Interim Report 2009

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

(Incorporated in Bermuda with limited liability)

(Stock Code : 3300)

* 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. Chen Shuai *(Appointed on 2 January 2009)*

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 *(Resigned on 5 January 2009)*
Mr. Wang Jianxun

COMPANY SECRETARY

Mr. Ng Kit Man *(Appointed on 13 March 2009)*

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 2608 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 2009 - unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2009	2008
	Note	**RMB'000**	RMB'000
Turnover	4	**882,153**	1,221,587
Cost of sales		**(771,970)**	(1,080,923)
Gross profit		**110,183**	140,664
Other revenue		**7,763**	7,059
Other net loss		**(522)**	(858)
Distribution costs		**(31,926)**	(39,207)
Administrative expenses		**(80,942)**	(80,183)
Profit from operations		**4,556**	27,475
Share of losses of an associate		**(20,893)**	(5,646)
Finance costs	5	**(54,606)**	(15,873)
(Loss)/profit before taxation	5	**(70,943)**	5,956
Income tax	6	**3,251**	5,537
(Loss)/profit for the period		**(67,692)**	11,493
Attributable to:			
Equity shareholders of the Company		**(73,482)**	(22,240)
Minority interests		**5,790**	33,733
(Loss)/profit for the period		**(67,692)**	11,493
Basic and diluted loss per share (RMB)	7	**(0.177)**	(0.053)

The notes on pages 9 to 37 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20(a).

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009 - unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
(Loss)/profit for the period	**(67,692)**	11,493
Other comprehensive income for the period (after tax):		
Exchange differences on translation into presentation currency	**826**	3,816
Total comprehensive (expense)/income for the period	**(66,866)**	15,309
Attributable to:		
Equity shareholders of the Company	**(72,646)**	(16,520)
Minority interests	**5,780**	31,829
Total comprehensive (expense)/income for the period	**(66,866)**	15,309

The notes on pages 9 to 37 form part of this interim financial report.

Consolidated Balance Sheet

at 30 June 2009 - unaudited

(Expressed in RMB)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment	8	**2,332,790**	2,116,809
Lease prepayments	9	**303,849**	307,426
Intangible assets	10	**76,021**	81,978
Interest in an associate	11	**—**	20,893
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	19	**72,267**	65,557
		2,785,927	2,593,663
Current assets			
Inventories	12	**349,037**	402,535
Trade and other receivables	13	**377,248**	277,389
Prepaid income tax		**993**	1,900
Cash and cash equivalents	14	**390,743**	279,503
		1,118,021	961,327
Current liabilities			
Trade and other payables	15	**1,556,384**	1,334,463
Bank and other loans	16(a)	**301,188**	249,038
Income tax payable		**2,466**	1,257
		1,860,038	1,584,758
Net current liabilities		**(742,017)**	(623,431)
Total assets less current liabilities		**2,043,910**	1,970,232

The notes on pages 9 to 37 form part of this interim financial report.

Consolidated Balance Sheet (continued)

at 30 June 2009 - unaudited

(Expressed in RMB)

	Note	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Non-current liabilities			
Bank and other loans	16(b)	**337,753**	198,657
Amounts due to a related company	17	**37,282**	40,103
Unsecured notes	18	**671,593**	669,243
Deferred tax liabilities	19	**60,225**	61,528
		1,106,853	969,531
NET ASSETS		**937,057**	1,000,701
CAPITAL AND RESERVES			
Share capital		**43,856**	43,856
Reserves		**281,555**	350,979
Total equity attributable to equity shareholders of the Company		**325,411**	394,835
Minority interests		**611,646**	605,866
TOTAL EQUITY		**937,057**	1,000,701

The notes on pages 9 to 37 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009 - unaudited

(Expressed in RMB)

	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/ (accumulated losses) RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Balance 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
Changes in equity for the six months ended 30 June 2008:										
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 20(b))	–	–	3,652	–	–	–	–	3,652	–	3,652
Total comprehensive income/(expense) for the period	–	–	–	–	–	5,720	(22,240)	(16,520)	31,829	15,309
Dividends approved during the period (Note 20(a))	–	–	–	–	–	–	(22,938)	(22,938)	–	(22,938)
Balance at 30 June 2008 and 1 July 2008	43,856	410,482	3,652	16,608	(35,997)	2,759	129,084	570,444	683,874	1,254,318
Changes in equity for the six months ended 31 December 2008:										
Decrease in minority interests through acquisitions of minority interests	–	–	–	–	(8,951)	–	–	(8,951)	(15,049)	(24,000)
Equity settled share-based transactions (Note 20(b))	–	–	5,537	–	–	–	–	5,537	–	5,537
Total comprehensive expense for the period	–	–	–	–	–	(5,092)	(167,103)	(172,195)	(62,959)	(235,154)
Appropriations to reserve	–	–	–	6,632	–	–	(6,632)	–	–	–
Balance at 31 December 2008	43,856	410,482	9,189	23,240	(44,948)	(2,333)	(44,651)	394,835	605,866	1,000,701
Balance at 1 January 2009	**43,856**	**410,482**	**9,189**	**23,240**	**(44,948)**	**(2,333)**	**(44,651)**	**394,835**	**605,866**	**1,000,701**
Changes in equity for the six months ended 30 June 2009:										
Equity settled share-based transactions (Note 20(b))	**–**	**–**	**3,222**	**–**	**–**	**–**	**–**	**3,222**	**–**	**3,222**
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**–**	**–**	**836**	**(73,482)**	**(72,646)**	**5,780**	**(66,866)**
Balance at 30 June 2009	**43,856**	**410,482**	**12,411**	**23,240**	**(44,948)**	**(1,497)**	**(118,133)**	**325,411**	**611,646**	**937,057**

The notes on pages 9 to 37 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2009 - unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2009	2008
	Note	**RMB'000**	RMB'000
Cash generated from operations		**15,380**	64,518
PRC Income Tax paid		**(2,646)**	(9,479)
Hong Kong Profits Tax paid		**—**	(91)
Net cash generated from operating activities		**12,734**	54,948
Net cash used in investing activities		**(40,816)**	(117,898)
Net cash generated from/(used in) financing activities		**139,333**	(54,791)
Net increase/(decrease) in cash and cash equivalents		**111,251**	(117,741)
Cash and cash equivalents at 1 January	14	**279,503**	355,855
Effect of foreign exchange rate changes		**(11)**	(8,184)
Cash and cash equivalents at 30 June	14	**390,743**	229,930

The notes on pages 9 to 37 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 (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2009 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 issue on 21 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 2008 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 38.

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 April 2009.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see Note 4). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

3 CHANGES IN ACCOUNTING POLICIES (continued)

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. These amendments have had no material impact on the Group's financial statements.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries and associate, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4 SEGMENT REPORTING

The Group manages its businesses by products. On first-time adoption of HKFRS 8, *Operating segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Low value-added glass products: this segment produces, markets and distributes low value-added glass products such as clear glass and painted glass.
- High value-added glass products: this segment produces, markets and distributes high value-added glass products such as tinted glass, coated glass and A-Si solar cell products.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, available-for-sale investment, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the production, marketing and distribution activities of the individual segments and bank and other loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured. In particular, all research and development facilities and activities and patents are allocated to the high value-added glass products segment.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of losses of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

4 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have incurred during the six months ended 30 June 2008 and 2009.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Low value-added glass products		**High value-added glass products**		**Total**	
For the six months ended	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers and reportable segment revenue	**440,775**	691,426	**441,378**	530,161	**882,153**	1,221,587
Reportable segment profit (adjusted EBITDA)	**11,801**	51,260	**92,541**	70,789	**104,342**	122,049
Reportable segment assets	**1,652,443**	1,627,568	**2,225,505**	1,843,984	**3,877,948**	3,471,552
Additions to non-current segment assets during the period	**1,730**	11,099	**339,782**	81,335	**341,512**	92,434
Reportable segment liabilities	**1,249,509**	1,177,712	**1,583,244**	1,224,173	**2,832,753**	2,401,885

4 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	**104,342**	122,049
Share of losses of an associate	**(20,893)**	(5,646)
Other revenue and net loss	**7,803**	7,359
Depreciation and amortisation	**(95,075)**	(89,475)
Finance costs	**(54,606)**	(15,873)
Unallocated head office and corporate expenses	**(12,514)**	(12,458)
Consolidated (loss)/profit before taxation	**(70,943)**	5,956

	At 30 June 2009	At 31 December 2008
	RMB'000	RMB'000
Assets		
Reportable segment assets	**3,877,948**	3,471,552
Interest in an associate	**—**	20,893
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**72,267**	65,557
Prepaid income tax	**993**	1,900
Unallocated head office and corporate assets	**728,595**	737,777
Elimination of receivables between segments, and segments and head office	**(776,855)**	(743,689)
Consolidated total assets	**3,903,948**	3,554,990

4 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment profit, assets and liabilities (continued)

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Liabilities		
Reportable segment liabilities	**2,832,753**	2,401,885
Income tax payable	**2,466**	1,257
Deferred tax liabilities	**60,225**	61,528
Unallocated head office and corporate liabilities	**848,302**	833,308
Elimination of payables between segments, and segments and head office	**(776,855)**	(743,689)
Consolidated total liabilities	**2,966,891**	2,554,289

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**52,742**	47,345
Bank charges and other finance costs	**3,892**	5,467
Total borrowing costs	**56,634**	52,812
Less: amounts capitalised	**(2,921)**	(520)
Net borrowing costs	**53,713**	52,292
Net foreign exchange loss/(gain)	**893**	(36,419)
	54,606	15,873

5 (LOSS)/PROFIT BEFORE TAXATION (continued)

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Staff costs:		
Salaries, wages and other benefits	**77,210**	79,348
Contributions to defined contribution retirement plans	**10,704**	9,005
Equity settled share-based payment expenses (see Note 20(b))	**3,222**	3,652
	91,136	92,005

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Other items:		
Cost of inventories (Note 12)	**771,970**	1,080,923
Depreciation and amortisation	**95,075**	89,475
Impairment loss on trade and other receivables	**2,202**	2,888
Operating lease charges in respect of		
– land	**108**	346
– plant and buildings	**1,543**	1,196
– motor vehicles	**578**	400
Research and development costs (other than amortisation)	**301**	624
Net gain on disposal of property, plant and equipment	**(40)**	(300)
Interest income	**(1,278)**	(3,098)

6 INCOME TAX

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Provision for income tax on the estimated taxable profits for the period		
– Hong Kong Profits Tax	**—**	47
– The People's Republic of China (the "PRC") Income Tax	**4,762**	5,482
Deferred taxation (Note 19)	**(8,013)**	(11,066)
	(3,251)	(5,537)

The provision of Hong Kong Profits Tax was calculated at 16.5% (six months ended 30 June 2008: 16.5%) 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 2009.

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.

The subsidiaries of the Group established in the PRC (the "PRC subsidiaries") were subject to PRC Enterprise Income Tax rate ranging from 15% to 25% for the six months ended 30 June 2009 (six months ended 30 June 2008: 18% to 25%). 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, these 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, but subject to the new tax law mentioned below.

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 of the Group has either changed to 25% with effect 1 January 2008; or gradually increase to 25% over a five-year period if the PRC subsidiary was previously enjoying a preferential tax rate of below 25%; or if the PRC subsidiary is entitled but has not commenced in enjoying the tax holiday mentioned above, the tax holiday will commence immediately in 2008. The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 31 December 2008 and 30 June 2009.

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2009 is based on the loss attributable to the equity shareholders of the Company of RMB73,482,000 (six months ended 30 June 2008: RMB22,240,000) and the weighted average number of 416,000,000 ordinary shares (six months ended 30 June 2008: 416,000,000 ordinary shares) in issue during the six months ended 30 June 2009.

(b) Diluted loss per share

There were no dilutive potential ordinary shares as at 30 June 2008 and 2009.

8 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 2008	905,581	1,787,322	16,262	74,439	2,783,604
Additions	4,211	28,660	4,744	356,813	394,428
Transfer in/(out)	58,904	115,695	—	(174,599)	—
Disposals	(56,780)	(144,754)	(2,292)	—	(203,826)
At 31 December 2008	911,916	1,786,923	18,714	256,653	2,974,206
Accumulated depreciation and impairment losses:					
At 1 January 2008	182,573	623,290	5,746	—	811,609
Charge for the year	25,887	138,809	3,734	—	168,430
Impairment loss	8,562	10,602	88	—	19,252
Written back on disposals	(14,313)	(126,386)	(1,195)	—	(141,894)
At 31 December 2008	202,709	646,315	8,373	—	857,397
Net book value:					
At 31 December 2008	709,207	1,140,608	10,341	256,653	2,116,809
Cost:					
At 1 January 2009	**911,916**	**1,786,923**	**18,714**	**256,653**	**2,974,206**
Additions	**297**	**1,550**	**1,440**	**338,268**	**341,555**
Transfer in/(out)	**725**	**4,060**	**—**	**(4,785)**	**—**
Disposals	**(67,869)**	**(610)**	**—**	**—**	**(68,479)**
At 30 June 2009	**845,069**	**1,791,923**	**20,154**	**590,136**	**3,247,282**
Accumulated depreciation and impairment losses:					
At 1 January 2009	**202,709**	**646,315**	**8,373**	**—**	**857,397**
Charge for the period	**14,418**	**69,940**	**1,183**	**—**	**85,541**
Written back on disposals	**(28,237)**	**(209)**	**—**	**—**	**(28,446)**
At 30 June 2009	**188,890**	**716,046**	**9,556**	**—**	**914,492**
Net book value:					
At 30 June 2009	**656,179**	**1,075,877**	**10,598**	**590,136**	**2,332,790**

At 30 June 2009, property certificates of certain properties with an aggregate net book value of RMB303.3 million (31 December 2008: RMB357.6 million) are yet to be obtained.

9 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2008	266,610
Additions	57,870
At 31 December 2008	324,480
Accumulated amortisation:	
At 1 January 2008	10,719
Charge for the year	6,335
At 31 December 2008	17,054
Net book value:	
At 31 December 2008	307,426
Cost:	
At 1 January 2009 and 30 June 2009	**324,480**
Accumulated amortisation:	
At 1 January 2009	**17,054**
Charge for the period	**3,577**
At 30 June 2009	**20,631**
Net book value:	
At 30 June 2009	**303,849**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 30 June 2009, land use right certificates of certain land use rights with an aggregate carrying value of RMB26.3 million (31 December 2008: RMB70.1 million) are yet to be obtained.

10 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2008, 31 December 2008 and 30 June 2009	**123,739**
Accumulated amortisation and impairment losses:	
At 1 January 2008	7,351
Charge for the year	7,714
Impairment loss	26,696
At 31 December 2008	**41,761**
Charge for the period	**5,957**
At 30 June 2009	**47,718**
Net book value:	
At 30 June 2009	**76,021**
At 31 December 2008	81,978

11 INTEREST IN AN ASSOCIATE

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Share of net assets	—	20,893

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

			Proportion of ownership interest			
Name of associate	Place of establishment and operations	Particulars of registered and paid-up capital	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	Revenue RMB'000	Net loss RMB'000
31 December 2008					
Taicang Special Glass	486,327	442,669	43,658	6,171	83,998
30 June 2009					
Taicang Special Glass	**509,218**	**520,676**	**(11,458)**	**25,989**	**55,116**

12 INVENTORIES

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Raw materials	**69,936**	119,356
Work in progress and finished goods	**254,943**	263,719
Racks, spare parts and consumables	**40,051**	37,811
	364,930	420,886
Less: provision	**(15,893)**	(18,351)
	349,037	402,535

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

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Carrying amount of inventories sold	**774,428**	1,080,080
(Write-back)/write-down of inventories	**(2,458)**	843
	771,970	1,080,923

At 30 June 2009, RMB70.7 million (31 December 2008: RMB59.5 million) of finished goods were carried at estimated net realisable value.

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

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade receivable from:		
– Third parties	**121,641**	65,984
– Minority equity holders of subsidiaries of the Group and their affiliates	**46,276**	43,557
– Companies under common significant influence	**328**	337
Bills receivable	**42,278**	26,611
	210,523	136,489
Less:allowance for doubtful debts (Note 13(b))	**(28,458)**	(26,627)
	182,065	109,862
Amounts due from related companies:		
– Equity shareholders of the Company (Note (i))	**2,355**	2,215
– Minority equity holders of subsidiaries of the Group (Note (i))	**694**	142
– An associate of the Group (Note (i))	**4,666**	3,246
– Companies under common significant influence (Note (i))	**44,575**	45,448
	52,290	51,051
Less: allowance for doubtful debts (Note 13(b))	**(2,990)**	(3,824)
	49,300	47,227
Prepayments, deposits and other receivables	**155,624**	129,766
Less:allowance for doubtful debts (Note 13(b))	**(9,741)**	(9,466)
	145,883	120,300
	377,248	277,389

Note:

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

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.

13 TRADE AND OTHER RECEIVABLES (continued)

(a) 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 2009 RMB'000	At 31 December 2008 RMB'000
Within 1 month	**68,939**	43,462
More than 1 month but less than 3 months	**52,078**	23,573
More than 3 months but less than 6 months	**36,923**	30,249
More than 6 months	**24,125**	12,578
	182,065	109,862

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.

(b) 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	
	2009 RMB'000	2008 RMB'000
At 1 January	**39,917**	26,411
Impairment loss recognised	**2,202**	2,888
Uncollectible amounts written off	**(930)**	—
At 30 June	**41,189**	29,299

At 30 June 2009, the Group's trade and other receivables of RMB41.2 million (31 December 2008: RMB39.9 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.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Cash at bank and on hand	**390,743**	279,503

At 30 June 2009, cash and cash equivalents of RMB96.1 million (31 December 2008: RMB111.5 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.

15 TRADE AND OTHER PAYABLES

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Trade payable to:		
– Third parties	**359,795**	328,733
– Minority equity holders of subsidiaries of the Group and their affiliates	**5,838**	8,270
– Companies under common significant influence	**2,412**	2,163
Bills payable	**185,340**	278,620
	553,385	617,786
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**5,154**	4,267
– Minority equity holders of subsidiaries of the Group and their affiliates (Note (ii))	**20,918**	13,268
– Companies under common significant influence (Note (iii))	**41,622**	52,712
	67,694	70,247
Advances received from customers	**89,259**	83,424
Accrued charges and other payables	**846,046**	563,006
	1,556,384	1,334,463

15 TRADE AND OTHER PAYABLES (continued)

Notes:

(i) The amounts are unsecured, non-interest bearing and are repayable within one year.

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

(iii) The amounts at 31 December 2008 and 30 June 2009 are unsecured. Except for an amount of RMB5.5 million at 30 June 2009 (31 December 2008: RMB5.3 million) which bears interest at 6.12% per annum (31 December 2008: 6.12% per annum), all of the remaining balances are non-interest bearing. Included in the balance at 30 June 2009 is RMB8.8 million (31 December 2008: RMB20.1 million) which is repayable within one year, 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 2009 RMB'000	At 31 December 2008 RMB'000
Due within 1 month or on demand	**413,225**	401,380
Due after 1 month but within 6 months	**140,160**	216,406
	553,385	617,786

16 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Bank loans	**245,620**	196,020
Loans from third parties	**20,568**	18,018
	266,188	214,038
Add: current portion of long-term bank loans	**35,000**	35,000
	301,188	249,038

16 BANK AND OTHER LOANS (continued)

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

At 30 June 2009, the Group's short-term bank and other loans (excluding current portion of long-term bank loans) are secured as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Bank loans:		
– Pledged by bank bills	**2,300**	1,700
– Secured by property, plant and equipment and land use rights	**68,320**	68,320
– Guaranteed	**13,000**	14,000
– Guaranteed and secured by property, plant and equipment and land use rights	**7,000**	7,000
– Unguaranteed and unsecured	**155,000**	105,000
	245,620	196,020
Loans from third parties:		
– Unguaranteed and unsecured	**20,568**	18,018
	266,188	214,038

At 30 June 2009, the aggregate carrying values of the secured property, plant and equipment and land use rights were RMB114.6 million (31 December 2008: RMB118.3 million).

(b) Long-term bank and other loans

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Bank loans	**174,000**	35,000
Loan from a third party	**48,500**	48,500
Loans from an equity shareholder of the Company	**150,253**	150,157
	372,753	233,657
Less: current portion of long-term bank loans	**(35,000)**	(35,000)
	337,753	198,657

16 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans (continued)

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

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within 1 year or on demand	**35,000**	35,000
After 1 year but within 2 years	**46,341**	13,676
After 2 years but within 5 years	**230,524**	100,556
After 5 years	**60,888**	84,425
	372,753	233,657

At 31 December 2008 and 30 June 2009, all of the long-term bank and other loans are unsecured.

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.

(c) At 30 June 2009, the Group has obtained banking facilities of RMB150.0 million, where the Group could draw down loans with a maturity of up to 6 years. The banking facilities are secured by the Group's land use rights and property, plant and equipment with an aggregate carrying value of RMB429.6 million at 30 June 2009. The banking facilities are not utilised as at 30 June 2009.

17 AMOUNTS DUE TO A RELATED COMPANY

The amounts at 30 June 2009 comprised RMB29.6 million (31 December 2008: RMB32.4 million) on the purchase of properties and RMB7.7 million (31 December 2008: RMB7.7 million) on the acquisition of 9.90% equity interests in Suqian Huayi Coated Glass Company Limited ("Suqian Huayi") from a related party under common significant influence. Both amounts are unsecured. The amount of RMB29.6 million (31 December 2008: RMB32.4 million) bears interest at 6.12% per annum (31 December 2008: 6.12% per annum) and is repayable in monthly instalments between July 2010 to December 2014. The amount of RMB7.7 million (31 December 2008: RMB7.7 million) is non-interest bearing and is repayable before 31 December 2010.

18 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.

19 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements 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	Impairment losses on property, plant and equipment and intangible assets 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 2008	25,368	1,262	5,723	9,559	—	41,912	(70,827)	(28,915)
Credited to the consolidated income statement	9,452	1,821	196	3,580	8,596	23,645	9,299	32,944
At 31 December 2008	**34,820**	**3,083**	**5,919**	**13,139**	**8,596**	**65,557**	**(61,528)**	**4,029**
Credited/(charged) to the consolidated income statement (Note 6)	**5,422**	**(12)**	**251**	**1,049**	**—**	**6,710**	**1,303**	**8,013**
At 30 June 2009	**40,242**	**3,071**	**6,170**	**14,188**	**8,596**	**72,267**	**(60,225)**	**12,042**

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) *Dividends payable to equity shareholders 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 2009 (six months ended 30 June 2008: RMBNil).

(ii) *Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period*

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2008 (year ended 31 December 2007: HK$0.0614 per ordinary share (equivalent to RMB0.0541 per ordinary share)).

(b) Equity settled share-based transactions

On 29 February 2008, 20,000,000 share options were granted to directors of the Company and employees of the Group under the Company's employee share option scheme (no share options were granted during the six months ended 30 June 2009). 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. The exercise price is HK$3.50.

700,000 share options previously granted to certain employee of the Group have been forfeited during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

No options were exercised during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

21 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 2009.

(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 Company Limited ("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 2009, the outstanding amount bears interest at 6.12% per annum (31 December 2008: 6.12% per annum). For the six months ended 30 June 2009, interest expenses of RMB1.1 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2008: RMB1.3 million).

(ii) *Other transactions*

		Six months ended 30 June	
		2009	2008
	Note	**RMB'000**	RMB'000
Sale of glass and glass products to related parties		**38**	986
Purchase of raw materials from related parties		**7,142**	5,031
Labour service expenses		**—**	630
Operating lease expenses		**435**	435
Management service expenses		**—**	979
Interest income	(i)	**—**	1,826
Interest expenses	(ii)	**—**	2,233
Non-interest bearing advances granted to related parties	(iii)	**71**	3,968
Settlement of non-interest bearing advances granted to related parties	(iii)	**112**	438
Repayment of non-interest bearing advances received from related parties	(iii)	**235**	—
Repayment of interest bearing advances received from related parties	(iii)	**—**	1,737
Acquisition of non-controlling equity interests in a subsidiary from a related party		**—**	8,936

21 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with equity shareholders of the Company

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Interest expenses	(ii)	**5,668**	—
Non-interest bearing advances granted to a related party	(iii)	**140**	—

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

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Sale of glass and glass products to related parties		**148,054**	233,357
Purchase of raw materials from related parties		**19,024**	80,765
Interest expenses	(ii)	**—**	205
Non-interest bearing advances granted to related parties	(iii)	**552**	—
Settlement of non-interest bearing advances granted to related parties	(iii)	**—**	649
Non-interest bearing advances received from related parties	(iii)	**7,650**	581
Repayment of non-interest bearing advances received from related parties	(iii)	**—**	210
Repayment of interest bearing loans received from related parties	(iv)	**—**	8,000
Acquisitions of non-controlling equity interests in a subsidiary from related parties		**—**	43,975
Guarantees provided by a related party to a bank for a subsidiary of the Group at period end		**—**	19,560

21 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with an associate of the Group

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Management service income		**1,330**	—
Non-interest bearing advances granted to a related party	(iii)	**90**	3,142
Settlement of non-interest bearing advances granted to a related party	(iii)	**—**	913

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Short-term employee benefits	**1,257**	1,543
Contributions to defined contribution retirement plans	**125**	105
Equity compensation benefits	**1,601**	1,909
	2,983	3,557

Notes:

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

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

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

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

22 COMMITMENTS

(a) Capital commitments

At 30 June 2009, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**274,143**	484,239
– Authorised but not contracted for	**34,333**	60,811
	308,476	545,050
Commitments in respect of investments in a subsidiary		
– Contracted for	**8,000**	81,466
– Authorised but not contracted for	**—**	-
	8,000	81,466
Total commitments		
– Contracted for	**282,143**	565,705
– Authorised but not contracted for	**34,333**	60,811
	316,476	626,516

At 30 June 2009, capital commitments in respect of land and buildings and machinery and equipment are for the construction of new and relocation of existing production lines of the Group.

22 COMMITMENTS (continued)

(b) Operating lease commitments

At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Within 1 year	**1,681**	3,098
After 1 year but within 5 years	**1,226**	1,492
After 5 years	**3,768**	3,881
	6,675	8,471

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

23 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 not been 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.

23 NON-ADJUSTING POST BALANCE SHEET EVENTS (continued)

(b) Issuance of new shares

On 19 March 2009, the Company announced that the Directors of the Company has resolved to place a total of 46,330,000 new shares to certain senior management of the Group at a price of HK$0.53 per ordinary share (the "Placing"). The Placing has been approved by the Company's shareholders in a special general meeting held on 24 April 2009. Upon completion of the Placing, the number of shares issued by the Company will increase from 416,000,000 to 462,330,000, and the Company shall receive HK$24.6 million (equivalent to RMB21.7 million) as proceeds from the issuance of such shares.

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

Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD New Materials Company Limited ("Jiangsu SHD") and Keen Moral Investment Limited ("Keen Moral"), both wholly-owned subsidiaries of the Group, with Jiangsu Glass Group on 25 May 2009, Jiangsu SHD and Keen Moral agreed to transfer a total of their 49% equity interests ("Equity Interest") in Dongtai China Glass Special Glass Company Limited ("Dongtai Company") to Jiangsu Glass Group. Jiangsu Glass Group agreed to make up the outstanding capital contribution in an amount of RMB73.5 million to obtain the Equity Interest. Upon completion of this transaction on 10 July 2009, the Group's effective interest in Dongtai Company decreased from 100% to 51%.

Included in the same equity transfer agreement, Jiangsu Glass Group has granted Keen Moral an exclusive and irrevocable option (the "Buy-back Option") to acquire the whole of or part of the Equity Interest held by Jiangsu Glass Group at specified terms and conditions. The Buy-back Option is granted at nil consideration, and is exercisable by Keen Moral or its nominee at any time after the equity transfer completion date up to the third anniversary of the equity transfer completion date (the "Exercise Period"). However, if at any time during the Exercise Period, a general offer to acquire the shares of the Company is made, or there is a change in the ultimate controlling shareholders of the Company, Jiangsu Glass Group shall be entitled to demand Keen Moral or its nominee to exercise the Buy-back Option subject to compliance with the relevant laws and regulations and other contractual obligations of the Company, Keen Moral and/or its nominee.

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.

23 NON-ADJUSTING POST BALANCE SHEET EVENTS (continued)

(d) Redemption of unsecured notes

On 4 June 2009, the Company launched an invitation to the note holders of the USD100,000,000 unsecured notes due 2012 (see Note 18) to offer to sell their notes to the Company for cash (the "Redemption"). At 31 July 2009, note holders of an aggregate principal amount of USD39.11 million (equivalent to RMB267.2 million) of the unsecured notes have accepted the Redemption at USD19.56 million (equivalent to RMB133.6 million). Upon completion of the Redemption, the aggregate principal amount of unsecured notes remains outstanding will be USD60.89 million (equivalent to RMB416.0 million).

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

24 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.

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 37 which comprises the consolidated balance sheet of China Glass Holdings Limited as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period 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 2009 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
21 September 2009

MARKET REVIEW

In the first half of 2009, the PRC's glass industry saw a downturn before it bottomed out and slowly recovered. Product demand dropped sharply in the first quarter due to the increasing impact of the financial crisis and the worsen domestic and overseas market environments. Due to weakened consumption power, the property and auto markets declined and the downstream glass industry was also affected. As demand for plain glass products in the international market decreased significantly, glass producers, who previously exported most of their products modified their strategy and focused more on the domestic market, resulting in more severe competition among glass producers in the domestic market. In the second quarter, the demand for glass revived as property developers expedited their construction projects due to the recovery of the property market. The balance of demand and supply was also gradually restored from the impact of the suspension of certain production lines from the beginning of the year. Glass price rebounded considerably in June and our operation results improved significantly though losses were still recorded for the first half of the year.

There were a total of 194 float glass production lines in the PRC with an annual capacity of 552 million weight cases as at 31 December 2008, of which 47 lines (with an annual capacity of 130 million weight cases) suspended production. In the first half of 2009, 7 new float glass production lines with an annual capacity of 30 million weight cases came into operation and only a limited number of the suspended production lines resumed operation.

According to the China Building Materials Federation, an aggregate of 146.88 million and 150.25 million weight cases of flat glass were produced and sold respectively in the PRC, representing respective decreases of 13.01% and 5.26% as compared to the corresponding period of last year. The overall production-sales rate (total sales volume divided by total production volume) was 102.29%.

BUSINESS REVIEW

Overview: The Group currently has 15 glass production lines (same as that in 2008), including 12 float glass production lines, two sheet glass production lines and one patterned glass production line, with a daily melting capacity of 5,230 tons. In the first half of 2009, the Group continued to suspend the operation of two float glass production lines, two sheet glass production lines and one patterned glass production lines due to adverse market conditions and overhaul being carried out. The Group operated 10 float glass production lines during the first half of 2009. One more float glass production line of the Group was suspended in June 2009 for relocation and upgrading and is expected to resume operation in second half of 2009.

Two more float glass production lines of the Group each with a daily melting capacity of 600 tons were under construction during the first half of 2009, one of which was expected to be put into operation in the second halt of 2009.

In addition, the Group also owns one glass processing line and one 3MW photovoltaic battery module production line, which was put into production in 2008.

The Group produced a total of 12.73 million weight cases of various types of glass in the first half of 2009, a decrease of 2.88 million weight cases or 18.45% over the corresponding period of last year. The decrease was mainly attributable to suspension of operation of three glass production lines in the second quarter of 2008.

In the first half of 2009, while facing various adverse factors including shrinking market demand and declines in price, the Group adjusted its product mix and implemented a number of energy saving and consumption reduction measures such as the development and adoption of a new-type solid fuel spraying and blowing technology in certain production lines. The Group was committed to reduce its production cost and achieve satisfactory results without affecting its product quality. Nevertheless, the impact of adverse market conditions could not be entirely offset and operating losses were recorded.

Raw materials price and production cost: In the first half of 2009, the prices of major raw materials and fuels for glass production decreased by an average of over 40% as compared with that in the corresponding period in 2008. At the beginning of 2009, international cruel oil prices slumped due to weak demand for fuels and raw materials amid the international financial crisis. Since April, the price of fuels and raw materials picked up gradually in light of the steady economic recovery in the PRC driven by the national economic stimulus measures. The Group observed a quick increase of heavy oil price in the second quarter of 2009. The prices of soda ash, petroleum powder and coal fluctuated within a narrow band of 10%.

For the first half of 2009, owing to the Company's efforts on energy saving and consumption improvement through the implementation of our new-type solid fuel spraying and blowing technology, together with the decline in the price of raw materials, the average unit production cost for the Group's glass products recorded substantial decrease over the corresponding period last year. The successful application of energy-saving technology on certain production lines laid a solid foundation for the extensive use of the technology in our other production lines.

Production, sales and selling price: For the first half of 2009, the 10 float glass production lines of the Group in normal operation maintained safe production with stable quality. The Group produced a total of 12.73 million weight cases of various types of glass for the first half of the year, with a gross rate of finished products of over 85%.

For the first half of 2009, the Group continued to adhere to its operational strategy of "product diversity". The Group has the intellectual property rights to the "manufacturing technology for on-line low-emissions ("Low-E") coated float glass". It also possessed the largest production base for painted glass and coated glass. Fully leveraging its self-developed intellectual property rights in the manufacturing technology for online coated glass, the Group strategically increased the proportion of various types of online coated glass, particularly the online Low-E coated glass, in its production and operation. On-line coated glass, particularly the on-line Low-E coated glass, involves higher technology and know-how on which the Group currently has greater competition advantages.

For the first half of 2009, the Group sold a total of 12.54 million weight cases of various types of glass, representing a production–sales rate of 98.5%. The average selling price of the glass products of the Group was RMB69 per weight case, representing a decrease of RMB13 per weight case, or 15.85%, over the corresponding period last year.

For the first half of 2009, the Group sold 6.12 million weight cases of painted glass, accounting for 49% of our total sales, of which coated glass amounted to 3.01 million weight cases, accounting for 24% of our total sales and ranked amongst the top of Chinese glass producers in terms of market share. These products, which were of higher added values, were the largest contributors to the Group's profits.

OUTLOOK

The domestic property market stabilised during the second quarter of 2009 and total property investment in the PRC reached 434 billion in June, representing a period-on-period growth of 18%, which directly pushed up the demand of architectural glass products. Demand for architectural glass is expected to keep growing as investments in the property market continues to increase and more construction projects take place. The Group's export sales volume which represented 25% of the total sales volume in the first half of 2008 dropped to 22% in the first half of 2009. Nonetheless, the export market is expected to improve with the recovery of the global economy in the coming year. In addition, the turnaround in the automobile industry will facilitate growth in the glass industry. Therefore, the glass industry will witness a turnaround but its sustainability depends on the developments of the global economy as well as domestic and international economic policies.

Last year, 47 production lines for float glass in the PRC suspended operations and less than 10 have resumed operation so far. Despite the establishment of 7 new production lines, the supply of float glass is still tight in the PRC. The suspended production lines require 3 to 4 months to prepare for resumption of operation. Therefore, the total supply of float glass in the PRC in 2009 is expected to grow slowly.

With respect to cost, the Group expects the prices of raw materials and fuel to increase with great volatility in the second half of 2009.

Soda ash: Increase in demand for soda ash is driven by the recovery of glass markets and prices of soda ash in certain regions have slightly increased. However, as downstream industries such as the aluminium oxide industry are undergoing recoveries, utilization rate of domestic soda ash producers is approximately 80% and its export market is still not favourable. It is expected that prices of soda ash will display limited growth corresponding with the turnaround of the downstream industries.

Heavy oil: The price of heavy oil in the PRC is closely correlated with the price of crude oil and fuel oil in the international market. Under the global economic recovery, demands and prices of crude oil and fuel oil in the international market are expected to increase. Therefore, the price of heavy oil in the PRC is expected to increase in the second half of the year.

Coal: Although the PRC economy witnessed a favourable development, its foundation is not solid and demand for the downstream industries of coal (such as the power industry), iron, steel and the architectural material and chemical, have yet to recover. Coal prices in the first half of 2009 were steady while the price trend in the second half, which largely depends on the downstream demand and price of crude oil in the international market, is expected to remain steady based on the current demand conditions.

The Group will proactively control its raw materials costs according to the changes in the raw materials markets.

The focus of the Group for the second half of the year will continue to be as follows:

1. Strengthening the internal restructuring:

   The Group will strengthen internal restructuring within the Group according to the development needs of the entity. In our operating system, we have commenced the establishment of two operation centres in Weihai and Suqian with designated functions since second half 2009. Based on the geographical and products strategies, the two operation centres are responsible for centralized procurement and sales, so as to reduce operation costs and to enhance the flexibility of the Group in response to changes in the market.

2. Maintain the product diversity operation strategy

   Despite the current recovery of market demand for common glass products along with the market revival, the Group continues to uphold the product diversity policy for the long term development. We believe that the development of higher value added products will always be the key to our success. Therefore, as scheduled, we will promote the application of production techniques for higher value-added products, including Low-E glass, solar control coated glass, titanium coated glass and easy-to-clean coated glass and increase the ratio of higher value added products in the Group's product mix.

3. Continue to promote new technology to reduce fuel cost

   Along with the successful application in certain production lines of the Group, the Group will continue to promote the use of energy saving technologies, like "solid fuel spraying and blowing technology" according to our plan formulated at the beginning of the year, so as to reduce the production fuel costs.

4. Maintain production capacity and market share

   The Group will maintain production capacity level through the relocation of a production line and the establishment of two production lines. We will carry out technological improvement on the new production capacity for higher value added products so as to secure the Group's market share. Meanwhile, the Group may resume production of certain suspended production lines according to market changes.

5. Make more efforts on technology improvement and new products research

   We will maintain our research policy on new technology and new products. We will strive to achieve technological breakthroughs in high end coating technology and photovoltaic products and put our results into production in the second half of the year.

6. Actively improve the financial structure of the Company

   We will continue to improve our financial structure, including the completion of redemption of certain United States Dollars ("USD") unsecured notes at the end of July, so as to reduce operation costs as a whole.

FINANCIAL REVIEW

For the first six months of 2009, the turnover of the Group decreased by 28% to RMB882.2 million as compared to RMB1,221.6 million in the first six months of 2008. The decrease was due to decreases in sales volume and average selling price. The gross profit margin increased to approximately 12.5% from 11.5% compared to the corresponding period last year. The increase was primarily due to the decrease in costs of fuel and raw materials such as heavy oil and soda ash.

The Group's loss for the period amounted to approximately RMB67.7 million, representing a decrease of RMB79.2 million as compared to a profit of RMB11.5 million for the first six months of 2008. The decrease was mainly attributable to the increase in share of losses of an associate and the decrease in net foreign exchange gain arising from the senior notes denominated in USD issued in July 2007, as a result of stablised exchange rate between RMB and USD.

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

As at 30 June 2009, the Group's cash and cash equivalents amounted to RMB390.7 million (31 December 2008: RMB279.5 million), of which 92% were denominated in Renminbi ("RMB"), 5% in USD and 3% in Hong Kong dollars ("HKD"). Outstanding bank and other loans amounted to RMB638.9 million (31 December 2008: RMB447.7 million), of which 76% (31 December 2008: 66%) were denominated in RMB and 24% (31 December 2008: 34%) were denominated in USD, and outstanding unsecured notes amounted to RMB671.6 million (31 December 2008: RMB669.2 million) which were denominated in USD. As at 30 June 2009, the gearing ratio (total interest-bearing debts divided by total assets) was 34% (31 December 2008: 32%). As at 30 June 2009, the Group's current ratio (current assets divided by current liabilities) was 0.60 (31 December 2008: 0.61). The Group recorded net current liabilities amounting to RMB742.0 million as at 30 June 2009 (31 December 2008: RMB623.4 million). Assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.76 (31 December 2008: 0.72).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's sales transactions and monetary assets were primarily denominated in RMB, HKD, USD and Euro Dollars. 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. Our net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate.

During the six months ended 30 June 2009, the Group had not adopted any derivatives for hedging purposes.

The Board of Directors hereby submit the interim report together with the unaudited financial statements of the Group for the six months ended 30 June 2009.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2009 (Dividend for the six months ended 30 June 2008 : 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 2009, the interests and/or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) 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.

Save as disclosed above, as at 30 June 2009, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2009, the interest and/or a short position of the persons, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

The Company

Name	Capacity	Number and class of securities[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%
EML	Limited 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%

Name	Capacity	Number and class of securities[1]	Approximate percentage of shareholding
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 virtue of Part XV of SFO.

(9) Pilkington Brothers Limited is a direct wholly-owned subsidiary of Pilkington Group Limited. Pilkington Group Limited is taken to be interested in these Shares by virtue 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 virtue 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 virtue 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 virtue 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. Guo 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.

Save as disclosed above, as at 30 June 2009, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CHARGE ON ASSETS

Details of the Group's charge on assets were set out in Note 16 to the unaudited interim financial report.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2009 were set out in Note 22 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2009.

SHARE OPTION SCHEME

The Company has conditionally adopted a 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 Directors of the Company granted share options under the share option scheme.

The closing price of the share of the Company at the date of grant was HK$3.50. During the six months ended 30 June 2009, no share options have been granted or exercised under the share option scheme of the Company. Movements of share options granted under the option scheme during the six months ended 30 June 2009 are as follow:

					No. of share			
Participant	Date of grant	Exercise price per share HK$	Exercise period from	until	Held as at 1/1/2009	Forfeited during the period	Held as at 30/6/2009	Approximate percentage interest in the Company's issued share
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	280,000	5,580,000	1.34%
	29/2/2008	3.5	28/2/2010	29/5/2015	4,395,000	210,000	4,185,000	1.01%
	29/2/2008	3.5	28/2/2011	29/5/2015	4,395,000	210,000	4,185,000	1.01%
Total					20,000,000	700,000	19,300,000	

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

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On 31 July 2009, the Company redeemed USD39,110,000 of its outstanding USD100,000,000 9.625% Senior Notes due in 2012 (the "Notes"). The Notes were issued by the Company on 12 July 2007 and are listed on the Singapore Exchange Securities Trading Limited.

The aggregate consideration paid by the Company is USD19,560,000 and the redeemed Notes had been cancelled. Following completion of the redemption, the aggregate principal amount of the Notes outstanding is USD60,890,000.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Board, as at the date of this report, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2009, the Group had employed a total of approximately 6,246 employees in the PRC and Hong Kong (31 December 2008: about 6,476 employees). According to the relevant market situation, the Group's employees' remuneration level remains at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong 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 2009. Details of staff costs and pension schemes were set out in Note 5 to the unaudited interim financial report.

MATERIAL ACQUISITIONS OR DISPOSALS

On 10 January 2008, the Group has entered into a share transfer agreement to dispose of its 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 25 May 2009, the Group entered into an equity transfer agreement to dispose of its 49% equity interests in Dongtai China Glass Special Glass Company Limited ("Dongtai Company") to Jiangsu Glass Group Company Limited ("Jiangsu Glass Group"). In addition, Jiangsu Glass Group granted to the Group an exclusive and irrevocable option to acquire part of or the whole of the equity interest in Dongtai Company held by Jiangsu Glass Group. The option is exercisable by the Group at any time after the completion of the disposal for a period of three years. Upon completion of this transaction on 10 July 2009, the Group's effective interests in Dongtai Company decreased from 100% to 51%.

Other than 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 months ended 30 June 2009.

ISSUANCE OF NEW SHARES

During the first half of 2009, the Board resolved to place, on a conditional basis, a total of 46,330,000 new shares ("Placing Shares") to members of its senior management at a price of HK$0.53 per ordinary share. The Placing Shares represented approximately 11.14% of the existing issued shares of the Company and approximately 10.02% of the issued shares of the Company as enlarged by the placing. The consideration represents an average of the closing prices of the shares of the Company for the 30 trading days ended 19 March 2009.

As at 30 June 2009, the placement had not been completed.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group were set out in Note 23 to the unaudited interim financial report.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non-executive Directors. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2009.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of the Directors and senior management. The committee is comprised of one non-executive Director, namely Mr. Zhao John Huan, and two independent non-executive Directors, namely Mr. Song Jun and Mr. Sik Siu Kwan. The chairman of the remuneration committee is Mr. Zhao John Huan.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CCGP"), as set out in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2009.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code contained in the Listing Rules on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries of all the directors, the Company confirms that the Board has strictly complied with required standard set out in the Model Code and its Code of Conduct regarding directors' securities transactions during this reporting period.

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 21 September 2009