HKFRS 29'. This interpretation is not relevant for the Group;

2. **Accounting Policies** (continued)

- HK(IFRIC)-Int 8, 'Scope of HKFRS 2'. This interpretation is not relevant for the Group;

- HK(IFRIC)-Int 9, 'Reassessment of Embedded Derivatives'. This interpretation did not have significant impact on the reassessment of embedded derivatives as the Group had already assessed if embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9;

- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment'. HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. It did not have any material impact on the Group's accounts; and

- HKFRS 7, 'Financial instruments: Disclosures', and HKAS 1, 'Amendments to capital disclosures'. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 to annual financial statements for the year ending 31 December 2007.

The following new standards, amendment to the standards and interpretation have been issued but are not effective for 2007 and have not been early adopted:

- HK(IFRIC)-Int 11, 'Scope of HKFRS 2 - Group and Treasury Share Transaction' (effective for annual periods beginning on or after 1 March 2007). HK(IFRIC)-Int 11 provides guidance on how to apply requirements of HKFRS 2 when involving the equity instruments of the parent or subsidiaries and when involving the purchase of the entity's own equity instrument from third parties. HK(IFRIC)-Int 11 does not have significant impact on the Group's accounts;

- HK(IFRIC)-Int 12, 'Service Concession Arrangements' (effective for annual periods beginning on or after 1 January 2008) which gives guidance on the accounting by operation for public-to-private service concession arrangement. As the Group does not engage into such operations, HK(IFRIC)-Int 12 is not relevant for the Group;

- HKFRS 8, 'Operating Segments' (effective for annual periods beginning on or after 1 January 2009) supersedes HKAS 14, 'Segment Reporting' and requires the reporting of financial and descriptive information about an entity's reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group will apply HKFRS 8 from 1 January 2009; and

2. Accounting Policies (continued)

- Amendment to HKAS 23, 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). The revised HKAS 23 requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The Directors are of the view that the revised HKAS 23 will not have material impact to the Group as the Group has already adopted the alternative approach under existing HKAS 23 which is similar to the revised HKAS 23. The Group will apply HKAS 23 from 1 January 2009.

3. Segment information

(a) Primary reporting format – business segments

Segment information of the Group's two operating segments is as follows:

Six months ended 30 June (unaudited)

	2007				2006			
	Glass manufacturing RMB'000	**Soda Ash manufacturing RMB'000**	**Inter-segment elimination RMB'000**	**Total RMB'000**	Glass manufacturing RMB'000	Soda Ash manufacturing RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue	**632,432**	**484,707**	**(100,807)**	**1,016,332**	477,778	170,522	(63,426)	584,874
Segment result	**75,367**	**102,492**	**(9,523)**	**168,336**	(3,317)	(12,501)	1,501	(14,317)
Interest income				**4,918**				13,221
Unallocated expenses, net				**(1,963)**				(2,200)
Operating profit/(loss)				**171,291**				(3,296)
Finance costs				**(65,730)**				(76,506)
Profit/(loss) before income tax				**105,561**				(79,802)
Income tax (expense)/ income				**(5,279)**				1,416
Profit/(loss) for the period				**100,282**				(78,386)

3. **Segment information** (continued)

(a) Primary reporting format – business segments (continued)

	30 June 2007 (unaudited)				31 December 2006			
	Glass manufacturing RMB'000	Soda Ash manufacturing RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Glass manufacturing RMB'000	Soda Ash manufacturing RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Assets								
Segment assets	3,683,164	2,801,869	(25,404)	6,459,629	3,434,683	2,556,253	(93,893)	5,897,043
Liabilities								
Segment liabilities	535,498	952,445	(24,086)	1,463,857	510,274	1,014,967	(102,099)	1,423,142
Unallocated liabilities				3,280,756				2,856,863
				4,744,613				4,280,005

	Six months ended 30 June (unaudited)							
	2007				2006			
	Glass manufacturing RMB'000	Soda Ash manufacturing RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Glass manufacturing RMB'000	Soda Ash manufacturing RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Other information								
Capital expenditure	293,275	210,221	–	503,496	63,454	64,961	–	128,415
Depreciation	88,120	118,960	–	207,080	80,314	69,538	–	149,852
Amortisation of land use rights and intangible assets	2,567	410	–	2,977	2,127	137	–	2,264

3. **Segment information** (continued)

(b) Secondary reporting format – geographical segments

Geographical segment analysis on turnover of the Group is as follows:

	Unaudited Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Sales		
Zhejiang	**442,705**	365,645
Shanxi, Henan & Hebei	**122,193**	29,429
Jiangsu	**95,242**	52,325
Shanghai	**60,094**	31,374
Liaoning, Jilin & Heilongjiang	**42,184**	8,017
Qinghai, Gansu, Shaanxi, Ningxia & Xinjiang	**78,840**	6,049
Guangdong & Fujian	**28,225**	14,836
Anhui & Hubei	**25,112**	19,198
Inner Mongolia	**18,795**	10,915
Beijing & Tianjin	**6,998**	5,790
Other regions	**95,944**	41,296
	1,016,332	584,874

Sales are based on the provinces and regions in which the customers are located.

Segment assets and liabilities and other disclosures such as segment capital expenditures and expenses are classified by where they are located. The classification and the respective amounts are the same as the business segment information.

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging and crediting the following:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Charging –		
Changes in inventories of finished goods and work in progress	**23,287**	(77,963)
Raw materials and consumable used	**541,238**	454,682
Staff costs (including Directors' emoluments)		
– salaries, wages and related employee welfare expenses	**38,777**	28,073
– pension costs – State-sponsored retirement plan	**5,184**	1,177
– pension costs – defined contribution retirement scheme	**21**	22
	43,982	29,272
Depreciation	**207,080**	149,852
Amortisation	**2,977**	2,264
Operating lease rental of office premises	**493**	409
Crediting – Interest income on bank deposits	**4,918**	13,221

Assets with definite lives are reviewed for impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on the valuation performed by a PRC valuer to assess the fair value less costs to sell off the facilities, machineries and equipment, and land use rights associated with two glass production lines in which the constructions had been temporarily put on hold as at 31 December 2006, the Directors conclude that there was no impairment loss to be recognised for the period ended 30 June 2007.

The Directors currently intend to resume these projects in view of the recovery of the market conditions in glass industry.

5. Taxation

The amount of taxation charged/(credited) to the condensed consolidated interim income statement represents:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC Enterprise Income Tax	**24,973**	2,504
Deferred taxation		
– adjustment to deferred taxation arising from the impact of new PRC Corporate Income Tax Law (a)	**(8,026)**	–
– deferred taxation relating to the reversal of temporary differences	**(11,668)**	(3,920)
	5,279	(1,416)

(a) New PRC Corporate Income Tax Law

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises from 33% to 25% with effect from 1 January 2008, applicable to the Company and its subsidiaries incorporated in the PRC, except QSAC. As a result of the new CIT Law, the carrying value of deferred tax liabilities was reduced by approximately RMB8,026,000 for the six months ended 30 June 2007.

Detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course under the new CIT Law. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

Upon its incorporation, QSAC was granted by the local tax authority an Enterprise Income Tax ("EIT") holiday that QSAC was entitled full exemption of EIT for the first five years from commencement of its business operation and followed by another five years of EIT concession at a reduced rate of 50% of the then enacted tax rate. The tax status of QSAC will be dependent on whether the existing preferential tax concessions would still be applied to QSAC after the implementation of the new CIT Law, nevertheless, the Directors consider that there would not be any material impact on the Group's operating results for 2007.

6. Basic and diluted earnings/(loss) per share

The calculation of the basic earnings per share is based on the Group's profit attributable to the shareholders of the Company for the six months ended 30 June 2007 of approximately RMB95,973,000 (six months ended 30 June 2006: loss of RMB75,774,000) divided by the weighted average number of 720,833,000 shares of the Company in issue during the period (six months ended 30 June 2006: 578,713,000 shares).

The diluted earnings per share information was the same as basic earnings per share as above since there were no dilutive potential shares outstanding during the period under review (six months ended 30 June 2006: same).

7. Dividends

At the board of Directors' meeting held on 27 August 2007, the Directors proposed not to declare any interim dividends for the six months ended 30 June 2007.

No final dividends were declared for the year ended 31 December 2006 at the annual general meeting of the Company held on 29 June 2007.

8. Other gains

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest income	**4,918**	13,221
Government grants	**–**	590
Others	**124**	3,100
	5,042	16,911

9. Capital expenditures

	Property, plant and equipment RMB'000	Construction-in-progress RMB'000	Land use rights RMB'000	Deposits for land use rights RMB'000	Intangible assets RMB'000
Opening net book amount as at 1 January 2007	2,908,462	1,501,350	142,405	8,869	26,187
Additions	6,471	489,396	5,305	2,000	324
Transfers	737,655	(737,655)	–	–	–
Depreciation/amortisation charge	(207,080)	–	(2,242)	–	(735)
Closing net book amount as at 30 June 2007 (unaudited)	3,445,508	1,253,091	145,468	10,869	25,776
Opening net book amount as at 1 January 2006	3,171,620	1,129,189	104,437	118,062	10,465
Additions/(disposal)	(30,200)	118,019	167	–	229
Transfers	1,826	(1,826)	51,604	(51,604)	–
Depreciation/amortisation charge	(149,852)	–	(1,838)	–	(426)
Closing net book amount as at 30 June 2006 (unaudited)	2,993,394	1,245,382	154,370	66,458	10,268

10. Accounts receivable

The aging analysis of accounts receivable is set out below:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Current to under 6 months	**93,278**	70,586
6 to under 12 months	**49,271**	20,382
1 to under 2 years	**12,369**	20,958
2 to under 3 years	**956**	1,875
Provision made	**(792)**	(792)
Accounts receivable, net	**155,082**	113,009

10. Accounts receivable (continued)

Cash on delivery is required for majority of the customers. Credit is only granted for a period of up to a maximum of twelve months for certain customers with good credit worthiness, ascertained by an assessment performed on their financial abilities and past payment history, and with the approval obtained from top management of the Group.

11. Non-current assets classified as held for sale

In 2006, the Directors resolved not to proceed with the construction of a new glass production line (the "Binghai Project") in the Binghai Industrial Zone located in Zhejiang Province, the PRC after a review of the prospects of the project. On 9 February 2007, an agreement was reached by the Company with two independent third parties (the "Buyers") that the Company's interests in the Binghai Project, including the land use rights and related structures constructed thereon, would be transferred to a newly established enterprise of which the Buyers would eventually become the only two beneficial owners upon the receipt of the entire consideration for the transaction by the Company. The consideration for the disposal is approximately RMB139 million and the transaction is scheduled to be completed on or before 30 September 2007. The Directors consider that no material gain or loss would be resulted from the disposal thereof. Accordingly, the recoverable amount of the Binghai Project, which is equal to the carrying value of approximately RMB134 million as at 30 June 2007 (including approximately RMB60 million of deposit for land use rights and RMB74 million of construction-in-progress), net-off with the consideration RMB20 million received during the period under review, was presented as "non-current assets classified as held for sale" in the balance sheet.

During the six months period ended 30 June 2007 and up to the date of approval of this Interim Financial Information, the Buyers had paid RMB20 million and RMB68 million respectively for partial settlement of the consideration. The Directors expect that the Buyers will settle the remaining consideration and the transaction will be completed as scheduled.

12. Accounts payable

The aging analysis of accounts payable is set out below:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Current to under 6 months	**245,792**	187,128
6 to under 12 months	**101,316**	112,875
1 to under 2 years	**89,100**	193,308
2 to under 3 years	**169,387**	14,644
Accounts payable, net	**605,595**	507,955

13. Borrowings

(a) Bank loans

	30 June 2007 RMB'000	31 December 2006 RMB'000
– amounts repayable within 1 year (c)	**1,899,990**	1,649,858
– amounts repayable between 1 to 2 years	**277,000**	160,000
– amounts repayable between 2 to 5 years	**756,000**	580,000
– amounts repayable beyond 5 years	**320,000**	420,000
	3,252,990	2,809,858
Less: amounts repayable within 1 year (included in current liabilities)		
– short-term bank loans	**(1,827,990)**	(1,549,858)
– current portion of long-term bank loans	**(72,000)**	(100,000)
Long-term portion	**1,353,000**	1,160,000

13. Borrowings (continued)

(b) As at 30 June 2007, short-term bank loans amounting to approximately RMB584,000,000 (31 December 2006: RMB554,450,000) are secured by land use rights, plant and buildings and machinery and equipment of the Group with carrying value of approximately RMB1,040,231,000 (31 December 2006: RMB873,029,000). In addition, RMB164,000,000 (31 December 2006: RMB190,000,000) of these loans are guaranteed by Mr. Feng Guangcheng ("Mr. Feng"), a major shareholder and an executive Director of the Company, and RMB80,000,000 are jointly guaranteed by Mr. Feng and his related parties.

Loan from IFC with amount of RMB456,930,000 (31 December 2006: RMB312,348,000) is secured by 240,000,000 domestic shares of the Company (120,000,000 of these domestic shares are being arranged to be discharged from such share pledge but the relevant procedures therein have not been completed as at the date of this interim report) which are held by Mr. Feng, and personal guarantee provided by Mr. Feng, and certain land use rights, property, plant and equipment of the Company with carrying value of approximately RMB800,847,000 (31 December 2006: Nil).

Long-term bank loans amounting to approximately RMB175,000,000 (31 December 2006: Nil) are secured by land use rights, plant and buildings and machinery and equipment of the Group with carrying value of approximately RMB228,457,000 (31 December 2006: Nil).

As at 30 June 2007, short-term bank loans amounting to approximately RMB38,060,000 (31 December 2006: RMB8,060,000) are charged over the assets of related companies.

Certain short-term bank loans and long-term bank loans amounting to approximately RMB539,000,000 (31 December 2006: RMB390,000,000) and RMB100,000,000 (31 December 2006: RMB100,000,000) respectively are jointly and severally guaranteed by Mr. Feng, his related parties and independent third parties.

In addition, approximately RMB160,000,000 and RMB1,150,000,000 of short-term and long-term bank loans of non-wholly owned subsidiaries are guaranteed by the Company as at 30 June 2007.

The rest of the bank loans are unsecured and interest-bearing at commercial rates.

The effective interest rate of bank borrowings as at 30 June 2007 was 7.28% per annum (31 December 2006: 6.35%).

13. Borrowings (continued)

(c) Loan covenants compliance

According to the provisions of the loan agreement entered into between the Company and IFC in June 2006, the loan drawn down are repayable by 11 instalments, commencing from 15 July 2008 and with final maturity falling due in 2013. However, the Company is required to comply with certain loan covenants such as the completion of a restructuring plan (including the reduction of the level of short-term debts), adherence to the defined financial debt-to-EBITDA ratio and current ratio; and the limitation on the capital expenditure amounts. As at 30 June 2007 and 31 December 2006, the Company did not meet certain of these covenants, including the expenditure limit on capital expenditure made, application of available surplus cash balance to repay outstanding short term loans, and the financial ratios mentioned above (collectively defined as "Covenant Breach"). Accordingly, the whole outstanding IFC loan balance drawn down, amounting to US$60 million (equivalent to approximately RMB457 million), had been reclassified as short-term loans in the balance sheet.

As of the date of approval of this Interim Financial Information, the Company is still under negotiation with IFC to work out a remedial plan for the Covenant Breach. The Directors are confident that the Company and IFC can agree on a mutually acceptable plan that the Company will not be required to repay, within 2007, the amount drawn down from the IFC loan facility up to 30 June 2007.

14. Share capital

	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	Number of shares		**Nominal value**	
			RMB'000	RMB'000
Authorised:				
Ordinary shares of RMB1 each	**720,833,000**	720,833,000	**720,833**	720,833
Issued and fully paid:				
Domestic shares of RMB1 each	**400,000,000**	400,000,000	**400,000**	400,000
H shares of RMB1 each	**320,833,000**	320,833,000	**320,833**	320,833
	720,833,000	720,833,000	**720,833**	720,833

There was no movement of the Company's share capital during the six months ended 30 June 2007.

15. Capital commitments for properties, plant and equipment

	30 June 2007 RMB'000	31 December 2006 RMB'000
Authorised and contracted for:		
Construction of new glass production lines	**64,476**	530,306
Construction of soda ash plants (a)	**987,385**	1,085,394
Glass production investment projects (b)	**2,841,556**	2,998,552
	3,893,417	4,614,252

(a) Construction of soda ash plant

On 25 April 2004, the Company entered into a cooperation agreement (the "Soda Ash Agreement") with the People's Government of Haixi Mongolian Nationality and Tibetan Nationality Autonomous Prefecture of Qinghai Province (the "Haixi Prefecture Government") under which the Company is committed, through its then 90% owned subsidiary, QSAC, to construct a factory with two soda ash production lines in five years with an annual production capacity of 600,000 tonnes each. The committed total investment amount for this project as prescribed in the Soda Ash Agreement is RMB1.6 billion, which are to be injected in two phases. The first phase was scheduled to be completed within two years after signing of the Soda Ash Agreement.

On 25 December 2004, the Company entered into a revised cooperation agreement (the "Revised Soda Ash Agreement") with the Haixi Prefecture Government. Pursuant to the Revised Soda Ash Agreement, the annual production capacity of two soda ash production lines was adjusted to 900,000 tonnes each and they are required to be constructed in two phases within five years. The total investment amount was increased from RMB1.6 billion to RMB3 billion and is to be injected by two phases, of which, RMB1.4 billion is for the second phase. The first phase was completed in late 2005 and the second phase was started construction in late 2005. As of 30 June 2007, approximately RMB413 million had been incurred for the second phase and the outstanding commitment was estimated to be approximately RMB987 million.

15. Capital commitments for properties, plant and equipment (continued)

(b) Glass production investment projects

(i) On 6 August 2003, the Company entered into a cooperation agreement with the People's Government of Changxing County of the Zhejiang Province (浙江省長興縣人民政府) to invest approximately RMB1 billion for the construction of two special glass production lines and five processed glass production lines. A subsidiary was established in Changxing in 2004 with a registered capital of RMB50,000,000 in order to operate the project. Up to 30 June 2007, approximately RMB101 million had been spent on the project.

(ii) On 21 September 2003, the Company entered into a cooperation agreement with an industrial development council of Pinghu city of the Zhejiang Province (平湖市濱海地區城鄉統籌管理委員會) to invest approximately RMB2 billion for the construction of four float flat glass production lines.

On 16 April 2004, a supplementary agreement was further executed that the Company is entitled to adjust the schedule as well as the amount of the investment. In addition, the Company has the right to terminate the execution of the project at its own discretion with reference to its financial position, the market conditions and other relevant factors.

Up to 30 June 2007, the Group had invested approximately RMB85 million into this project.

An assessment of the potential impairment loss associated with these two projects had been performed (Note 4).

16. Related party transactions

(i) Significant related party transactions carried out in the normal course of business by the Group are as follows:

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Rental charged by Guangyu Group Co., Ltd. ("Guangyu", 光宇集團有限公司)*	(a)	**249**	249
Service fees earned from Zhejiang Cement Company Limited ("ZCC", 浙江水泥有限公司) in relation to the provision of electricity voltage transforming services	(b), (iii)	**219**	189
Purchase of cement from ZCC	(c), (iii)	**–**	3,779

(a) The Group has entered into a 2-year renewable lease agreement with Guangyu to lease office space for a period of 2 years in December 2001. On 18 March 2005, the board of Directors approved the Company to renew the agreement for another 3 years commencing from 1 January 2006 at lease rental payment of RMB41,500 per month.

(b) The Company entered into a renewable service agreement with ZCC in 2003 that the Company agreed to provide electricity voltage transforming services for ZCC by using the electricity transformer owned by the Company. It also undertakes to settle on behalf of ZCC the share of electricity charges (the "Electricity Charges") with the local electricity bureau. ZCC is required to reimburse the Company for the Electricity Charges and pay service fees computed at 1% of the amount of the Electricity Charges. On 29 August 2006, the board of Directors approved the execution of a new service agreement with ZCC with similar terms and conditions for a term of 3 years, commencing from 1 July 2006. The agreement is renewable for another 3 years upon expiration. Please refer to note (iii) for further information.

16. Related party transactions (continued)

(i) (continued)

(c) The Company entered into a master supply agreement with ZCC on 29 December 2004 for a term of 3 years commencing from 1 January 2005 to 31 December 2007. Pursuant to the agreement, ZCC has agreed to supply cement manufactured by it to the Group from time to time during the term of the agreement. The price payable by the Group to ZCC for the purchases will be determined by reference to the prevailing market price at the time of the transactions. Please refer to note (iii) for further information.

* Guangyu is owned as to 93% by Mr. Feng Guangcheng, a major shareholder and an executive Director of the Company.

(ii) Balances with related parties are as follows:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Receivables from ZCC (note (iii))	**27,299**	14,984
Payables to Guangyu	**249**	–
Maximum receivable balance of		
receivables from ZCC	**27,299**	41,081
receivables from Guangyu	**–**	52
Maximum payable balance of		
payables to Guangyu	**249**	–

The balances with related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(iii) Cessation of ZCC being a related party of the Group

Before 30 June 2007, ZCC was 90.47% owned by Mr. Feng. Mr. Feng sold his equity in ZCC to a third party and the transaction was completed on 30 June 2007. Accordingly, ZCC ceased being a related party of the Group thereafter.

16. Related party transactions (continued)

(iii) (continued)

According to the agreement relating to the above equity transfer, Mr. Feng and Guangyu undertook to release ZCC from its obligations under the guarantee provided for the bank loans of the Group at RMB380 million, within 12 months from 30 June 2007. The Directors are of the view that the Group can reach agreements with the respective lending banks regarding such release and it could identify new security required by these banks. In addition, the electricity voltage transforming services described in note (i) (b) will continue.

The amount due from ZCC was substantially repaid by ZCC in July 2007.

17. Events after the balance sheet date

On 21 June 2007, the Company and the minority shareholders of QSAC entered into a capital subscription agreement (the "Subscription Agreement") with Zhejiang Sinhoo Co., Ltd. ("Sinhoo") (浙江新湖集團股份有限公司), an independent third party of the Company, pursuant to which, the parties have conditionally agreed that Sinhoo will contribute RMB904,600,000, in cash by seven instalments, as capital contribution made into QSAC in return for 35% equity interest in QSAC upon the completion of the transaction.

Upon the completion of the transaction, the registered capital of QSAC will be increased from RMB548,060,000 to RMB1,452,660,000 and QSAC will be owned as to 60.28%, 4.72% and 35% by the Company, the existing minority shareholders of QSAC and Sinhoo respectively.

The Subscription Agreement was approved by a special resolution passed in the extraordinary general meeting and class meetings of the Company held on 14 August 2007. The whole capital transaction is scheduled to be completed by 30 May 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in producing high quality float flat glass which is destined to the construction sector and has diversified its sales to the automotive and electronics sectors. It currently operates seven flat glass production lines and thirteen glass processing lines for the production of value-added products namely mirror glass, tempered glass, insulating glass, laminated glass and low-E glass. Besides, the Company has integrated upstream by setting up soda ash production line in Qinghai Province which commenced operation in mid-December 2005.

During the period under review, the Group has made a strong turn-around after several difficult years, recording a net attributable profit of RMB96 million. This proves that not only our efforts made over the past few years start to pay off, particularly the establishment of soda ash production facilities, but also the glass industry has been recovering from the trough of the industry cycle.

Business Review

Glass business

Flat glass

The growth of national flat glass output has steadily accelerated in the first six months of 2007. According to the statistics published by the National Bureau of Statistics of China, the actual output of flat glass in China in the first half of 2007 recorded approximately 243.7 million weight cases, representing an increase of 17.8% from that in the same period of 2006. According to the statistics of the China Building Materials Industry Association (CBMIA), the average sales/production ratio of 44 major flat glass manufacturers in China was approximately 93% during the six months ended 30 June 2007 (first half of 2006: 93%).

In the first half of 2007, including the seventh flat glass production line (which is capable of making 4mm to 19mm flat glass) which commenced operation in June 2007, the Group's seven (2006: six) flat glass production lines with an aggregate daily melting capacity of 3,100 tonnes (2006: 2,500 tonnes) were in operation. The Group produced approximately 7.9 million weight cases (first half of 2006: 7.5 million weight cases), or approximately 395,000 tonnes (first half of 2006: 375,000 tonnes) of flat glass and achieved a sales/production ratio of approximately 96% (first half of 2006: about 94%). Sales of flat glass amounted to RMB535 million (first half of 2006: RMB434 million), and accounted for 53% (first half of 2006: 75%) of the Group's revenue.

During the six months ended 30 June 2007, automotive grade glass (higher quality with higher average selling price) accounted for approximately 90% of the Group's flat glass output (first half of 2006: 90%), and construction grade glass (lower quality with lower average selling price) accounted for 10% (first half of 2006: 10%).

During the period under review, the growth of production volume of ultra-thin glass (products which are 3mm and below in thickness), which accounted for about 11% of the Group's total flat glass output, contributed to the increase of revenue. The average selling price of flat glass is steadily rising in the first half of 2007 and increased by about 9% year-on-year from the corresponding period of 2006 to RMB72 per weight case (first half of 2006: RMB66 per weight case).

During the first half of 2007, the price of heavy oil, the major fuel for flat glass production, remained high, although it was considerably lower than that of the same period last year. The average cost of heavy oil dropped by about 8% year-on-year as compared to the corresponding period of 2006 to approximately RMB3,100 per tonne (tax inclusive). Meanwhile, the Group has successfully applied coal tar to replace some of the heavy oil consumptions in some of the production lines to reduce cost.

The average market price of soda ash, a key raw material for manufacturing flat glass, increased by 11% year-on-year from the corresponding period of 2006 to approximately RMB1,500 per tonne (inclusive of tax and transportation cost). There were no heavy fluctuations in the costs of other major raw materials.

The unit cost of flat glass has decreased by 1.6% year-on-year from the corresponding period of 2006 to RMB63 per weight case in the first half of 2007 (first half of 2006: RMB64 per weight case).

Processed glass

In the first half of 2007, the Group processed about 4% of its flat glass output into higher margin processed glass products (first half of 2006: about 4%).

The Group had thirteen processed glass production lines for mirror glass, tempered glass, insulating glass, laminated glass and low-E glass in the first half of 2007.

The Group sold approximately 2.35 million sq.m. (first half of 2006: 1.32 million sq.m.) of processed glass products at an average selling price of RMB41 per sq.m. (first half of 2006: RMB32 per sq.m.), achieving a turnover of RMB97 million (first half of 2006: RMB42 million). Sales of processed glass accounted for 9% of the Group's revenue (first half of 2006: 7%).

Soda ash business

According to the statistics of China Soda Industry Association, the soda ash output in China was about 8.35 million tonnes in the first half of 2007, representing a 10.7% increase as compared with the same period of 2006. During the first half of 2007, the market price of soda ash increased by 11% year-on-year from the corresponding period of 2006 to approximately RMB1,500 per tonne (inclusive of tax).

Qinghai Soda Ash Co., Ltd. ("QSAC") has its phase II construction plan approved by the State Environmental Protection Administration. The phase II facilities will have an annual production capacity of 900,000 tonnes and is expected to offer the synergies of vertical integration. This marks a major step forward for the Group in expanding its operation upstream. Phase I of QSAC's production facility, also with an annual capacity of 900,000 tonnes, has reached full production capacity at the beginning of this year.

During the period under review, the soda ash plant produced about 434,000 tonnes of output. In the first half of 2007, revenue to external customers from the soda ash business recorded RMB384 million (first half of 2006: RMB107 million), and accounted for 38% of the Group's revenue. Average FOB selling price of the Group's soda ash (exclusive of value-added-tax) was approximately RMB1,000 per tonne (Note: the Group's soda ash products sold for between RMB1,450 and RMB1,500 per tonne CIF and inclusive of value-added-tax).

In the first half of 2007, light soda ash (lower density), which is widely used in production of detergent, alumina and monosodium glutamate, accounted for 54% of QSAC's sales volume, while dense soda ash (higher density), which is used in glass production, accounted for the remaining 46%.

Financial Review

The Group recorded an attributable profit of RMB96.0 million in the first half of 2007, against the net attributable loss of RMB75.8 million in the same period of 2006. This was because the investment in Phase I soda ash production line has been reached its full capacity and started to pay off, as well as the glass industry has been recovering from the trough of the industry cycle.

Turnover increased by 73.8% year-on-year to RMB1,016.3 million (first half of 2006: RMB584.9 million).

During the first half of 2007, the gross profit margin was 21.8%, compared with 4.4% in the corresponding period last year.

The Group's average inventory turnover for the six months ended 30 June 2007 increased to 57 days from 48 days for the year ended 31 December 2006. The increase is mainly attributable to the increased raw material level during the period under review in order to prepare for the commencement of operation of the new seventh flat glass production line.

Outlook

Glass business

Flat glass

In 2007, the flat glass industry is expected to go up trend in the industry cycle and the selling price will become more stable. Supported by China's rapid industrialisation and urbanisation in the next five years under the "Eleventh Five Year Plan", the demand for glass from property and construction sectors, automotive and electronic industries are expected to experience rapid growth in the coming decades.

With the new flat glass production lines commencing commercial operation in the second and third quarters in 2007, the total production capacity can be enhanced to a large extent and can help to capture more business by taking the advantage of favorable industry environment.

Processed glass

Given the growth of electricity demand and the concern of environmental protection in China, it provides the Group with huge market on energy-saving glass and other processed glass with high energy saving capability. Being one of the key suppliers of quality low-E glass in China, the Group expects that its processed glass business will continue to grow and play an important role in the Group's revenue contribution.

Soda ash business

In the first half of 2007, a strategic investor, Zhejiang Sinhoo Co., Ltd. (浙江新湖集團股份有限公司), agreed to invest in the business of QSAC. This transaction constitutes a deemed disposal of the Company's equity interests in a subsidiary of the Company under Rule 14.29 of the Listing Rules, details of which have been set out in the announcement and circular of the Company dated 22 June 2007 and 29 June 2007 respectively, as well as in note 17 to the Interim Financial Information in this interim report. The injection of capital helps to improve the Group's financial gearing and bring in capital for the development of QSAC phase II project. When both phase I and phase II are in operation, the Group will be able to produce 1.8 million tonnes of soda ash a year. It will achieve economies of scale and has its position as a major industry player reinforced by then. Furthermore, it can speed up the vertical integration of production to support the Group's future development.

In 2007, QSAC is expected to produce about 900,000 tonnes of soda ash. The operating profit margin of the soda ash business will improve as the price of soda ash is becoming more and more stable.

OTHER INFORMATION

INTERIM DIVIDEND

At the board of Directors' meeting held on 27 August 2007, the Directors have resolved not to declare any interim dividend for the six months ended 30 June 2007.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital expenditure of the Group amounted to approximately RMB503 million for the six months ended 30 June 2007. Capital expenditure was mainly for the construction of 2 new flat glass production lines in Zhejiang Province and the foundation work for the second soda ash production line in Qinghai Province. As at 30 June 2007, the Group had total capital commitment of approximately RMB3.9 billion, which was mainly related to the investment in the construction of the second soda ash production line in Qinghai Province (approximately RMB1.0 billion) and the proposed investment in the construction of several glass production lines in Zhejiang Province (approximately RMB2.9 billion). However, the Group is entitled to adjust the schedule of these proposed investments, and in particular, the Group has the right to adjust the investment amount or to terminate the execution of the investments in the construction of several glass production lines in Zhejiang Province. Indeed, it is the Group's intention to limit the capital expenditure in 2007 aiming to improve the Group's liquidity position. The Group did not have any significant contingent liabilities during the six months ended 30 June 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group's cash and cash equivalents balance amounted to RMB708 million, compared with RMB538 million as at 31 December 2006. In addition, the Group had pledged deposits of RMB159 million as at 30 June 2007 (31 December 2006: RMB174 million). As at 30 June 2007, capital and reserves attributable to the Company's equity holders amounted to RMB1,675 million, representing an increase of RMB94 million from RMB1,581 million as at 31 December 2006.

As at 30 June 2007, the Group had outstanding bank loans amounting to RMB3,253 million, representing an increase of RMB443 million from RMB2,810 million as at 31 December 2006. Out of the outstanding bank loans, RMB1,900 million was payable within one year and RMB1,353 million was repayable beyond one year.

Similar to prior years, the Group recorded a net current liability position as at 30 June 2007 as a major portion of the bank financing consisted of short-term bank loans. Nevertheless, the Group did not experience any major problem in renewing its short-term bank loans upon their expiry.

The Group's gearing ratio based on total liabilities divided by total assets has increased from 72.6% as at 31 December 2006 to 73.5% as at 30 June 2007. The Group's net gearing ratio based on net debts (interest-bearing debts, net of cash and bank deposits, including pledged deposits) to equity (capital and reserves attributable to the Company's equity holders) has increased from 130% as at 31 December 2006 to 139% as at 30 June 2007. This increase is mainly due to an increase in bank borrowings to finance the working capital required for the Group's soda ash business operation which has just commenced around the end of 2005.

DETAILS OF THE CHARGES ON GROUP ASSETS

As at 30 June 2007, certain land use rights, plant and buildings and machinery and equipment with an aggregate carrying value of approximately RMB2,070 million (31 December 2006: RMB873 million) were pledged as security for loans of the Group totaling approximately RMB3,253 million (31 December 2006: RMB2,810 million).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2007.

NUMBER AND REMUNERATION OF EMPLOYEES

Including the Directors, as at 30 June 2007, the Group employed a total of approximately 4,177 full-time employees. The pay levels of the employees are commensurate with their responsibilities, performance and contribution.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2007, the interests and short positions of each Director, supervisor and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, 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 ("Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name	The Company/ name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage in the entire issued share capital of the Company/ associated corporation
Feng Guangcheng	The Company	Beneficial owner	384,000,000 domestic Shares (L) (Note 2)	53.27%

Notes:

1. The letter "L" represents the interests in the shares of the Company.

2. A total of 240,000,000 of these shares of the Company held by Mr. Feng were pledged to IFC. Pursuant to the loan agreement dated 26 June 2006 entered into between the Company as borrower and IFC as lender, IFC granted a loan to the Company which was secured by, among others, the pledge of 120,000,000 shares of the Company held by Mr. Feng to IFC. Details of the said loan agreement have been disclosed in the announcement of the Company dated 27 June 2006. On 28 September 2006, Mr. Feng, the Company and IFC entered into a share pledge agreement ("Second Share Pledge") pursuant to which Mr. Feng agreed to pledge an additional 120,000,000 shares held by him in the Company to IFC. Details of the said share pledge agreement has been disclosed in the announcement of the Company dated 3 October 2006. Discharge of the Second Share Pledge is being arranged but the relevant procedures therein have not been completed as at the date of this interim report.

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

As at 30 June 2007, the following persons and entities, other than a Director, supervisor or chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	**Number of H shares of the Company** (Note 1)	**Capacity**	**Approximate percentage of interest in the entire issued share capital of the Company**	**Approximate percentage in H shares of the Company**
International Finance Corporation ("IFC") (Note 2)	107,672,000 (L) 240,000,000 domestic shares (Note 4)	Beneficial owner	14.94%	33.56%
Mr. Michael James Burry (Note 3)	34,448,000 (L)	Beneficial owner	4.78%	10.73%
Scion Capital LLC (Note 3)	34,448,000 (L)	Investment manager	4.78%	10.73%
Scion Qualified Funds LLC (Note 3)	17,922,000 (L)	Beneficial owner	2.49%	5.58%

Notes:

1. The letter "L" represents the person's or the entity's interests in the shares of the Company.

2. According to the placee record as at 7 December 2006 kept by the Company and up to the date of this interim report, so far as is known to the Directors, the number of H shares which is held by IFC is 107,672,000 (long position and as beneficial owner), representing approximately 33.56% of the H shares of the Company in issue as at 30 June 2007 and approximately 14.94% of the total number of issued shares of the Company as at 30 June 2007. In the corporate substantial shareholder notice filed by IFC on 20 September 2006, it was set out that a total of 227,672,000 shares were then held by IFC. Of the said 227,672,000 shares, 120,000,000 shares are believed to be domestic shares pledged in favour of IFC by Mr. Feng Guangcheng at such time. As disclosed in note 2 above, as at 30 June 2007, a total of 240,000,000 domestic shares of the Company have been pledged to IFC by Mr. Feng Guangcheng, which represents 60% of the domestic shares of the Company as at 30 June 2007.

3. Mr. Michael James Burry was reported to be the direct controlling shareholder of Scion Capital LLC with a long position of 34,448,000 H shares of the Company. Scion Capital LLC was reported to be the direct controlling shareholder of (a) Scion Funds which had a long position of 3,608,000 H shares of the Company, (b) Scion Qualified Funds which had a long position of 17,922,000 H shares of the Company, (c) Scion Asian Opportunity Fund LLC which had a long position of 11,979,000 H shares of the Company, and (d) Scion Asian Opportunity Fund II LLC which had a long position of 939,000 H shares of the Company.

4. As disclosed in note 2 to "Directors', supervisors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" on page 35, discharge of the Second Share Pledge is being arranged but the relevant procedures therein have not been completed as at the date of this interim report.

5. As set out in the corporate substantial shareholder notice filed by Pacific Dragon Fund LLC on 22 September 2004, it has interests in 12,053,000 H shares of the Company (long position), representing 6.74% (as set out in the notice) of the then total number of H shares in the Company (the number of H shares in issue as disclosed in the notice is 178,713,000). 12,053,000 H shares represent 3.76% of the H shares of the Company in issue as at 30 June 2007, and represent 1.67% of the total issued shares of the Company as at 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2007. The board of Directors confirms that there were no deviations from or non-compliance with the code provisions of the Code during the period under review, except that the official position of the chief executive officer ("CEO") did not exist in the Group. Mr. Feng, who apart from being the major shareholder and chairman of the Company and the Group, also assumed responsibilities which are comparable to those of a CEO at the Group level. Mr. Feng was responsible for making decisions, executing the decisions of the board of Directors and overseeing the daily operations of the Group. Two different general managers were respectively in charge of the daily operations of the Group's two major divisions of business, being glass and soda ash, and reported to Mr. Feng. Mr. Feng was involved in the decision-making process of the two major business divisions. The division of responsibilities between the chairman and general managers has been clearly established and set out in writing under the Company's articles of association. The board of Directors believed that this structure can provide the Group with strong and consistent leadership and allow for more effective and efficient business planning and decisions as well as execution of long-term business strategies.

In connection with IFC's investment in the Company, the Company undertook to enhance the corporate governance of the Company and independence of the board of Directors by, among others, separating the roles of chairman and CEO, and limiting the representation of Mr. Feng's family on the board of Directors to Mr. Feng himself.

Mr. Chung Kwok Mo John ("Mr. Chung"), who used to be an executive Director and chief financial officer of the Company, resigned on 15 May 2007 due to personal reasons. Mr. Chung confirmed that he did not have any disagreement with the board of Directors, that there was nothing which need to be drawn to the shareholders' attention, and that there was no claim for any charges or compensations against the Company with regard to his resignation. Details of Mr. Chung's resignation were set out in an announcement issued by the Company dated 15 May 2007.

Pursuant to the relevant provisions of the articles of association of the Company, on 29 June 2007, Mr. Feng, Mr. Gao Huojin, Mr. Shen Guangjun and Ms. Hong Yumei were re-elected as executive Directors; Mr. Liu Jianguo was re-elected as a non-executive Director; Mr. Wang Yanmou, Dr. Li Jun and Mr. Su Gongmei were re-elected as independent non-executive Directors; and Mr. Xu Yuxiang, Mr. Lou Zhenrong and Mr. Fu Guohua were re-elected as supervisors of the Company, while Mr. Shi Guodong retired as an non-executive Director; Mr. Wang Herong retired as an independent non-executive Director; and Mr. Zhang Guoqing, Mr. Ni Daoxin, Mr. Mao Junchun and Mr. Yang Kuang retired as supervisors of the Company. All such Directors and supervisors retired at their own accord and there are no matters which need to be brought to the attention of the shareholders of the Company.

On 29 June 2007, Mr. Jiang Liqiang was approved to be appointed as a new executive Director; Mr. Xie Yong as a new non-executive Director; Mr. Zhou Guochun as a new independent non-executive Director; Mr. Fang Shengli, Mr. Xu Mingfeng and Mr. Mei Lingfeng as new shareholders representative supervisors of the Company. On 24 August 2007, Mr. Ji Peng was elected in a staff representative meeting of the Company as a new staff representative supervisor of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code under Appendix 10 to the Listing Rules. During the period under review, upon specific enquiry made on all Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

During the six months ended 30 June 2007, there were not any non-compliance with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules relating to the appointment of independent non-executive Directors and the establishment of an audit committee.

REVIEW BY AUDIT COMMITTEE

The 2007 interim results have been reviewed by the Company's audit committee, which comprises four independent non-executive Directors.

On behalf of the Board
Zhejiang Glass Company, Limited
Feng Guangcheng
Chairman

Zhejiang Province, the PRC
27 August 2007