浙江玻璃股份有限公司

Zhejiang Glass Company, Limited

Stock Code: 739

Interim Report 2008

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. FENG Guangcheng *(Chairman)*
Mr. GAO Huojin
Mr. SHEN Guangjun
Ms. HONG Yumei
Mr. JIANG Liqiang

Non-executive Directors
Mr. LIU Jianguo
Mr. XIE Yong

Independent non-executive Directors
Mr. WANG Yanmou
Dr. LI Jun
Mr. SU Gongmei
Mr. ZHOU Guochun

SUPERVISORS

Mr. XU Yuxiang
Mr. LOU Zhenrong
Mr. FU Guohua
Mr. FANG Shengli
Mr. XU Mingfeng
Mr. MEI Lingfeng
Mr. JI Peng

SHARE LISTING

Main Board of The Stock Exchange of
Hong Kong Limited
Stock Code: 739

AUDITORS

PricewaterhouseCoopers
PricewaterhouseCoopers Zhong Tian CPAs Limited Company

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

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Ruttonjee Centre
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Central
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COMPANY SECRETARIES

Ms. TAO Haiping
Mr. CHOW Yiu Ming

AUTHORISED REPRESENTATIVES

Mr. FENG Guangcheng
Ms. TAO Haiping

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of China (Hong Kong) Limited
Bank of Communications
China Construction Bank

INVESTOR RELATIONS CONSULTANT

Financial Dynamics Asia

INTERNET WEBSITE

www.zjglass.cn

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 2008 (the "Period"). The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the Period, and the consolidated balance sheet as at 30 June 2008 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 3 to 28 of this report.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2008
(Amounts expressed in Renminbi)

		Unaudited Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Revenue	3	**1,373,152**	1,016,332
Cost of sales		**(949,151)**	(794,542)
Gross profit		**424,001**	221,790
Other gains	8	**12,810**	5,042
Distribution and selling expenses		**(48,260)**	(30,028)
General, administrative and other operating expenses		**(36,578)**	(25,513)
Operating profit	4	**351,973**	171,291
Finance costs		**(71,808)**	(65,730)
Profit before income tax		**280,165**	105,561
Income tax expense	5	**(4,183)**	(5,279)
Profit for the period		**275,982**	100,282
Attributable to:			
Equity holders of the Company	6	**218,552**	95,973
Minority interests		**57,430**	4,309
		275,982	100,282
Basic and diluted earnings per share for profit attributable to the equity holders of the Company	6	**RMB0.298**	RMB0.133
Proposed interim dividends	7	**–**	–

The notes on pages 8 to 28 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2008 and 31 December 2007
(Amounts expressed in Renminbi)

	Note	30 June 2008 Unaudited RMB'000	31 December 2007 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**4,579,125**	4,072,023
Construction-in-progress	9	**2,077,309**	1,415,823
Land use rights	9	**188,350**	189,918
Deposits for land use rights	9	**2,000**	2,000
Intangible assets	9	**24,217**	25,039
Long-term prepayments		**30,000**	30,000
		6,901,001	5,734,803
Current assets			
Inventories		**442,647**	353,481
Prepayments, deposits, and other current assets		**146,819**	111,790
Bills receivable		**21,360**	64,264
Accounts receivable	10	**89,220**	93,916
Pledged deposits		**185,698**	82,240
Cash and cash equivalents		**932,115**	593,550
		1,817,859	1,299,241
Total assets		**8,718,860**	7,034,044
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**784,999**	720,833
Other reserves		**1,084,933**	775,082
Retained earnings		**725,415**	506,863
		2,595,347	2,002,778
Minority interests in equity		**324,749**	208,900
Total equity		**2,920,096**	2,211,678

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

As at 30 June 2008 and 31 December 2007

(Amounts expressed in Renminbi)

	Note	**30 June 2008** **Unaudited** **RMB'000**	31 December 2007 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowing	12	**2,016,000**	1,562,000
Long-term payables		**3,069**	6,292
Deferred tax liabilities		**55,156**	45,768
		2,074,225	1,614,060
Current liabilities			
Accounts payable	11	**871,501**	644,239
Bills payable		**552,066**	276,503
Accruals and other payables		**273,165**	266,433
Due to related parties	15	**5,498**	718
Deposits and advance from customers		**134,479**	261,112
Taxes payable		**21,784**	87,725
Current portion of long-term borrowing	12	**312,000**	107,000
Short-term borrowing	12	**1,554,046**	1,564,576
		3,724,539	3,208,306
Total liabilities		**5,798,764**	4,822,366
Total equity and liabilities		**8,718,860**	7,034,044
Net current liabilities		**1,906,680**	1,909,065
Total assets less current liabilities		**4,994,321**	3,825,738

The notes on pages 8 to 28 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008
(Amounts expressed in Renminbi)

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital	Share premium	Statutory surplus reserve (note a)	Other reserve	Retained profits	Proposed dividends	Minority interest	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
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
Balance at 1 January 2008	**720,833**	**453,486**	**165,869**	**155,727**	**506,863**	**–**	**208,900**	**2,211,678**
Issue of new shares	**64,166**	**284,270**	**–**	**–**	**–**	**–**	**–**	**348,436**
Net profit for the period	**–**	**–**	**–**	**–**	**218,552**	**–**	**57,430**	**275,982**
Capital contribution from a minority equity owner of a subsidiary	**–**	**–**	**–**	**25,581**	**–**	**–**	**58,419**	**84,000**
Balance at 30 June 2008	**784,999**	**737,756**	**165,869**	**181,308**	**725,415**	**–**	**324,749**	**2,920,096**

Note (a): No appropriations were made to the statutory surplus reserve by the Group for the Period. Such appropriations will be made at year end in accordance with the provisions of the People's Republic of China ("PRC") Company Law and the Company's articles of association.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2008
(Amounts expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net cash inflow from operating activities	**135,532**	199,135
Net cash used in investing activities	**(1,071,861)**	(403,367)
Net cash inflow from financing activities	**1,274,894**	373,793
Increase in cash and cash equivalents	**338,565**	169,561
Cash and cash equivalents at 1 January	**593,550**	538,574
Cash and cash equivalents at 30 June	**932,115**	708,135
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**932,115**	708,135

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 2007.

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 2008, the Group had net current liabilities of approximately RMB1,907 million (31 December 2007: RMB1,909 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 and it will be successful in obtaining such re-financing arrangements.

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 in an aggregated amount of United States dollar ("US$") 60 million, equivalent to approximately RMB412 million.

4. The Group is expected to derive sufficient operating cash flow in 2008 from its existing flat glass products, soda ash products, as well as from the sales of ultra-thick and other glass products to be produced by 2 production lines, with one newly put into use in early 2008 and one to be put into operation in late 2008.

1. **Basis of preparation** (continued)

5. On 21 June 2007, the Company entered into a capital subscription agreement with a third party, pursuant to which, the third party agrees to pay approximately RMB905 million as capital contribution made into Qinghai Soda Ash Company Limited ("QSAC"), a 75.48% subsidiary of the Company as at 30 June 2008, in return for 35% of equity interests in QSAC. Up to 30 June 2008, RMB384 million has been contributed by that third party. The Directors are confident that the transaction will be completed on schedule (as revised on 26 June 2008) and the remaining capital contribution of RMB521 million will be used to finance the capital expenditure of the construction of the phase two manufacturing facilities of QSAC.

In addition, the Directors would take relevant measures in 2008 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 adjusting the dividend pay-out ratio for 2008 and 2009.

In light of the above measures undertaken and the assumptions and conditions adopted in the preparation of cash flow projection of the Group for 2008, 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 adjustments 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 and estimates**

Except as described below, the accounting policies adopted and methods of computation used in the Interim Financial Information are consistent with those of the Group's annual financial statements for the year ended 31 December 2007, as described in those financial statements.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant to the Group's operations:

- HK(IFRIC) – Int 11, 'Scope of HKFRS 2 – Group and treasury share transactions';
- HK(IFRIC) – Int 12, 'Service concession arrangements'; and
- HK(IFRIC) – Int 14, 'HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

2. Accounting policies and estimates (continued)

The following new standards, amendments to the standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009, supersedes HKAS 14, 'Segment reporting' and requires a 'management approach', under which 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 is still in the process to assess the impact of HKFRS 8. The Group will apply HKFRS 8 from 1 January 2009;

- 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 Group is still in the process to assess the impact of the revised HKAS 23, however currently 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;

- HKFRS 2 Amendment, 'Share-based payment – Vesting conditions and cancellations', effective from 1 January 2009. This amendment is not relevant to the Group's operation as the Group does not have such schemes;

- HKFRS 3 Amendment, 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures;

- HKAS 1 Amendment, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard;

2. **Accounting policies and estimates** (continued)

- HKAS 32 Amendment, 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments;

- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group, as the Group does not operate any customer loyalty programmes.

- IFRS 1 and IAS 27 Amendment, 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The effects of changes in foreign exchange rates' and IAS 36 'Impairment of assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

Significant change in accounting estimates

During the Period, the management of the Group had reviewed the estimated useful lives of the property, plant and equipment employed by the Group and, with reference to the historical data and industry practice, revised them as follows:

	Before	**After**
Plant and buildings	20 to 25 years	25 years
Machinery and equipment	10 years	14 years to 18 years
Railways*	20 years	50 years

* In prior years, railways were categorised as plant and buildings.

The Directors are of the view that the revised useful lives will better reflect the actual employment status of the property, plant and equipment of the Group.

This change in accounting estimates is prospectively applied, with an effect by decreasing the cost of sales and increasing the profit before income tax for the Period of the Group by approximately RMB66,615,000, and increasing the profit for the Period of the Group by approximately RMB56,540,000.

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)					
	2008			2007		
	Glass RMB'000	**Soda Ash RMB'000**	**Total RMB'000**	Glass RMB'000	Soda Ash RMB'000	Total RMB'000
Total segment revenue	**888,858**	**643,975**	**1,532,833**	632,432	484,707	1,117,139
Inter-segment revenue	**–**	**(159,681)**	**(159,681)**	–	(100,807)	(100,807)
Revenue – external	**888,858**	**484,294**	**1,373,152**	632,432	383,900	1,016,332
Segment result	**39,590**	**303,562**	**343,152**	75,367	92,969	168,336
Interest income			**10,441**			4,918
Unallocated expenses – net			**(1,620)**			(1,963)
Operating profit			**351,973**			171,291
Finance costs			**(71,808)**			(65,730)
Profit before income tax			**280,165**			105,561
Income tax expense			**(4,183)**			(5,279)
Profit for the period			**275,982**			100,282

	30 June 2008 (unaudited)			31 December 2007		
	Glass RMB'000	**Soda Ash RMB'000**	**Total RMB'000**	Glass RMB'000	Soda Ash RMB'000	Total RMB'000
Assets						
Segment assets	**4,832,201**	**3,886,659**	**8,718,860**	3,985,325	3,048,719	7,034,044
Liabilities						
Segment liabilities	**617,652**	**1,243,910**	**1,861,562**	240,203	1,302,819	1,543,022
Unallocated liabilities			**3,937,202**			3,279,344
			5,798,764			4,822,366

3. **Segment information** (continued)

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

	Six months ended 30 June (unaudited)					
	2008			2007		
	Glass RMB'000	**Soda Ash RMB'000**	**Total RMB'000**	Glass RMB'000	Soda Ash RMB'000	Total RMB'000
Other information						
Capital expenditures	**604,002**	**720,528**	**1,324,530**	293,275	210,221	503,496
Depreciation	**93,832**	**43,125**	**136,957**	88,120	118,960	207,080
Amortisation of land use rights and intangible assets	**2,532**	**500**	**3,032**	2,567	410	2,977
Impairment losses	**18,343**	**–**	**18,343**	–	–	–

(b) Secondary reporting format – geographical segments

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

	Six months ended 30 June	
	2008 (unaudited) RMB'000	2007 RMB'000
Sales		
Zhejiang	**665,630**	442,705
Northwest China and Inner Mongolia	**156,639**	97,635
Shanxi, Henan and Hebei	**134,666**	122,193
Jiangsu	**99,263**	95,242
Shanghai	**67,617**	60,094
Anhui, Hubei and Hunan	**57,264**	29,255
Sichuan and Chongqing	**50,222**	28,843
Shandong	**42,716**	33,978
Guangdong and Fujian	**40,532**	28,225
Northeast China	**37,823**	42,184
Other regions in China	**15,982**	27,577
Overseas	**4,798**	8,401
	1,373,152	1,016,332

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

3. Segment information (continued)

(b) Secondary reporting format – geographical segments (continued)

	30 June 2008 (unaudited) RMB'000	31 December 2007 RMB'000
Total assets		
Zhejiang	**4,832,201**	3,985,325
Qinghai	**3,886,659**	3,048,719
	8,718,860	7,034,044
Capital expenditures		
Zhejiang	**604,002**	293,275
Qinghai	**720,528**	210,221
	1,324,530	503,496

Segment assets and segment capital expenditures are classified by where they are located.

4. Operating profit

Operating profit is stated after charging and crediting the following:

	(unaudited) Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Charging –		
Changes in inventories of finished goods and work in-progress	**(62,030)**	23,287
Raw materials and consumable used	**750,966**	541,238
Staff costs (including Directors' emoluments)		
– salaries, wages and related employee welfare expenses	**52,324**	38,777
– social security insurance contributions	**5,852**	5,184
– pension costs – defined contribution retirement scheme	**20**	21
	58,196	43,982
Depreciation of property, plant and equipment	**136,957**	207,080
Amortisation of land use rights and intangible assets	**3,032**	2,977
Impairment charge relating to property, plant and equipment	**18,343**	–
Operating lease rental of office premises	**454**	493
Crediting –		
Interest income on bank deposits	**10,441**	4,918

5. Taxation

The amount of taxation charged to the condensed consolidated interim income statement represents:

	(unaudited) Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC Corporate Income Tax ("CIT")	**1,951**	24,973
– over-provided CIT for previous year	**(7,156)**	–
Deferred taxation		
– deferred taxation recognised for/(reversal of) the temporary differences	**9,388**	(11,668)
– adjustment to deferred taxation arising from the impact of new PRC CIT Law coming into effect during the Period (a)	**–**	(8,026)
	4,183	5,279

(a) PRC CIT

During the Period, the Company and all its subsidiaries incorporated in the PRC are subject to CIT at a rate of 25% (2007: 33%) on their assessable profits, except QSAC.

Upon its establishment, QSAC was entitled to Enterprise Income Tax ("EIT") holiday that EIT is fully exempted 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 ("Preferential Treatment"). On 16 March 2007, the 10th National People's Congress of the PRC issued a new CIT Law of the PRC, which came into effect on 1 January 2008. According to transitional rules announced by the State Council in a circular, namely State Council Circular No. 39, and by the State Administration of Taxation in Circular No. (2008) 21, the Preferential Treatment for QSAC, which was granted by an Ethnics Minority Prefecture (民族自治州) in western China, is allowed to be carried forward to 31 December 2012.

5. **Taxation** (continued)

(a) *PRC CIT (continued)*

Pursuant to an approval from State Tax Bureau of Qinghai Province (document No. 青國稅函【2008】430) dated 8 August 2008, the Preferential Treatment of QSAC is deemed to start from 2004. Accordingly, QSAC is exempted from CIT for 2008 and subject to a reduced rate at 15% from 2009 to 2012.

Up to the date of the publication of the Interim Financial Information, QSAC has not yet obtained any affirmative advice from tax authorities regarding the applicable tax rate for 2013.

6. Basic and diluted earnings per share

The calculation of the basic earnings per share is based on the profit attributable to the shareholders of the Company for the Period of approximately RMB218,552,000 (six months ended 30 June 2007: RMB95,973,000) divided by the weighted average number of 732,467,000 shares in issue during the Period (six months ended 30 June 2007: 720,833,000).

The diluted earnings per share information was the same as basic earnings per share as above since there were no dilutive potential shares outstanding (six months ended 30 June 2007: same).

7. Dividends

At the meeting of the board of Directors held on 25 August 2008, the Directors proposed not to declare any interim dividend for the Period.

No final dividends were declared for the year ended 31 December 2007 at the annual general meeting of the Company on 27 June 2008.

8. Other gains

	Six months ended 30 June (unaudited)	
	2008	2007
	RMB'000	RMB'000
Interest income	**10,441**	4,918
Government grants	**2,696**	–
Others	**(327)**	124
	12,810	5,042

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 2008	4,072,023	1,415,823	189,918	2,000	25,039
Additions (unaudited)	38,430	1,285,458	642	–	–
Transfers (unaudited)	623,972	(623,972)	–	–	–
Depreciation/amortisation charge (unaudited)	(136,957)	–	(2,210)	–	(822)
Impairment charge (unaudited)	(18,343)	–	–	–	–
Closing net book amount as at 30 June 2008 (unaudited)	4,579,125	2,077,309	188,350	2,000	24,217
Opening net book amount as at 1 January 2007	2,908,462	1,501,350	142,405	8,869	26,187
Additions (unaudited)	6,471	489,396	5,305	2,000	324
Transfers (unaudited)	737,655	(737,655)	–	–	–
Depreciation/amortisation charge (unaudited)	(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

10. Accounts receivable

The aging analysis of accounts receivable is set out below:

	30 June 2008 (unaudited) RMB'000	31 December 2007 RMB'000
Current to under 6 months	**67,307**	83,870
6 to under 12 months	**18,046**	7,899
1 to under 2 years	**4,603**	4,848
2 to under 3 years	**3,202**	727
3 years or over	**846**	151
Provision made	**(4,784)**	(3,579)
Accounts receivable, net	**89,220**	93,916

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. Accounts payable

The aging analysis of accounts payable is set out below:

	30 June 2008 (unaudited) RMB'000	31 December 2007 RMB'000
Current to under 6 months	**552,437**	385,161
6 to under 12 months	**177,228**	158,454
1 to under 2 years	**108,030**	71,073
2 to under 3 years	**14,038**	18,934
3 years or over	**19,768**	10,617
Accounts payable	**871,501**	644,239

12. Borrowings

(a) *Repayment details of bank borrowings*

As at 30 June 2008, the bank borrowings were repayable as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 RMB'000
– Amounts repayable within 1 year	**1,866,046**	1,671,576
– Amounts repayable between 1 to 2 years	**272,000**	352,000
– Amounts repayable between 2 to 5 years	**864,000**	1,115,000
– Amounts repayable beyond 5 years	**880,000**	95,000
	3,882,046	3,233,576
Less: amounts repayable within 1 year (included in current liabilities)		
– Short-term bank borrowings	**(1,554,046)**	(1,564,576)
– Current portion of long-term bank borrowings	**(312,000)**	(107,000)
Long-term portion	**2,016,000**	1,562,000

All bank borrowings are interest-bearing at floating commercial rates which are subject to market changes. The effective interest rate as at 30 June 2008 was 8.68% and 7.08% per annum for Renminbi and US$ dominated loans, respectively (31 December 2007: 7.33% and 7.93% per annum). The carrying amounts of the borrowings approximate their fair value.

(b) *Related security and guarantee information*

As at 30 June 2008, security and guarantee information relating to the bank borrowings are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Unsecured	**2,000,000**	1,290,000
Secured (i)	**1,461,046**	1,498,776
Guaranteed (ii)	**421,000**	444,800
	3,882,046	3,233,576

12. **Borrowings** (continued)

(b) Related security and guarantee information (continued)

(i) Secured borrowing

	30 June 2008 RMB'000	31 December 2007 RMB'000
Secured by:		
Certain land use rights, property, plant and equipment with carrying values of approximately RMB1,866,138,000 (31 December 2007: RMB1,783,391,000)*	**1,049,500**	1,060,500
Pledge of 120,000,000 (31 December 2007: 120,000,000) domestic shares of the Company held by Mr. Feng Guangcheng ("Mr. Feng"), certain land use rights, property, plant and equipment of the Company with carrying values of RMB354,703,000 (31 December 2007: RMB362,937,000) and personal guarantee from Mr. Feng**	**411,546**	438,276
	1,461,046	1,498,776

* RMB257,500,000 (31 December 2007: RMB230,500,000) of these borrowings of the Group are, in addition to the pledged assets provided by the Group, jointly and severally guaranteed by Mr. Feng, his related parties and independent third parties.

12. **Borrowings** (continued)

(b) Related security and guarantee information (continued)

(ii) Guaranteed borrowing

	30 June 2008 RMB'000	31 December 2007 RMB'000
Guaranteed by:		
Independent third parties	**118,000**	169,000
Mr. Feng	**90,000**	40,000
A related party, Guangyu Group Co., Ltd. ("Guangyu")**	**30,000**	30,000
Jointly and severally guaranteed by:		
Mr. Feng, his related parties and independent third parties	**183,000**	205,800
	421,000	444,800

** Mr. Feng is a major shareholder of the Company and Guangyu is controlled by him. Please refer to Note 15 for further details.

In addition, approximately RMB300,000,000 and RMB1,850,000,000 (31 December 2007: RMB150,000,000 and RMB1,220,000,000) of short-term and long-term bank borrowings of non-wholly owned subsidiaries are guaranteed by the Company as at 30 June 2008.

12. Borrowings (continued)

(c) Loan covenants compliance

According to the provisions of the loan agreement of the IFC loan facility, the loans 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 2008, 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 outstanding IFC loan balance drawn down, amounting to US$49,092,000 (equivalent to approximately RMB336,727,000), in addition to approximately US$10,908,000 (equivalent to approximately RMB74,819,000) payable within one year according to the repayment schedule of the loan agreement, had been reclassified as short-term borrowing 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 such that, save for the amount payable within 2008 according to the repayment schedule of the loan agreement, the Company will not be required to repay, within 2008, the amount drawn down from the IFC loan facility up to 30 June 2008.

13. Share capital

	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	Number of shares		Nominal value	
			RMB'000	RMB'000
Authorised:				
Ordinary shares of RMB1 each	**784,999,000**	720,833,000	**784,999**	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	**384,999,000**	320,833,000	**384,999**	320,833
	784,999,000	720,833,000	**784,999**	720,833

On 22 May 2008, the Company and Cazenove Asia Limited, as the sole bookrunner and lead manager of a private placement of shares of the Company, entered into a placing agreement, pursuant to which the Company agreed to issue 64,166,000 new H shares at a nominal value of RMB1.00 each. Placing of such new H shares at a price of HK$6.05 per share was completed on 28 May 2008.

The total proceeds from the placement, net off the transaction costs, amounted to approximately RMB348,436,000. The share capital of the Company increased to RMB784,999,000, all pari passu.

14. Capital commitments for properties, plant and equipment

	30 June 2008 (Unaudited) RMB'000	31 December 2007 RMB'000
Authorised and contracted for:		
Construction of a soda ash plant (note (a))	**1,146,911**	1,208,658
Glass production investment projects (note (b))	**2,006,216**	2,472,683
	3,153,127	3,681,341

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

(a) *Construction of a 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. The commencement of the second phase was dependent on the progress of construction and the utilisation rate of the first phase.

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 revised to 900,000 tonnes 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 2008, approximately RMB883 million had been incurred for the second phase and the estimated total investment and outstanding commitment was estimated to be approximately RMB2,006 million and RMB1,147 million, respectively.

(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 with a registered capital of RMB50,000,000 in order to operate the project. Up to 30 June 2008, approximately RMB692 million had been spent in the project.

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

(b) Glass production investment projects (continued)

(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 2008, the Group had invested approximately RMB302 million into this project.

15. Related party transactions

The related parties with which the Group had transactions during the Period are set out below:

Mr. Feng	Substantial shareholder of the Company holding 48.92% of the equity interests
Guangyu	93% owned by Mr. Feng
Zhejiang Cement Company Limited ("ZCC")*	90.47% owned by Mr. Feng before 30 June 2007

* Before 30 June 2007, ZCC was 90.47% owned by Mr. Feng. Mr. Feng sold all his equity interests in ZCC to a third party and the transaction was completed on 30 June 2007. Accordingly, ZCC ceased to be a related party of the Group thereafter. The disclosed related party transactions in this note were thus made up to 30 June 2007.

15. Related party transactions (continued)

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

	Note	(Unaudited) Six months ended 30 June 2008 RMB'000	2007 RMB'000
Rental charged by Guangyu	(i)	–	249
Service fees earned from ZCC in relation to the provision of electricity voltage transforming services	(ii)	–	219

(i) 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. However, no rental has been paid to or charged by Guangyu for the Period as the said office space was not available for use by the Group throughout the Period.

(ii) 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 its share of electricity charges (the "Electricity Charges") with the local electricity bureau. ZCC was 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.

15. Related party transactions (continued)

(b) Balances with related parties are as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 RMB'000
Payables to Guangyu	**498**	718
Payables to a key management personnel	**5,000**	–
Maximum balance of receivables from ZCC**	**–**	27,299

** Disclosed maximum balance of receivables from ZCC was for the period during which ZCC was a related company of the Group.

The balances with related parties are unsecured, non-interest bearing and are repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a vertically integrated industrial raw material manufacturer, principally engaged in producing soda ash and flat glass. The upstream soda ash business produces soda ash for the Group's glass business as well as selling to other glass makers and for the use of metallurgical, chemical and various other industries. The downstream glass business produces and sells high quality float flat glass and processed glass for the construction sector, automotive as well as electronics industries.

The Group currently operates one soda ash production line in Qinghai Province, and nine flat glass production lines and thirteen glass processing lines for the production of value-added glass products, namely mirror glass, tempered glass, insulating glass, laminated glass and low-E glass in Zhejiang Province.

During the Period, raw materials and oil prices continue to soar which in turn creates negative impact to the business environment for most manufacturers in China. Nevertheless, our vertically integrated business model has brought into play, especially from our upstream soda ash business, and has led the Group to maintain robust growth on its financial performance. Overall, the Group has recorded a net attributable profit of approximately RMB219 million during the Period, a remarkable 127.7% increase as compared to the same period last year.

Business Review

Soda ash business

According to the statistics of National Bureau of Statistics of China ("NBSC"), soda ash output in China was about 9.67 million tonnes in the first half of 2008, representing a 15.8% increase as compared with the same period of 2007. According to the statistics of the China Building Materials Industry Association ("CBMIA"), during the first half of 2008, the market price of soda ash increased by 33% year-on-year from the corresponding period of 2007 to approximately RMB1,990 per tonne (CIF and inclusive of value-added-tax).

QSAC has its second phase construction in progress. The second phase facilities are expected to add an annual production capacity of 1,200,000 tonnes to the Group and will further enhance the synergies of vertical integration. First phase of QSAC's production facility with an annual capacity of 1,200,000 tonnes has already reached full production capacity during the Period.

During the Period, the soda ash plant produced about 562,000 tonnes of output. In the first half of 2008, revenue from external customers of the soda ash business recorded RMB484 million (first half of 2007: RMB384 million), and accounted for 35% of the Group's turnover. Average FOB selling price of the Group's soda ash (exclusive of value-added-tax) was approximately RMB1,400 per tonne. The Group's soda ash products sold for between RMB1,850 and RMB2,050 per tonne CIF and inclusive of value-added-tax during the Period.

In the first half of 2008, light soda ash (with lower density), which is widely used in production of detergent, alumina and monosodium glutamate, accounted for 24% of QSAC's sales volume, while dense soda ash (with higher density), which is used in glass production, accounted for the remaining 76%.

Glass business

Flat glass

The growth of national flat glass output has steadily accelerated in the first six months of 2008. According to the statistics published by NBSC, the actual output of flat glass in China in the first half of 2008 recorded approximately 275 million weight cases, representing an increase of 12.2% from that in the corresponding period of 2007. According to the statistics of the CBMIA, the average sales/production ratio of 42 major flat glass manufacturers in China was approximately 95% during the Period (first half of 2007: 93%).

In the first half of 2008, including the ninth flat glass production line (which is capable of making over 15mm ultra-thick flat glass) commenced operation at end of March 2008, the Group's nine (2007: eight) flat glass production lines with an aggregate daily melting capacity of 4,500 tonnes (2007: 3,700 tonnes) were in operation. The Group produced approximately 11 million weight cases (first half of 2007: 7.9 million weight cases), or approximately 550,000 tonnes (first half of 2007: 395,000 tonnes), of flat glass and achieved a sales/production ratio of approximately 94% (first half of 2007: about 96%). Sales of flat glass amounted to RMB802 million (first half of 2007: RMB535 million), and accounted for 59% (first half of 2007: 53%) of the Group's turnover.

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

During the Period, the average selling price of flat glass is steadily rising and increased by about 8% year-on-year from the corresponding period of 2007 to RMB78 per weight case (first half of 2007: RMB72 per weight case).

During the first half of 2008, the price of heavy oil, the major fuel for flat glass production, kept increasing and remained high. The average cost of heavy oil grew by about 40% year-on-year as compared to the corresponding period of 2007 to approximately RMB4,330 per tonne (tax inclusive). 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 unit cost of flat glass has increased by 13% year-on-year from the corresponding period of 2007 to RMB71 per weight case in the first half of 2008 (first half of 2007: RMB63 per weight case).

The average market price of soda ash, a key raw material for manufacturing flat glass, increased by 27% year-on-year from the corresponding period of 2007 to approximately RMB1,900 per tonne (inclusive of value-added-tax and transportation cost). The costs of other major raw materials for the business operation of the Group remain high.

Processed glass

In the first half of 2008, the Group processed about 3% of its flat glass output into higher margin processed glass products (first half of 2007: 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 2008.

The Group sold approximately 1.31 million sq.m. (first half of 2007: 2.35 million sq.m.) of processed glass products at an average selling price of RMB67 per sq.m. (first half of 2007: RMB41 per sq.m.), achieving a turnover of RMB87 million (first half of 2007: RMB97 million). Sales of processed glass accounted for 6% of the Group's turnover (first half of 2007: 9%).

Financial Review

During the Period, the profit margin of our soda ash business has improved further given we enjoy the economies of scale, the cheaper raw material costs in the western region of China, as well as the increase in market price of soda ash. On the other hand, the increase in raw material costs and heavy oil price has reduced the profit margin of our glass business. Overall, the Group recorded an attributable profit of RMB219 million in the first half of 2008, as compared to RMB96 million in the same period of 2007. Turnover increases by 35% year-on-year to RMB1,373.2 million (first half of 2007: RMB1,016.3 million).

During the Period, the management of the Group had reviewed the estimated useful lives of the property, plant and equipment employed by the Group and, with reference to the historical data and industry practice, revised them. This change in accounting estimates is prospectively applied, with an effect by decreasing the cost of sales and increasing the profit before income tax for the Period of the Group by approximately RMB66.6 million, and increasing the profit for the Period of the Group by approximately RMB56.5 million.

During the first half of 2008, the gross profit margin was 30.9%, of which an increase of 4.9 percentage points was attributable to the change in accounting estimates as stated above, compared with 21.8% in the corresponding period last year.

The Group's average inventory turnover for the six months ended 30 June 2008 increased to 77 days from 59 days for the year ended 31 December 2007.

Outlook

Soda ash business

In the first half of 2008, the Group has continued to construct the second phase soda ash plant and is expected to complete in early 2009. When both phases are in operation, it is expected that the Group will be able to produce approximately 2.4 million tonnes of soda ash a year. The Company expects that it will further achieve economies of scale and will enhance the Group's position as a major industry player.

In 2008, QSAC is expected to produce about 1.1 to 1.2 million tonnes of soda ash. The operating profit margin of the soda ash business is expected to remain high given the price of soda ash is still stably high.

Glass business

Flat glass

In 2008, the flat glass industry is expected to be tough due to the high production cost attributable to the high raw material costs and oil price. The profit margin of flat glass has been reduced even though the selling price thereof is still in a steadily rising trend. Meanwhile, supported by China's rapid industrialisation and urbanisation 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 another new ultra-thick flat glass production lines commencing commercial operation in the fourth quarter in 2008, the total production capacity can be enhanced further and helps 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 high 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.

OTHER INFORMATION

INTERIM DIVIDEND

At the meeting of the board of Directors held on 25 August 2008, the Directors have resolved not to declare any interim dividend for the Period.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

Capital expenditure of the Group amounted to approximately RMB1,324.5 million for the Period. Capital expenditure was mainly for the construction of 2 new flat glass production lines in Zhejiang Province and the second soda ash production line in Qinghai Province. As at 30 June 2008, the Group had total capital commitment of approximately RMB3.2 billion, which was mainly related to the investment in the construction of the second soda ash production line in Qinghai Province (approximately RMB1.2 billion) and the proposed investment in the construction of several glass production lines in Zhejiang Province (approximately RMB2 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. The Group did not have any significant contingent liabilities during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

On 22 May 2008, the Company entered into a placing agreement with Cazenove Asia Limited (as the sole bookrunner and lead manager), pursuant to which the Company agreed to sell, and the sole bookrunner and lead manager agreed to procure, on a best effort basis, the independent professional, institutional and other investors to subscribe up to 64,166,000 newly issued H shares at the price of HK$6.05 per share. The placing of 64,166,000 new H shares pursuant to the placing agreement was completed on 28 May 2008 and the net proceeds of approximately HK$382 million (equivalent to approximately RMB348 million) was received. Details of the placing were disclosed in the Company's announcements dated 22 May 2008 and 28 May 2008.

As at 30 June 2008, the Group's cash and cash equivalents balance amounted to RMB932.1 million, as compared to RMB593.6 million as at 31 December 2007. In addition, the Group had pledged deposits of RMB185.7 million as at 30 June 2008 (31 December 2007: RMB82.2 million). As at 30 June 2008, capital and reserves attributable to the Company's equity holders amounted to RMB2,595.3 million, representing an increase of RMB592.5 million from RMB2,002.8 million as at 31 December 2007.

As at 30 June 2008, the Group had outstanding bank loans amounting to RMB3,882 million, representing an increase of RMB648.4 million from RMB3,233.6 million as at 31 December 2007. Out of the outstanding bank loans, RMB1,866 million was payable within one year and RMB2,016 million was repayable beyond one year.

Similar to prior years, the Group recorded a net current liability position as at 30 June 2008 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 (total borrowing net of cash and pledged deposits ("Net Debt") divided by total capital, total capital is calculated as total equity plus Net Debt) decreased from 54% as at 31 December 2007 to 49% as at 30 June 2008. The net-debt-to-equity-ratio (Net Debt divided by total equity) decreased from 116% as at 31 December 2007 to 95% as at 30 June 2008.

EXCHANGE RATE RISK

During the Period, most of the Group's businesses were settled in Renminbi, which is not freely convertible into foreign currencies. The Group's export business, which was conducted in foreign currencies, accounted for an insignificant portion of the Group's turnover. The purchase of materials from abroad also accounted for a very small portion of the Group's total materials purchased in value. The Group's borrowings were also predominantly denominated in Renminbi, except for the borrowing from IFC which is denominated in US$. The Group neither entered into any foreign exchange forward contracts nor adopted other hedging instruments to hedge against possible exchange rate fluctuations during the Period. Management expects the movement of Renminbi spot rates against the US$ will remain stable and therefore, the exposure to the Group arising from adverse fluctuations in exchange rates would not be significant.

DETAILS OF THE CHARGES ON GROUP ASSETS

As at 30 June 2008, certain land use rights, plant and buildings and machinery and equipment with an aggregate carrying value of approximately RMB2,221 million (31 December 2007: RMB2,146 million) were pledged as security for loans of the Group totaling approximately RMB1,461 million (31 December 2007: RMB1,499 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 Period.

NUMBER AND REMUNERATION OF EMPLOYEES

Including the Directors, as at 30 June 2008, the Group employed a total of approximately 6,560 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 2008, the interests and short positions of each Director, supervisor and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of the 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 (including interests and short positions which he was taken or deemed to have under such provisions 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 ("Mr. Feng")	The Company	Beneficial owner	384,000,000 domestic shares (L) (Note 2)	48.92%

Notes:

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

2. A total of 120,000,000 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 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. On 17 August 2007, the Company has received written confirmation from IFC that the condition for the discharge of security under the share pledge agreement dated 28 September 2006 has been satisfied and that the security under the said share pledge agreement be discharged. For the purpose of completing the relevant procedures of the said discharge, the discharge of security of 120,000,000 shares held by Mr. Feng under the said share pledge agreement was subsequently put on record with the relevant government authorities in the PRC including the Ministry of Commerce of the PRC, and came into effect on 14 September 2007. Details of the said discharge of security has been disclosed in the announcement of the Company dated 20 September 2007.

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

As at 30 June 2008, 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 SFO:

Name of shareholder	Number of H shares of the Company (Note 1)	Capacity	Approximate percentage of interest (H shares) in the entire issued share capital of the Company	Approximate percentage of interest (H shares) in H shares of the Company
IFC (Note 2)	107,672,000 (L) 120,000,000 (L) (domestic shares)	Beneficial owner	13.72%	27.97%
Mr. Michael James Burry (Note 3)	31,226,000 (L)	Beneficial owner	3.98%	8.11%
Scion Capital LLC (Note 3)	31,226,000 (L)	Investment manager	3.98%	8.11%
Scion Qualified Funds LLC	25,762,000 (L)	Investment manager	3.28%	6.69%

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 27.97% of the H shares of the Company in issue as at 30 June 2008 and approximately 13.72% of the total number of issued shares of the Company as at 30 June 2008. 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 at such time. As disclosed in note 2 on page 37, as at 30 June 2008, a total of 120,000,000 domestic shares of the Company have been pledged to IFC by Mr. Feng, which represents 30% of the domestic shares of the Company as at 30 June 2008.

3. Mr. Michael James Burry was reported to be the direct controlling shareholder of Scion Capital LLC with a long position of 31,226,000 H shares of the Company. Scion Capital LLC was reported to be the direct controlling shareholder of (a) Scion Funds LLC which had a long position of 5,464,000 H shares of the Company, and (b) Scion Qualified Funds which had a long position of 25,762,000 H shares of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the code provisions in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules for the Period. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms on less exacting than the required standard set out in the Model Code under Appendix 10 to the Listing Rules. During the Period, 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 Period, 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

This interim report has been reviewed by the Company's audit committee, which comprises four independent non-executive Directors.

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

Zhejiang Province, the PRC
25 August 2008