CHINA GLASS HOLDINGS LIMITED
中 國 玻 璃 控 股 有 限 公 司*

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

2008
Interim Report

* For identification purposes only

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Cheng *(Chairman)*
Mr. Zhang Zhaoheng *(Chief Executive Officer)*
Mr. Li Ping
Mr. Cui Xiangdong

Non-Executive Directors

Mr. Zhao John Huan
Mr. Liu Jinduo
Mr. Eddie Chai
Mr. Guo Wen (Resigned on 22 July 2008)

Independent Non-Executive Directors

Mr. Song Jun
Mr. Sik Siu Kwan
Mr. Zhang Baiheng

SENIOR MANAGEMENT

Mr. Lu Guo
Mr. Ge Yankai
Mr. Yang Hongfu
Mr. Cheng Xin
Mr. Lau Ying Kit *(Qualified Accountant and Company Secretary)*
Mr. Wang Jianxun

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Hong Kong

As to the People's Republic of China (the "PRC") Law
Commerce & Finance

As to Bermuda and British Virgin Islands Laws
Appleby Spurling Hunter

As to Cayman Islands Law
Walkers SPV Limited

PRINCIPAL BANKERS

Standard Chartered Bank
Industrial and Commercial Bank of China
Bank of Communications
Bank of China
China Bohai Bank
Agricultural Bank of China

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

STOCK CODE

Hong Kong Stock Exchange 3300

Consolidated income statement

for the six months ended 30 June 2008 - unaudited

(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Turnover	4	**1,221,587**	883,023
Cost of sales		**(1,080,923)**	(750,483)
Gross profit		**140,664**	132,540
Other revenue		**7,059**	6,103
Other net loss		**(858)**	(838)
Distribution costs		**(39,207)**	(33,220)
Administrative expenses		**(80,183)**	(64,157)
Profit from operations	4	**27,475**	40,428
Share of losses of an associate		**(5,646)**	—
Excess of the net fair value of the acquired net assets over cost		**—**	26,071
Gain from issuance of shares by subsidiaries		**—**	5,646
Finance costs	5	**(15,873)**	(40,215)
Profit before taxation	5	**5,956**	31,930
Income tax	6	**5,537**	11,514
Net profit for the period		**11,493**	43,444
Attributable to:			
Equity shareholders of the Company		**(22,240)**	48,182
Minority interests		**33,733**	(4,738)
Net profit for the period		**11,493**	43,444
Basic and diluted (loss)/earnings per share (RMB)	8	**(0.053)**	0.127

The notes on pages 8 to 43 form part of this interim financial report.

Consolidated balance sheet

at 30 June 2008 - unaudited

(Expressed in RMB)

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	9	**1,981,963**	1,971,995
Lease prepayments	10	**253,911**	255,891
Intangible assets	11	**112,532**	116,388
Interest in an associate	12	**57,245**	63,828
Available-for-sale investment		**1,000**	1,000
Goodwill	13	**14,113**	14,113
Deferred tax assets	23	**45,748**	41,912
		2,466,512	2,465,127
Current assets			
Inventories	14	**405,202**	344,159
Trade and other receivables	15	**366,188**	388,887
Cash and cash equivalents	16	**229,930**	355,855
Assets classified as held-for-sale	17	**4,413**	4,413
		1,005,733	1,093,314
Current liabilities			
Trade and other payables	18	**1,221,610**	1,194,627
Bank and other loans	19(a)	**196,878**	225,960
Income tax payable		**1,245**	5,286
		1,419,733	1,425,873
Net current liabilities		**(414,000)**	(332,559)
Total assets less current liabilities		**2,052,512**	2,132,568

The notes on pages 8 to 43 form part of this interim financial report.

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Non-current liabilities			
Bank and other loans	19(b)	**35,000**	35,000
Amount due to a related company	20	**35,063**	37,695
Unsecured notes	21	**664,534**	705,006
Deferred tax liabilities	23	**63,597**	70,827
		798,194	848,528
NET ASSETS		**1,254,318**	1,284,040
CAPITAL AND RESERVES			
Share capital	24	**43,856**	43,856
Reserves	24	**526,588**	565,821
Total equity attributable to equity shareholders of the Company		**570,444**	609,677
Minority interests	24	**683,874**	674,363
TOTAL EQUITY		**1,254,318**	1,284,040

The notes on pages 8 to 43 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2008 - unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Total equity at 1 January		**1,284,040**	522,724
Issuance of shares		**—**	151,778
Share issue expenses		**—**	(10,216)
Contributions from minority interests		**27,167**	77,190
(Decrease)/increase in minority interests through acquisitions of subsidiaries and minority interests		**(52,912)**	309,666
Issuance of convertible notes		**—**	33,203
Increase in minority interests through conversion of convertible notes		**—**	76,397
Equity settled share-based transactions		**3,652**	—
Net profit for the period		**11,493**	43,444
Dividends approved during the period	7(b)	**(22,938)**	—
Exchange differences on translation into presentation currency		**3,816**	173
Total equity at 30 June		**1,254,318**	1,204,359

The notes on pages 8 to 43 form part of this interim financial report.

Condensed consolidated cash flow statement

for the six months ended 30 June 2008 - unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Cash generated from operations	**64,518**	76,484
PRC Income Tax paid	**(9,479)**	(437)
Hong Kong Profits Tax paid	**(91)**	—
Net cash generated from operating activities	**54,948**	76,047
Net cash used in investing activities	**(117,898)**	(174,219)
Net cash (used in)/generated from financing activities	**(54,791)**	297,362
Net (decrease)/increase in cash and cash equivalents	**(117,741)**	199,190
Cash and cash equivalents at 1 January	**355,855**	67,275
Effect of foreign exchange rate changes	**(8,184)**	(706)
Cash and cash equivalents at 30 June	**229,930**	265,759

The notes on pages 8 to 43 form part of this interim financial report.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 26 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2008 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's independent review report to the Board of Directors (the "Directors") of the Company is included on page 44.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 April 2008.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The Directors have determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2008, on the basis of HKFRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2008 which have been reflected in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 30) except for HKFRS 3 (revised March 2008), *Business combinations*, which applies to business combinations for which the acquisition date is on or after the beginning of the first annual accounting period on or after 1 July 2009; and HKAS 27 (revised March 2008), *Consolidated and separate financial statements*, which is effective for accounting periods beginning on or after 1 July 2009.

(a) Summary of the effect of changes in the accounting policies

(i) Effect on net profit for the six months ended 30 June 2008 (estimated)

In respect of the six months ended 30 June 2008, the following table provides estimates of the extent to which the net profit/loss for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

		Six months ended 30 June 2008		
Effect of new policy (increase/(decrease))	***Note***	**Equity shareholders of the Company RMB'000**	**Minority interests RMB'000**	**Total RMB'000**
HKFRS 3 (revised March 2008) and HKAS 27 (revised March 2008)				
Consolidation procedures for changes in the Group's ownership interests in subsidiaries	3(b)	**(839)**	**(5,890)**	**(6,729)**
Effect on basic and diluted loss per share (RMB)		**(0.002)**		

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Summary of the effect of changes in the accounting policies (continued)

(ii) Effect on amounts recognised as capital transactions with the equity shareholders for the six months ended 30 June 2008 (estimated)

In respect of the six months ended 30 June 2008, the following table provides estimates of the extent to which the amounts recorded as capital transactions with the equity shareholders (excluding the effect on retained profits) are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

		Six months ended 30 June 2008		
Effect of new policy (increase/(decrease))	***Note***	**Equity shareholders of the Company RMB'000**	**Minority interests RMB'000**	**Total RMB'000**
HKFRS 3 (revised March 2008) and HKAS 27 (revised March 2008)				
Consolidation procedures for changes in the Group's ownership interests in subsidiaries	3(b)	**(3,427)**	**9,929**	**6,502**

(b) Consolidation procedures for changes in the Group's ownership interests in subsidiaries (HKFRS 3 (revised March 2008) and HKAS 27 (revised March 2008))

In prior years, changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as follows:

- Increase in the Group's ownership interests in a subsidiary

  The excess of the cost of a business combination over the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities was recorded as goodwill. Any excess of the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination was recognised immediately in the consolidated income statement.

- Decrease in the Group's ownership interests in a subsidiary

  The surplus or deficit between the proceeds on the Group's disposal of a portion of its interests in a subsidiary and the share of the carrying amount of the subsidiary's net assets disposed was recorded as gain or loss, respectively, in the consolidated income statement.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(b) Consolidation procedures for changes in the Group's ownership interests in subsidiaries (HKFRS 3 (revised March 2008) and HKAS 27 (revised March 2008)) (continued)

- Issuance of additional shares by a subsidiary

  The issuance of additional shares by a subsidiary may result in a reduction of the Group's interest in the subsidiary. The Group recognised gain or loss in the consolidated income statement based on the Group's share of the carrying amount of the subsidiary's net assets immediately before and after the issuance of additional shares by the subsidiary.

In preparation of the Group's interim financial report for the six months ended 30 June 2008, the Group has early adopted HKFRS 3 (revised March 2008) and HKAS 27 (revised March 2008). Under the Group's new accounting policies, changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions between equity shareholders in their capacity as equity shareholders).

The new accounting policies have been applied prospectively for changes in the Group's ownership interests in a subsidiary on or after 1 January 2008 in accordance with the transitional arrangements under HKFRS 3 (revised March 2008) and HKAS 27 (revised March 2008). As a result, comparative amounts have not been restated. This change has decreased the Group's net profit for the six months ended 30 June 2008 by RMB6.73 million and has decreased the Group's net assets as at 30 June 2008 by RMB0.23 million.

4 SEGMENT REPORTING

The analysis of the geographical location of the operations of the Group during the period was as follows:

For the six months ended 30 June	The People's Republic of China (the "PRC")		Overseas		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover	**861,521**	546,032	**360,066**	336,991	**1,221,587**	883,023
Segment results	**101,080**	69,449	**12,734**	38,816	**113,814**	108,265
Unallocated operating income and expenses					**(86,339)**	(67,837)
Profit from operations					**27,475**	40,428

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**47,345**	30,445
Finance charges on convertible notes	**—**	1,559
Bank charges and other finance costs	**5,467**	5,790
Total borrowing costs	**52,812**	37,794
Less: amounts capitalised	**(520)**	(1,148)
Net borrowing costs	**52,292**	36,646
Net foreign exchange (gain)/loss	**(36,419)**	3,569
	15,873	40,215
Staff costs: #		
Salaries, wages and other benefits	**79,348**	51,206
Contributions to defined contribution retirement plans	**9,005**	6,582
Equity settled share-based payment expenses (see Note 22)	**3,652**	—
	92,005	57,788

5 PROFIT BEFORE TAXATION (continued)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Other items:		
Cost of inventories #	**1,080,923**	750,483
Depreciation and amortisation #	**89,475**	70,779
Impairment loss on trade and other receivables	**2,888**	2,875
Operating lease charges in respect of #		
- land	**346**	364
- plant and buildings	**1,196**	1,003
- motor vehicles	**400**	418
Research and development costs	**624**	562
Net (gain)/loss on disposal of property, plant and equipment	**(300)**	26
Interest income	**3,098**	4,967

Cost of inventories includes RMB132.0 million for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB92.7 million), relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6 INCOME TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Provision for income tax on the estimated taxable profits for the period		
- Hong Kong Profits Tax	**47**	—
- PRC Income Tax	**5,482**	3,142
Deferred taxation (Note 23)	**(11,066)**	(14,656)
	(5,537)	(11,514)

The provision of Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2007: 17.5%) of the estimated assessable profits of a subsidiary of the Group incorporated in Hong Kong Special Administrative Region ("Hong Kong SAR") for the six months ended 30 June 2008.

The Company and its subsidiaries incorporated in countries other than the PRC and Hong Kong SAR are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

6 INCOME TAX (continued)

The subsidiaries of the Group established in the PRC (the "PRC subsidiaries") were subject to PRC Enterprise Income Tax rate ranging from 18% to 25% for the six months ended 30 June 2008 (six months ended 30 June 2007: 15% to 33%). Certain PRC subsidiaries are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprises with foreign investment in the PRC, the PRC subsidiaries obtained approval from the respective tax bureau that they are entitled to a 100% relief from PRC Enterprise Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries will change to 25% with effect 1 January 2008 or gradually increase to 25% over a five-year period if the PRC subsidiary is currently enjoying a preferential tax rate of below 25%. The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 30 June 2007 and 31 December 2007.

7 DIVIDENDS

(a) Dividends attributable to the interim period

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: RMBNil).

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2007, approved during the following interim period, of HK$0.0614 per ordinary share (year ended 31 December 2006: HK$Nil per ordinary share)	**22,938**	—

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the six months ended 30 June 2008 is based on the net loss attributable to the equity shareholders of the Company of RMB22,240,000 (six months ended 30 June 2007: net profit attributable to the equity shareholders of the Company of RMB48,182,000) and the weighted average number of 416,000,000 ordinary shares (six months ended 30 June 2007: 379,878,000 ordinary shares) in issue during the six months ended 30 June 2008.

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares as at 30 June 2007 and 2008.

9 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2007	351,272	739,245	5,927	19,741	1,116,185
Additions	1,307	5,345	1,605	250,348	258,605
Additions through acquisitions of subsidiaries	501,157	874,920	9,226	32,014	1,417,317
Adjustment to fair value in connection with the acquisition of additional equity interests in a subsidiary	323	1,033	(11)	—	1,345
Transfer in/(out)	51,522	176,142	—	(227,664)	—
Disposals	—	(9,363)	(485)	—	(9,848)
At 31 December 2007	905,581	1,787,322	16,262	74,439	2,783,604
Accumulated depreciation:					
At 1 January 2007	52,223	218,460	1,815	—	272,498
Additions through acquisitions of subsidiaries	104,821	293,793	2,454	—	401,068
Adjustment to fair value in connection with the acquisition of additional equity interests in a subsidiary	(307)	(2,450)	(192)	—	(2,949)
Charge for the year	25,836	119,392	2,019	—	147,247
Written back on disposals	—	(5,905)	(350)	—	(6,255)
At 31 December 2007	182,573	623,290	5,746	—	811,609
Net book value:					
At 31 December 2007	723,008	1,164,032	10,516	74,439	1,971,995
Cost:					
At 1 January 2008	**905,581**	**1,787,322**	**16,262**	**74,439**	**2,783,604**
Additions	**3,292**	**24,525**	**3,497**	**61,671**	**92,985**
Transfer in/(out)	**—**	**61,638**	**—**	**(61,638)**	**—**
Disposals	**—**	**(15,939)**	**(1,108)**	**—**	**(17,047)**
At 30 June 2008	**908,873**	**1,857,546**	**18,651**	**74,472**	**2,859,542**
Accumulated depreciation:					
At 1 January 2008	**182,573**	**623,290**	**5,746**	**—**	**811,609**
Charge for the period	**12,912**	**68,346**	**1,273**	**—**	**82,531**
Written back on disposals	**—**	**(15,931)**	**(630)**	**—**	**(16,561)**
At 30 June 2008	**195,485**	**675,705**	**6,389**	**—**	**877,579**
Net book value:					
At 30 June 2008	**713,388**	**1,181,841**	**12,262**	**74,472**	**1,981,963**

At 30 June 2008, property certificates of certain properties with an aggregate net book value of RMB338.7 million (31 December 2007: RMB349.3 million) are yet to be obtained.

10 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2007	113,277
Additions through acquisitions of subsidiaries	199,038
Adjustment to fair value in connection with the acquisition of additional equity interests in a subsidiary	4,027
Disposals	(49,732)
At 31 December 2007	266,610
Accumulated amortisation:	
At 1 January 2007	4,169
Additions through acquisitions of subsidiaries	6,302
Charge for the year	5,941
Disposals	(5,693)
At 31 December 2007	10,719
Net book value:	
At 31 December 2007	255,891
Cost:	
At 1 January 2008	**266,610**
Additions	**1,108**
At 30 June 2008	**267,718**
Accumulated amortisation:	
At 1 January 2008	**10,719**
Charge for the period	**3,088**
At 30 June 2008	**13,807**
Net book value:	
At 30 June 2008	**253,911**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 30 June 2008, land use right certificates of certain land use rights with an aggregate carrying value of RMB60.3 million (31 December 2007: RMB61.1 million) are yet to be obtained.

11 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2007	—
Additions through acquisition of a subsidiary	123,739
At 31 December 2007 and 30 June 2008	**123,739**
Accumulated amortisation:	
At 1 January 2007	—
Additions through acquisition of a subsidiary	924
Charge for the year	6,427
At 31 December 2007	**7,351**
Charge for the period	**3,856**
At 30 June 2008	**11,207**
Net book value:	
At 31 December 2007	116,388
At 30 June 2008	**112,532**

12 INTEREST IN AN ASSOCIATE

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Share of net assets	**57,245**	63,828

The following contains the particulars of the Group's associate, which is an unlisted entity:

Name of associate	Place of establishment	Particulars of registered and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Taicang Pilkington China Glass Special Glass Limited ("Taicang Special Glass")	PRC	Registered and paid-up capital of USD16,700,000	50.00%	—	50.00%	Production, marketing and distribution of glass and glass products

Summary financial information on the Group's associate, not adjusted for the percentage ownership held by the Group:

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Net loss RMB'000
31 December 2007				
Taicang Special Glass	238,392	110,736	127,656	—
30 June 2008				
Taicang Special Glass	**447,659**	**331,295**	**116,364**	**11,292**

13 GOODWILL

	RMB'000
Cost:	
At 1 January 2007, 31 December 2007 and 30 June 2008	**14,113**
Accumulated impairment losses:	
At 1 January 2007, 31 December 2007 and 30 June 2008	**—**
Carrying amount:	
At 31 December 2007 and 30 June 2008	**14,113**

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

The recoverable amount of the second glass production line of Jiangsu SHD is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the Directors of the Company covering a five-year period. The Directors of the Company determined the budgeted gross profit margin based on past performance and their expectation for market development. The discount rate used is pre-tax and reflect specific risks relating to the second glass production line of Jiangsu SHD.

14 INVENTORIES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Raw materials	**91,905**	120,439
Work in progress and finished goods	**287,847**	195,361
Racks, spare parts and consumables	**32,462**	34,528
	412,214	350,328
Less: provision	**(7,012)**	(6,169)
	405,202	344,159

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

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Carrying amount of inventories sold	**1,080,080**	751,801
Write-down/(write-back) of inventories	**843**	(1,318)
	1,080,923	750,483

At 30 June 2008, RMB14.7 million (31 December 2007: RMB11.9 million) of finished goods were carried at estimated net realisable value.

All of the inventories are expected to be recovered within one year.

15 TRADE AND OTHER RECEIVABLES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade receivable from:		
- Third parties	**131,158**	73,396
- Minority equity holders of subsidiaries of the Group and their affiliates	**43,511**	38,743
- A company under common significant influence	**141**	—
Bills receivable	**43,063**	44,500
	217,873	156,639
Less: allowance for doubtful debts (Note 15(ii))	**(25,424)**	(23,041)
	192,449	133,598
Amounts due from related companies:		
- Equity shareholders of the Company (Note (aa))	**306**	327
- Minority equity holders of subsidiaries of the Group (Note (aa))	**2,503**	3,152
- An associate of the Group (Note (aa))	**3,069**	840
- Companies under common significant influence (Note (bb))	**48,491**	125,780
	54,369	130,099
Prepayments, deposits and other receivables	**123,245**	128,560
Less: allowance for doubtful debts (Note 15(ii))	**(3,875)**	(3,370)
	119,370	125,190
	366,188	388,887

Notes:

(aa) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(bb) At 30 June 2008, the amounts are unsecured, non-interest bearing and have no fixed terms of repayment. At 31 December 2007, except for amounts of RMB81.0 million which bear interest at 8.75% per annum, all of the remaining balances were non-interest bearing.

All of the trade and other receivables are expected to be recovered within one year. Cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing may be granted to customers, depending on credit assessment carried out by management on an individual customer basis.

15 TRADE AND OTHER RECEIVABLES (continued)

(i) Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Within 1 month	**118,547**	51,663
More than 1 month but less than 3 months	**35,678**	27,036
More than 3 months but less than 6 months	**20,269**	40,556
More than 6 months	**17,955**	14,343
	192,449	133,598

Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

15 TRADE AND OTHER RECEIVABLES (continued)

(ii) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

The movement in the allowance for doubtful debts during the period is as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
At 1 January	**26,411**	—
Additions through acquisitions of subsidiaries	**—**	25,656
Impairment loss recognised	**2,888**	2,875
At 30 June	**29,299**	28,531

At 30 June 2008, the Group's trade and other receivables of RMB29.3 million (31 December 2007: RMB26.4 million) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2008	At 31 December 2007
	RMB'000	RMB'000
Cash at bank and in hand	**229,930**	355,855

At 30 June 2008, cash and cash equivalents of RMB91.6 million (31 December 2007: RMB89.3 million) were pledged to secure bills issued by the Group.

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

17 ASSETS CLASSIFIED AS HELD-FOR-SALE

The Group's 34% equity interests in an associate, acquired through the Group's acquisition of Weihai Blue Star Glass Company Limited, is presented as assets held-for-sale following the associate's management plan to liquidate the associate upon the expropriation of the associate's land use rights by the local government authority in August 2007. The associate entered into an agreement with an affiliate of the local government on 28 August 2007 in selling the associate's net assets for a consideration of RMB42.8 million. The Group's share of the associate's net assets immediately before the planned liquidation was RMB19.8 million, and as a result, an impairment loss of RMB5.3 million was recognised in the Company's consolidated financial statements for the year ended 31 December 2007. At 30 June 2008, RMB10.1 million of the Group's share of the above agreed consideration has been received by the Group, and the remaining consideration to be received of RMB4.4 million was classified as assets held-for-sale in the consolidated balance sheet.

18 TRADE AND OTHER PAYABLES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade payable to:		
- Third parties	351,764	327,872
- Minority equity holders of subsidiaries of the Group and their affiliates	29,759	15,640
- Companies under common significant influence	1,611	1,236
Bills payable	208,500	169,000
	591,634	513,748
Amounts due to related companies:		
- Minority equity holders of subsidiaries of the Group and their affiliates (Note (i))	15,676	15,100
- Companies under common significant influence (Note (ii))	57,435	129,395
	73,111	144,495
Advances received from customers	102,925	67,940
Accrued charges and other payables	453,940	468,444
	1,221,610	1,194,627

18 TRADE AND OTHER PAYABLES (continued)

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) At 30 June 2008, the amounts are unsecured. Except for amounts of RMB13.1 million at 30 June 2008 (31 December 2007: RMB89.9 million) which bear interest ranging from 6.12% to 8.96% per annum (31 December 2007: ranging from 6.12% to 8.75% per annum), all of the remaining balances are non-interest bearing. Included in the balance at 30 June 2008 was RMB5.2 million (31 December 2007: RMB5.0 million) which are repayable in monthly instalments in the coming twelve months, where all of the remaining balances have no fixed terms of repayment.

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

Included in trade and other payables are trade and bills payables with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Due within 1 month or on demand	**404,988**	318,279
Due after 1 month but within 6 months	**186,646**	195,469
	591,634	513,748

19 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Bank loans	**184,860**	183,109
Loans from senior management of a subsidiary of the Group	**—**	8,000
Loan from a third party	**5,000**	5,000
	189,860	196,109
Add: current portion of long-term bank and other loans	**7,018**	29,851
	196,878	225,960

19 BANK AND OTHER LOANS (continued)

(a) Short-term bank and other loans (continued)

At 30 June 2008, the short-term bank and other loans (excluding current portion of long-term bank and other loans) were secured as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Bank loans:		
- Pledged by bank bills	—	1,559
- Secured by property, plant and equipment and land use rights	28,800	28,800
- Guaranteed	79,760	113,860
- Guaranteed and secured by property, plant and equipment and land use rights	10,300	12,890
- Unguaranteed and unsecured	66,000	26,000
	184,860	183,109
Loans from senior management of a subsidiary of the Group:		
- Unguaranteed and unsecured	—	8,000
Loan from a third party:		
- Unguaranteed and unsecured	5,000	5,000
	189,860	196,109

At 30 June 2008, the aggregate carrying values of the secured property, plant and equipment and land use rights were RMB124.1 million (31 December 2007: RMB151.0 million).

19 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Bank loans	**35,000**	57,833
Loan from a third party	**7,018**	7,018
	42,018	64,851
Less: current portion of long-term bank and other loans	**(7,018)**	(29,851)
	35,000	35,000

The long-term bank and other loans are repayable as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Within 1 year or on demand	**7,018**	29,851
After 1 year but within 2 years	**35,000**	35,000
	42,018	64,851

At 30 June 2008, all of the long-term bank and other loans are unsecured. At 31 December 2007, a long-term bank loan of RMB2.8 million was secured by the Group's property, plant and equipment, and the aggregate carrying values of the secured property, plant and equipment were RMB6.6 million.

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

20 AMOUNT DUE TO A RELATED COMPANY

The amount arises from the purchases of properties from Jiangsu Glass Group, a related company under common significant influence. The amount as at 30 June 2008 is unsecured, bearing interest at 6.12% per annum (31 December 2007: 6.12% per annum) and is repayable in monthly instalments between July 2009 to December 2014.

21 UNSECURED NOTES

On 12 July 2007, the Company issued unsecured senior notes with a total face value of USD100,000,000 at par (the "Notes") on the Singapore Exchange Securities Trading Limited. The Notes bear interest at 9.625% per annum, and interest is payable on 12 January and 12 July of each year, beginning on 12 January 2008. The Notes will mature on 12 July 2012, and are jointly and severally guaranteed by certain subsidiaries of the Company.

(Expressed in RMB unless otherwise indicated)

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 30 May 2005 whereby the Directors of the Company are authorised, at their discretion, to invite (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity, to take up options at HK$1.00 from each option holder to subscribe for shares of the Company. For the options granted, 40% will vest after one year from the date of grant; another 30% will vest after two years from the date of grant; and the remaining 30% will vest after three years from the date of grant. The options will lapse on 29 May 2015. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the period are as follows, whereby all options will be settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 29 February 2008	**2,140,000**	One year from the date of grant	7.25 years
– on 29 February 2008	**1,605,000**	Two years from the date of grant	7.25 years
– on 29 February 2008	**1,605,000**	Three years from the date of grant	7.25 years
Options granted to employees:			
– on 29 February 2008	**5,860,000**	One year from the date of grant	7.25 years
– on 29 February 2008	**4,395,000**	Two years from the date of grant	7.25 years
– on 29 February 2008	**4,395,000**	Three years from the date of grant	7.25 years
Total share options	**20,000,000**		

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June 2008	
	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period	—	—
Granted during the period	HK$3.50	20,000
Outstanding at the end of the period	HK$3.50	20,000
Exercisable at the end of the period	—	—

The options outstanding at 30 June 2008 had an exercise price of HK$3.50 and a weighted average remaining contractual life of 6.92 years.

(Expressed in RMB unless otherwise indicated)

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes model. The expected life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions	**Six months ended 30 June 2008**
Fair value at measurement date	**HK$0.8740 to HK$1.2865**
Share price	**HK$3.5**
Exercise price	**HK$3.5**
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	**48.18%**
Option life (expressed as weighted average life used in the modelling under the Black-Scholes model)	**3.10 years**
Expected dividends	**1.75%**
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong SAR)	**1.39% to 2.22%**

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

23 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movement during the period are as follows:

	Assets					Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Provision for inventories RMB'000	Impairment losses on receivables RMB'000	Depreciation expenses in excess of related tax allowances RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2007	8,639	23	—	2,488	11,150	(10,004)	1,146
Additions through acquisitions of subsidiaries	22,194	1,275	7,965	6,626	38,060	(78,668)	(40,608)
Adjustment to fair value in connection with the acquisition of additional equity interests in a subsidiary	—	—	—	—	—	(2,078)	(2,078)
(Charged)/credited to the consolidated income statement	(5,465)	(36)	(2,242)	445	(7,298)	19,923	12,625
At 31 December 2007	**25,368**	**1,262**	**5,723**	**9,559**	**41,912**	**(70,827)**	**(28,915)**
Credited to the consolidated income statement (Note 6)	**3,066**	**33**	**129**	**608**	**3,836**	**7,230**	**11,066**
At 30 June 2008	**28,434**	**1,295**	**5,852**	**10,167**	**45,748**	**(63,597)**	**(17,849)**

24 CAPITAL AND RESERVES

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	38,336	274,440	37,149	30,608	(68,570)	(5,136)	91,489	398,316	124,408	522,724
Issuance of shares	5,520	146,258	—	—	—	—	—	151,778	—	151,778
Share issue expenses	—	(10,216)	—	—	—	—	—	(10,216)	—	(10,216)
Contributions from minority interests	—	—	—	—	—	—	—	—	77,190	77,190
Increase in minority interests through acquisitions of subsidiaries	—	—	—	—	—	—	—	—	309,666	309,666
Issuance of convertible notes	—	—	21,597	—	—	—	—	21,597	11,606	33,203
Increase in minority interests through conversion of convertible notes	—	—	(36,746)	—	—	—	—	(36,746)	113,143	76,397
Net profit/(loss) for the period	—	—	—	—	—	—	48,182	48,182	(4,738)	43,444
Exchange differences on translation into presentation currency	—	—	—	—	—	1,524	—	1,524	(1,351)	173
At 30 June 2007	43,856	410,482	22,000	30,608	(68,570)	(3,612)	139,671	574,435	629,924	1,204,359
At 1 July 2007	43,856	410,482	22,000	30,608	(68,570)	(3,612)	139,671	574,435	629,924	1,204,359
Contributions from minority interests	—	—	—	—	—	—	—	—	29,270	29,270
Acquisitions of minority interests	—	—	—	—	—	—	—	—	(44,485)	(44,485)
Net profit for the period	—	—	—	—	—	—	34,591	34,591	60,896	95,487
Exchange differences on translation into presentation currency	—	—	—	—	—	651	—	651	(1,242)	(591)
At 31 December 2007	43,856	410,482	22,000	30,608	(68,570)	(2,961)	174,262	609,677	674,363	1,284,040

24 CAPITAL AND RESERVES (continued)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	43,856	410,482	22,000	30,608	(68,570)	(2,961)	174,262	609,677	674,363	1,284,040
Contributions from minority interests	–	–	–	–	(1,301)	–	–	(1,301)	28,468	27,167
Decrease in minority interests through acquisitions of minority interests	–	–	–	–	(2,126)	–	–	(2,126)	(50,786)	(52,912)
Transfer between reserves	–	–	(22,000)	(14,000)	36,000	–	–	–	–	–
Equity settled share-based transactions (Note 22)	–	–	3,652	–	–	–	–	3,652	–	3,652
Net (loss)/profit for the period	–	–	–	–	–	–	(22,240)	(22,240)	33,733	11,493
Dividends approved during the period (Note 7(b))	–	–	–	–	–	–	(22,938)	(22,938)	–	(22,938)
Exchange differences on translation into presentation currency	–	–	–	–	–	5,720	–	5,720	(1,904)	3,816
At 30 June 2008	43,856	410,482	3,652	16,608	(35,997)	2,759	129,084	570,444	683,874	1,254,318

25 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

(i) On 21 February 2008, Bondtime Holdings Limited, a wholly owned subsidiary of the Company, subscribed 25.01% equity interests of Wuhai Blue Star Glass Company Limited ("Wuhai Blue Star"), another subsidiary of the Group, for a consideration of RMB28.6 million.

Upon completion of this transaction, the Group's effective interest in Wuhai Blue Star increased from 34.16% to 50.63%. The Group recognised an increase in minority interests of RMB4.26 million.

(ii) On 13 March 2008, Weihai Blue Star Glass Company Limited, a subsidiary of the Group, acquired 22.5% equity interests in Weihai Blue Star New Technology Company Limited ("Weihai New Technology"), another subsidiary of the Group, for a consideration of RMB52.9 million.

Upon completion of this transaction, the Group's effective interest in Weihai New Technology increased from 12.03% to 17.34%. The Group recognised a decrease in minority interests of RMB55.05 million.

(iii) On 30 May 2008, certain of the now minority equity holders of Weihai China Glass Solar Company Limited ("Weihai Solar") contributed RMB17.17 million to subscribe 23.00% equity interests in Weihai Solar, a subsidiary of the Group.

Upon completion of this transaction, the Group's effective interest in Weihai Solar decreased from 20.53% to 15.81%. The Group recognised an increase in minority interests of RMB17.17 million.

(iv) On 2 June 2008, one of the now minority equity holders of Xianyang Blue Star Coated Glass Company Limited ("Xianyang Blue Star") contributed RMB10.00 million to subscribe 11.11% equity interests in Xianyang Blue Star, a subsidiary of the Group.

Upon completion of this transaction, the Group's effective interest in Xianyang Blue Star decreased from 66.64% to 60.48%. The Group recognised an increase in minority interests of RMB11.30 million.

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2008.

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 30 June 2008, the outstanding amount bears interest at 6.12% per annum (31 December 2007: 6.12% per annum). For the six months ended 30 June 2008, interest expenses of RMB1.3 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2007: RMB1.4 million).

(ii) Management services agreement

The Company and JV Investments Limited ("JV Investments"), a subsidiary of the Group, entered into a management services agreement with Well Faith Management Limited ("Well Faith"), Mei Long Developments Limited and Pilkington Italy Limited (both the equity shareholders of JV Investments) on 30 December 2005. Pursuant to the management services agreement, Well Faith is the exclusive provider of management services to JV Investments. The Company agreed to pay the relevant management services fee at US$285,527 per annum for three years. For the six months ended 30 June 2008, management services fee of RMB1.0 million (six months ended 30 June 2007: RMB1.1 million) had incurred and been paid to Well Faith.

26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with companies under common significant influence (continued)

(iii) Other transactions

		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Sale of glass and glass products to related parties		**986**	—
Purchase of raw materials from related parties		**5,031**	—
Labour services expenses		**630**	1,640
Interest income	(i)	**1,826**	3,593
Interest expenses	(ii)	**2,233**	2,819
Non-interest bearing advances granted to related parties	(iii)	**3,968**	—
Settlement of non-interest bearing advances granted to related parties	(iii)	**438**	—
Repayment of interest bearing advances received from related parties	(iii)	**1,737**	—
Acquisition of non-controlling interests in a subsidiary from a related party		**8,936**	—

26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with minority equity holders and management of subsidiaries of the Group and their affiliates

		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Sale of glass and glass products to related parties		**233,357**	201,982
Purchase of raw materials from related parties		**80,765**	47,337
Interest expenses	(ii)	**205**	175
Settlement of non-interest bearing advances granted to related parties	(iii)	**649**	—
Non-interest bearing advances received from related parties	(iii)	**581**	—
Repayment of non-interest bearing advances received from related parties	(iii)	**210**	—
Interest bearing loan received from related parties	(iv)	**—**	8,000
Repayment of interest bearing loan received from related parties	(iv)	**8,000**	—
Payment for the acquisitions of non-controlling interests in a subsidiary from related parties		**14,313**	—
Guarantees provided by a related party to a bank for a subsidiary of the Group at period end		**19,560**	38,360

(c) Transactions with an associate of the Group

		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
Non-interest bearing advances granted to the related party	(iii)	**3,142**	—
Settlement of non-interest bearing advances granted to the related party	(iii)	**913**	—

26 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	**1,543**	961
Contributions to defined contribution retirement plans	**105**	45
Equity compensation benefits	**3,652**	—
	5,300	1,006

Notes:

(i) Interest income represented interest charges on the advances granted to related parties.

(ii) Interest expenses represented interest charges on the advances/loan received from related parties.

(iii) The advances are unsecured and have no fixed terms of repayment.

(iv) The loan was unsecured, bore interest at 7.67% per annum and has been repaid during the six months ended 30 June 2008.

27 COMMITMENTS

(a) Capital commitments

At 30 June 2008, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
- Contracted for	**155,850**	6,906
- Authorised but not contracted for	**770,086**	383,573
	925,936	390,479
Commitments in respect of investments in subsidiaries		
- Contracted for	**24,000**	52,912
- Authorised but not contracted for	**—**	—
	24,000	52,912
Total commitments		
- Contracted for	**179,850**	59,818
- Authorised but not contracted for	**770,086**	383,573
	949,936	443,391

27 COMMITMENTS (continued)

(b) Operating lease commitments

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Within 1 year	**2,834**	3,603
After 1 year but within 5 years	**1,635**	2,096
After 5 years	**3,717**	3,828
	8,186	9,527

The Group leases certain land and plant and buildings under operating leases. None of the leases includes contingent rentals.

28 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Disposal of equity interests in a subsidiary of the Group

On 10 January 2008, the Company, through a subsidiary, has entered into a share transfer agreement to dispose of its 45% equity interests in one of the Group's subsidiaries, Beijing Zhonghai Xingye Safety Glass Company Limited ("Zhonghai Xingye"), to the then minority equity holder of Zhonghai Xingye for a consideration of RMB6.2 million. Upon completion of the above share transfer, the Group's effective interest in Zhonghai Xingye will decrease from 17.69% to 7.08%, and Zhonghai Xingye will cease to be a subsidiary of the Group. Up to the date of this report, the above transaction has yet to be completed.

The Directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above disposal but is not yet in a position to determine the potential financial impact of the above disposal on the Group's results of operations in future periods and financial position at future dates.

28 NON-ADJUSTING POST BALANCE SHEET EVENTS (continued)

(b) Acquisition of minority interests in a subsidiary of the Group

On 24 June 2008, the Company, through a wholly-owned subsidiary, has entered into an equity transfer agreement to acquire the remaining 9.9% equity interests in one of the Group's subsidiaries, Suqian Huayi Coated Glass Company Limited ("Suqian Huayi"), from Jiangsu Glass Group for a consideration of RMB24.0 million. Upon completion of the above acquisition, Suqian Huayi will become an indirectly wholly-owned subsidiary of the Company. Up to the date of this report, the above acquisition has yet to be completed.

The Directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above acquisition but is not yet in a position to determine the potential financial impact of the above acquisition on the Group's results of operations in future periods and financial position at future dates.

(Expressed in RMB unless otherwise indicated)

29 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with changes in presentation in the current period.

30 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD ENDED 30 JUNE 2008

Up to the date of issue of this interim financial report, the HKICPA has issued the following new standards, amendments to standards and interpretations which are not yet effective for the six months ended 30 June 2008 and which have not been adopted in this interim financial report:

	Effective for accounting periods beginning on or after
HK(IFRIC) 13, *Customer loyalty programmes*	1 July 2008
HK(IFRIC) 15, *Agreements for the construction of real estate*	1 January 2009
HK(IFRIC) 16, *Hedges of a net investment in a foreign operation*	1 October 2008
HKFRS 8, *Operating segments*	1 January 2009
Amendments to HKFRS 2, *Share-based payment – Vesting conditions and cancellations*	1 January 2009
Amendments to HKAS 32, *Financial instruments: Presentation* and HKAS 1, *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation*	1 January 2009
Revised HKAS 1, *Presentation of financial statements*	1 January 2009
Revised HKAS 23, *Borrowing costs*	1 January 2009

The Directors of the Company have confirmed that the Group has commenced considering the potential impact of the above HKFRSs and interpretations but is not yet in a position to determine whether these HKFRSs and interpretations will have a significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

Review report to the board of directors of China Glass Holdings Limited

KPMG

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 43 which comprise the consolidated balance sheet of China Glass Holdings Limited as at 30 June 2008 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26 September 2008

MARKET REVIEW

In the first half of 2008, affected by a decline in macro-economic growth as well as a decrease in growth in the property development and automobiles industries, the PRC glass industry saw a progressively declining trend in domestic market demand. Affected by deteriorating global economic slowdown and the appreciation of RMB against the US Dollar, international market demand for PRC glass products remained low. According to the statistics of the PRC glass industry association, during the period from January to May 2008, the average production and sales rate for the industry was around 92.5%, far lower than the basic supply and demand balance point of 98%. Supply exceeded demand in the industry as a whole.

Affected by an international inflationary trend, the prices of fuel materials such as coal, coal tar and heavy oil and raw materials such as soda ash and silicon sand have been rising. The unit cost of glass products increased as a result. Despite such impact, the prices of glass products at the beginning of the year continued the upward trend from 2007. But market prices started to drop slightly in the second quarter due to a slowdown in the global demand. High costs and low prices simultaneously squeezed the profitability of the industry. The gross profit margin recorded by the whole industry dipped substantially with the gradual widening of losses suffered by the industry.

The pressure of the appreciation of RMB, an increase in export freight charges and the adjustment of the export tax refund by the PRC government was significant. However, the overall pressure on manufacturers eased as compared with 2007. RMB continued its rapid appreciation in the first half of this year but experienced fluctuations in recent months. Export freight charges did not show any trend of upsurge. Apart from routes such as South America, freight charges for some routes such as Europe experienced a relatively sharp decline. There was also no further adjustment to export tax refund granted by the PRC government. The stability of these key factors played an important role in maintaining a stable export volume for the industry.

BUSINESS REVIEW

In the first half of 2008, Nanjing Rolled Line, Beijing Float Line and Suqian 2nd Float Line of the Company have commenced major overhauls as their furnaces have reached the end of their lifespans. Weihai 2nd Float Line will carry out a major overhaul in September at the latest. However, since Wuhai 1st and 2nd Float Line have completed their major overhauls and resumed production and Xianyang Float Line started production last year, the overall production capacity of the Company was not significantly affected.

Our product prices remained relatively high in the first quarter 2008 but experienced a slight decline in the second quarter. The overall price for the first half year increased by approximately 12% over the average price in the first half 2007. The differences in price changes of the Company's different products were significant. As there were many competitors in the industry, prices of products with a low added-value such as clear glass declined as compared with the beginning of the year. Meanwhile, because of fewer competitors and relatively higher demand, sale prices of tinted glass, coated glass, LOW-E glass and other new products in which the Company had recently increased its investment were relatively stable.

Although products such as clear glass were affected by the sluggishness of the industry, the overall production and sales rate of products was 94%, which was slightly better than the average industry level.

Sustaining steady international market channels by the Company would have even greater positive impact on the Company's sales amidst a slowdown of the industry. The overall price for domestic and overseas sales of products of the Company was higher than the industry average. In the anti-dumping investigation conducted by the Korean government which ended in late April 2008, the Company was the only enterprise amongst the PRC glass manufacturers which came to agreement on the pricing of products to be sold to the Korean market. In the recent two months, the Company gradually restored exports to the Korean market. The current export price exceeds the domestic sale price by more than 20%. The Group's favourable competitive advantages in both price and technology of our products will present a better scenario in the future.

The tight supply of energy on a worldwide basis has driven energy-saving requirements for industries such as property development and automobile which promoted sales of the Company's products such as LOW-E and titanium coated glass with good energy-saving functions. New energy and new energy accessory products newly put into production by the Company such as A-Si solar cell products and ultra white rolled solar glass (超白壓花太陽能玻璃) will have a positive impact on the overall sales price of the Company's products.

OUTLOOK

Under the impact of various factors such as global economic turbulence, an overall slowdown in growth, the appreciation of RMB against the US dollar, significant fluctuations in prices of international raw materials and fuel products, the PRC glass industry is facing a deteriorating operating environment. The industry faces adjustments and restructuring of both structure and capital. It remains uncertain to what extent this will be carried out and when this will come to an end.

Overall, the gap between supply and demand for products such as clear glass will widen further. The supply and demand relationship for other products might be affected by potential new participants, resulting in a turbulent situation characterized by local supply and demand imbalance.

The healthy and steady development of the domestic property development industry is of utmost importance to the industry. Constructions in progress and new real estate projects are expected to decrease as compared with the previous year, which will affect to some extent the current demand for glass products. As for the future trend, this will depend on changes in the PRC's macro-economic policy.

Continuous high oil prices will further affect the consumption of automobile products, which will have an indirect impact on the demand for glass products. However, products manufactured by the Company are mainly products with a thickness of more than 4mm and are therefore subject to limited direct impact from the automobile industry.

Key factors such as an increase in manufacturing costs, the continued rapid appreciation of RMB in recent years, high export freight charges and the downturn of the international economic environment have a negative impact on the demand of the Company's products. In particular, the impact on the Company's sale of clear glass has been relatively greater. Nevertheless, demand from markets such as Korea and the Middle East will continue to generate stable revenue for the Company in the future, which will considerably reduce pressure from the international market.

Key indicators and benchmarks for macro-economic outlook such as international oil prices, the extent of inflation and the appreciation of RMB against the US dollar, tend to have an increasing significance and influence on the operation of the glass industry and its structure.

Competition in the property development industry will drive the development of more complicated functional requirements for glass products in this industry. The energy-saving and environmental protection requirements will propel the development of double glazing and composite functions. These healthy developments will also boost consumption of products of the industry. Energy-saving products of the Company such as LOW-E will continue to have promising sales prospects.

Continuous high operation costs will intensify the rapid differentiation of enterprises operating at different cost structure. Some enterprises operating at high costs might withdraw from this industry, thus narrowing the gap between supply and demand. Meanwhile, enterprises enjoying a competitive edge in costs will capture strategic opportunities for mergers, acquisitions and consolidations in the industry and will certainly lead to a more favourable supply and demand layout of the industry and product portfolio adjustment.

FINANCIAL REVIEW

For the first six months of 2008, the turnover of the Group increased by 38% to RMB1,221.6 million as compared to RMB883.0 million in the first six months of 2007. The increase was due to increase in sales volume. The gross profit margin decreased to approximately 11.5% from 15.0% compared to the corresponding period last year. The decrease was primarily due to the increase in costs of fuel and raw materials such as coal, heavy oil and soda ash.

The Group's net profit amounted to approximately RMB11.5 million, representing a decrease of approximately 73.5% as compared to RMB43.4 million for the first six months of 2007. The decrease was mainly attributable to the decrease of gross profit margin from 15.0% to 11.5% as mentioned above.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS-LIABILITIES RATIO

As at 30 June 2008, the Group's cash and cash equivalents amounted to RMB229.9 million (31 December 2007: RMB355.9 million), of which 75% were denominated in RMB, 14% in United States dollars ("USD") and 11% in Hong Kong dollars ("HKD"), the outstanding bank and other loans amounted to RMB231.9 million (31 December 2007: RMB261.0 million) and the unsecured notes amounted to RMB664.5 million (31 December 2007: RMB705.0 million), all of which were denominated in RMB except for the unsecured notes which were denominated in USD. As at 30 June 2008, the gearing ratio (total interest-bearing debts divided by total assets) was 27% (31 December 2007: 31%), the decrease of which was primarily attributable to the repayment of interest bearing bank and other borrowings and the depreciation of USD denominated unsecured notes. As at 30 June 2008, the Group's current ratio (current assets divided by current liabilities) was 0.71 (31 December 2007: 0.77), the fall of which was mainly attributable to the decrease in cash and cash equivalents. In addition, the Group had net current liabilities amounted to RMB414.0 million as at 30 June 2008. Assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.64 (31 December 2007: 0.64). The Group has obtained long-term borrowings facilities of USD30.0 million from International Financial Corporation in second half 2008 and also expects to improve the net current liabilities situation through the positive operating cash flows in the coming year.

Details of the bank and other loans were set out in Note 19 to the unaudited interim financial report.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's sales transactions and monetary assets were primarily denominated in HKD, RMB and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future appreciation of RMB will closely associate with the development of the PRC economy. With the sustainable development of the PRC economy, the Group expects that RMB will continue to appreciate in the long term. Our net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate.

During the six months ended 30 June 2008, the Group had not adopted any derivatives for hedging purposes.

The Board of Directors has the pleasure of submitting the interim report together with the unaudited financial statements of the Group for the six months ended 30 June 2008.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2008 (Dividend for the six months ended 30 June 2007 : Nil).

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

As at 30 June 2008, the interests and/or short positions of the Directors and chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), or otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities (1)	Percentage of interest in such corporation in class
Mr. Zhou Cheng	The Company	Interest of a controlled corporation (2)	26,617,000 Shares (L)	6.40%
Mr. Liu Jinduo	The Company	Interest of a controlled corporation (3)	136,463,000 Shares (L)	32.80%

Notes:

(1) The letter "L" denotes the Director's long position in such securities.

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

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2008, the interest and/or a short position of the persons, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

The Company

Name	Capacity	Class and number of Shares (1)	Approximate percentage of shareholding
First Fortune (13)	Beneficial owner	136,463,000 Shares (L)	32.80%
Hony International Limited ("Hony International")	Interest of a controlled corporation (2)	136,463,000 Shares (L)	32.80%
Easylead Management Limited ("EML")	Interest of a controlled corporation (3)	136,463,000 Shares (L)	32.80%
Right Lane Limited	Interest of a controlled corporation (3)	136,463,000 Shares (L)	32.80%
Mr. Cao Zhijiang	Interest of a controlled corporation (4)	136,463,000 Shares (L)	32.80%
Mr. Zhang Zuxiang	Interest of a controlled corporation (4)	136,463,000 Shares (L)	32.80%
Legend Holdings Limited (5) (15) (16) (17)	Interest of a controlled corporation (6)	136,463,000 Shares (L)	32.80%
Employees' Shareholding Society of Legend Holdings Limited	Interest of a controlled corporation (7)	136,463,000 Shares (L)	32.80%
Swift Glory (13) (14)	Beneficial owner	26,617,000 Shares (L)	6.40%
Pilkington Italy Limited (14)	Beneficial owner	124,384,000 Shares (L)	29.90%
Pilkington Brothers Limited (13)	Interest of a controlled corporation (8)	124,384,000 Shares (L)	29.90%
Pilkington Group Limited (12)	Interest of a controlled corporation (9)	124,384,000 Shares (L)	29.90%
NSG UK Enterprises, Limited	Interest of a controlled corporation (10)	124,384,000 Shares (L)	29.90%
NSG Holdings (Europe) Limited	Interest of a controlled corporation (11)	124,384,000 Shares (L)	29.90%
Nippon Sheet Glass Co., Ltd. (18)	Interest of a controlled corporation (12)	124,384,000 Shares (L)	29.90%
International Finance Corporation	Beneficial owner	33,698,000 Shares (L)	8.38%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

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

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

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

(5) The English company name "Legend Holdings Limited" is a direct translation of its Chinese company name 「聯想控股有限公司」.

(6) Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Limited. Legend Holdings Limited is taken to be interested in these Shares by virtue of Part XV of SFO.

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

(8) Pilkington Italy Limited is a direct wholly-owned subsidiary of Pilkington Brothers Limited. Pilkington Brothers Limited is taken to be interested in these Shares by viture of Part XV of SFO.

(9) Pilkington Brothers Limited is a direct wholly-owned subsidiary of Pilkington Group Limtied. Pilkington Group Limited is taken to be interested in these Shares by viture of Part XV of SFO.

(10) Pilkington Group Limited is a direct wholly-owned subsidiary of NSG UK Enterprises, Limited. NSG UK Enterprises, Limited is taken to be interested in these Shares by viture of Part XV of SFO.

(11) NSG UK Enterprises, Limited is a direct wholly-owned subsidiary of NSG Holding (Europe) Limited. NSG Holding (Europe) Limited is taken to be interested in these Shares by viture of Part XV of SFO.

(12) Nippon Sheet Glass Co.,Ltd is a Japan listed company. NSG Holding (Europe) Limited is a direct wholly-owned subsidiary of Nippon Sheet Glass Co., Ltd.. Nippon Sheet Glass Co., Ltd. is taken to be interested in these Shares by viture of Part XV of SFO.

(13) Mr. Zhou Cheng is an executive Director and a director of First Fortune and Swift Glory.

(14) Mr. Li Ping is an executive Director and a director of Swift Glory.

(15) Mr. Gou Wen is a non-executive Director and a director and/or employee of the Legend Group. For the purpose of this section, Legend Group means Legend Holdings Limited and its subsidiaries. Members of the Legend Group include but are not limited to First Fortune, Hony international, and Right Lane Limited.

(16) Mr. Zhao John Huan is a non-executive Director, a director of EML and/or employee of the Legend Group.

(17) Mr. Liu Jinduo is a non-executive Director, a director of EML and/or employee of the Legend Group.

(18) Mr. Eddie Chai is a non-executive Director and an employee of the NSG Group. For the purpose of this section, NSG Group means Nippon Sheet Glass Co., Ltd. and its subsidiaries. Members of the NSG Group include but are not limited to Pilkington Group Limited, Pilkington Brothers Limited and Pilkington Italy Limited.

CHARGE ON ASSETS

Details of the Group's charge of assets were set out in Note 19 to the unaudited interim financial report.

CAPITAL COMMITMENTS

As at 30 June 2008, details of the Group's capital commitments were set out in Note 27 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2008.

SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its Shares. On 29 February 2008, the Board of the Company granted share options under the share option scheme. The closing price of share at the date of grant was HK$3.50. Movement of share options granted under the option scheme during the six months ended 30 June 2008 are as follow:

					No. of share			
Participant	Date of grant	Exercise price per share	Exercise period from	until	Held as at 1/1/2008	Granted during the period	Held as at 30/6/2008	Approximate percentage interest in the Company's issued share
		HK$						
Directors								
Zhou Cheng	29/2/2008	3.5	28/2/2009	29/5/2015	–	750,000	750,000	0.18%
	29/2/2008	3.5	28/2/2010	29/5/2015	–	562,500	562,500	0.14%
	29/2/2008	3.5	28/2/2011	29/5/2015	–	562,500	562,500	0.14%
Zhang Zhaoheng	29/2/2008	3.5	28/2/2009	29/5/2015	–	750,000	750,000	0.18%
	29/2/2008	3.5	28/2/2010	29/5/2015	–	562,500	562,500	0.14%
	29/2/2008	3.5	28/2/2011	29/5/2015	–	562,500	562,500	0.14%
Li Ping	29/2/2008	3.5	28/2/2009	29/5/2015	–	320,000	320,000	0.08%
	29/2/2008	3.5	28/2/2010	29/5/2015	–	240,000	240,000	0.06%
	29/2/2008	3.5	28/2/2011	29/5/2015	–	240,000	240,000	0.06%
Cui Xiangdong	29/2/2008	3.5	28/2/2009	29/5/2015	–	320,000	320,000	0.08%
	29/2/2008	3.5	28/2/2010	29/5/2015	–	240,000	240,000	0.06%
	29/2/2008	3.5	28/2/2011	29/5/2015	–	240,000	240,000	0.06%
Employees	29/2/2008	3.5	28/2/2009	29/5/2015	–	5,860,000	5,860,000	1.41%
	29/2/2008	3.5	28/2/2010	29/5/2015	–	4,395,000	4,395,000	1.06%
	29/2/2008	3.5	28/2/2011	29/5/2015	–	4,395,000	4,395,000	1.06%
Total					–	20,000,000	20,000,000	

Details of the share options granted were set out in Note 22 to the unaudited interim financial report.

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

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

PUBLIC FLOAT

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2008, the Group had employed about 6,462 employees in the PRC and Hong Kong (31 December 2007: about 6,410 employees). According to the relevant market situation, employee's remuneration level had maintained at a competitive level, and also corresponds with their performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong SAR participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contributions to the above schemes were forfeited for the six months ended 30 June 2008. Details of staff costs and pension schemes were set out in Note 5 to the unaudited interim financial report.

MATERIAL ACQUISITIONS OR DISPOSALS

During the first half of 2008, the Group subscribed for Wuhai Blue Star Glass Company Limited's additional 25.01% equity interests and acquired an aggregate of 22.5% equity interests in Weihai Blue Star New Technology Glass Company Limited from the then minority equity holders.

The Group established Dongtai China Glass Special Glass Company Limited ("Dongtai Special Glass") for a production plant in Dongtai, Jiangsu Province. The total investment will amount to approximately RMB680 million. As at 30 June 2008, the investment has not been injected into Dongtai Special Glass.

On 10 January 2008, the Group has entered into a share transfer agreement to dispose of 45% equity interests in Beijing Zhonghai Xingye Safety Glass Company Limited. As at the date of this report, the disposal has yet to be completed.

On 24 June 2008, the Group also entered into an acquisition agreement to acquire the remaining 9.9% of the registered capital of Suqian Huayi Coated Glass Limited. Up to the date of this report, the acquisition has yet to be completed.

Other than that disclosed above, the Group did not have any material investments or capital assets, or material acquisitions and disposals of subsidiaries and affiliated companies during the six-month period ended 30 June 2008.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group were set out in Note 28 to the unaudited interim financial report.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2008 with the Company's management and the external auditors.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development. Updated and key information on the Group is available on the website of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2008.

COMPLIANCE WITH THE MODEL CODE

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

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 26 September 2008