CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 3300)

2009 Annual 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. 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
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Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Reid Management Limited
Argyle House
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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
China Citic Bank
Shanghai Pudong Development Bank
Bank of Jiangsu

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited

STOCK CODE

Hong Kong Stock Exchange 3300

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2009 are extracted from the audited financial statements of this report and the Company's 2005, 2006, 2007 and 2008 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group				
	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	2,078,408	2,289,941	2,212,324	573,136	386,494
Cost of sales	(1,613,726)	(2,078,045)	(1,821,647)	(517,829)	(324,919)
Gross profit	464,682	211,896	390,677	55,307	61,575
Other revenue	19,009	19,398	16,400	5,076	1,591
Other net income/(loss)	955	(5,164)	583	84	2,079
Distribution costs	(62,183)	(82,879)	(71,927)	(24,098)	(16,381)
Administrative expenses	(179,726)	(219,588)	(144,921)	(33,541)	(23,287)
Other expenses	—	(60,061)	—	—	—
Profit/(loss) from operations	242,737	(136,398)	190,812	2,828	25,577
Share of losses of an associate	(20,893)	(41,999)	—	—	—
Impairment loss on assets classified as held-for-sale	—	—	(5,277)	—	—
Excess of the net fair value of the acquired net assets over cost	—	—	26,071	24,315	—
Gain from issuance of shares by subsidiaries	—	—	5,646	—	—
Finance income/(costs)	34,344	(66,001)	(84,354)	(16,795)	(8,647)
Profit/(loss) before taxation	256,188	(244,398)	132,898	10,348	16,930
Income tax	(38,772)	26,990	6,033	4,257	(828)
Profit/(loss) for the year	217,416	(217,408)	138,931	14,605	16,102

ASSETS AND LIABILITIES

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	3,834,060	3,554,990	3,558,441	1,361,234	764,272
Total liabilities	(2,596,573)	(2,554,289)	(2,274,401)	(838,510)	(366,209)
Net assets	1,237,487	1,000,701	1,284,040	522,724	398,063

Dear Shareholders,

In 2009, the glass industry saw a V-shaped rebound as expected. In the first quarter, the development of key industries such as property, home appliances and auto sectors was stagnant under the impact of the global financial crisis, resulting in a decrease in demand for construction glass and industrial glass. In addition, the demand in the international glass market further dropped and the above mentioned three core industries, which have significant demand for glass products, remained gloomy. As a result, the price of glass continued the falling trend in first quarter of 2009 to a lower level. In the second quarter, driven by the economic stimulus package of China, demand for glass in the domestic market began to pick up. On the other hand, production capacity reduced due to the suspension and overhaul of some glass production lines. The difference between demand and supply improved significantly. In the second half of the year, with the boom in the property market and the rapid growth in auto and home appliances industries, the production and sales of the glass increased significantly. The prices of glass surged to a higher level and remained high at the end of the year.

In line with the whole industry, the performance of the Company was weak at the beginning of the year before it turned around sharply in the second half. At the beginning of the year, the glass industry recorded a loss in general. However, the Company managed to remain profitable by adopting various measures to cut production costs and operating expenses, and to produce more high value-added products. In face of the unfavourable market environment, the Company proactively adjusted its product mix according to market changes and seized the market opportunities to improve its profitability.

The Company possesses the most advanced production technology for on-line coated glass and is the only producer who possesses the intellectual property rights of the "manufacturing technology for on-line Low-E coated float glass" in China. The Group also has one of the largest production base for painted glass and coated glass in China and has a leading position in the market. The Company will further implement its product diversification strategy and continue to increase the production and improve the quality of the above products, particularly the products with energy-saving features. The Group will continue to upgrade the technology of its products to increase market share and strengthen its competitiveness in the market.

With the continuing growth and development of the economy in China and the recovery of the global market, I am confident about the prospects of the Company.

On behalf of the Board, I would like to thank all shareholders and the dedicative and hardworking staff who have been supportive to the Group. I would also like to give my sincere thanks on behalf of the Group to our customers, suppliers, business partners and bankers for the confidence and trust they have shown in us.

Zhou Cheng
Chairman

MARKET REVIEW

At the beginning of 2009, as affected by the economic downturn, domestic demand for glass continued to decrease and the export of glass also shrank. The price of glass reached a lower level in the first quarter of 2009. The demand for glass bottomed out since the second quarter as a result of the recovery of the property market. The demand and supply for glass became more balanced, and the price of glass rebounded since June 2009. The production and sales of glass bloomed and the price of glass kept surging and reached a higher level. The price remained at high level at the end of 2009.

According to the Information Department of the China Building Materials Federation, the production capacity of sheet glass amounted to 737.00 million weight cases in the PRC (the "PRC" and "China" herein refer to the Mainland China) in 2009, representing a decrease of 14.02 million weight cases as compared with that of 2008. Annual production volume of sheet glasses totalled 579.00 million weight cases, representing a decrease of 2.03% as compared with that of 2008. In 2009, the production and sales ratio of glass in the PRC was 99.98%, while that ratio of the Group was 104.38%.

According to the General Administration of Customs, the volume of exported glass dropped while export price increased in 2009. The export sales volume decreased by 44.06% as compared with last year, among which, the export of float glass decreased by 47.93% to 26.51 million weight cases as compared with that of last year.

Overall, the glass industry experienced dramatic changes from gloom to boom in 2009. The turnaround was mainly attributable to the increase in demands from the propety market and auto industry driven by the economic stimulus plan of the PRC government and the reduced supply resulting from suspension of some production facilities under unfavourable operation conditions and environmental protection requirements.

BUSINESS REVIEW

Overview

In 2009, the Group had 15 sheet glass production lines. The total melting capacity for all production lines amounted to 5,530T/D, representing an increase of 300T/D as compared with that of last year. The change in melting capacity represents a net effect of the upgrade of a 300T/D float glass production line in Weihai production base in Shandong to offline Low-E coated glass production line since the end of June, and the addition of a 600T/D float glass production line in Dongtai, Jiangsu Province at the end of October 2009. Among the 15 sheet glass production lines, the Group had 10 float glass production lines in operation in 2009, whilst 2 float glass production lines, 2 sheet glass production lines and 1 patterned glass production line continued to suspend operation. In addition, 1 production line of offline Low-E coated glass with an annual production capacity of 3 million sq.m was upgraded from an original float glass production line in Weihai and commenced operation in December 2009, while the 3MW amorphous silicon thin-film battery production line and a glass product processing line were in operation throughout the whole year.

In 2009, the Group produced 25.79 million weight cases of various types of glass, recording a decrease of 1.96 million weight cases as compared to that of last year; sold 26.92 million weight cases of glass, representing a production and sales ratio of 104.38%; and recorded a sales revenue of RMB2,078.40 million, and a profit after tax of RMB217.40 million.

Raw materials prices and production costs

At the beginning of 2009, with the impact of the global economy as a result of the global financial crisis, the prices of raw materials and fuels for glass production further dropped. Since the second quarter, the prices of various raw materials and fuels began to pick up along with the economic recovery. However, the prices of raw materials and fuels for glass production remained at low level throughout the year as compared to that of 2008, despite the prices of raw materials and fuels increased in the fourth quarter. Among the major raw materials and fuels used by the Group, the price of soda ash remained stable at low level in 2009, the prices of major fuels such as petroleum powder and coal also remained stable during the year with a fluctuation range of market price of around 10%, while the market price of heavy oil was more volatile and increased by 12.65% during the year.

When compared to last year, the average cost of glass products of the Group in 2009 decreased by RMB16.39/weight case, or 21.47%, to RMB59.95/weight case. It was mainly attributable to the decrease in the prices of raw materials and fuels as well as the decrease in fuel cost resulting from the keen promotion for use of energy saving technology by the Group. In particular, fuel cost was significantly reduced by using solid fuel through application of the self-developed solid fuel spraying and blowing technology.

Production, sales and selling price

In 2009, the 10 float glass production lines of the Group are in normal operation and maintained sate production with stable quality. The Group produced 25.79 million weight cases of glass during the year, representing a decrease of 1.96 million weight cases as compared with that of last year. The decrease was mainly attributable to the suspension of production of a 300T/D float glass production line in Weihai from the end of June, due to its upgrade as mentioned in "Overview" section.

During the year, the Group sold 26.92 million weight cases of glass, representing a decrease of 0.30 million weight cases, or 1.1%, as compared with that of last year. The production and sales ratio of the year was 104.38%, representing an increase of 6.28% as compared with that of last year. The export of float glass amounted to 4.68 million weight cases, representing a decrease of 36.76% as compared with that of last year.

As mentioned in "Market Review" above, the selling price dropped in first quarter and then increased in the middle of the year in 2009. Yet, the average selling price of 2009 was lower than that of 2008.

In 2009, the Group was one of the largest painted glass and coated glass producer in China and maintained its leading position in terms of market shares. The Group changed its product mix by focusing on the production of high value-added products such as coated glass and amorphous silicon solar thin-film battery to meet market demands. The production of high value-added products is expected to increase in proportion which is in accordance with the growth in demands of the energy saving products in China.

Profit after tax

In 2009, the profit after tax of the Group increased by RMB434.8 million from last year to RMB217.4 million, representing an increase of 200%. The significant increase in profit was mainly due to the following reasons:

Firstly, the significant decrease in unit production costs. Except for the reason that the market price of major raw materials and fuels decreased in 2009, unit fuel cost was significantly reduced by using solid fuel through application of the self-developed solid fuel spraying and blowing technology. During the year, many production lines had changed to use solid fuel.

Secondly, the Group changed its product mix by focusing on the production of high value-added and profitable products to meet market demands while maintaining the market shares of other products. Sales of energy saving glass such as coated glass as well as new energy products such as the amorphous silicon solar thin-film battery increased significantly.

Thirdly, the Group redeemed an aggregated principal amount of USD39.11 million unsecured notes with a cash consideration of USD19.56 million in July 2009 and recognised a gain on redemption of RMB130.65 million.

Fourthly, the Group has implemented various cost saving measures. Except for the application of new fuel technology as mentioned above, the Group also sought to reduce consumption by improving its production process. Packaging cost was reduced through the use of simple packaging. Procurement cost was also reduced through the implementation of various measures, such as bulk purchase.

Development of new products and advancement in technology

In 2009, the technology centre of the Group further improved the quality and stability of the self-developed "On-line Low-E coated glass" and "titanium solar easy-to-clean coated glass" for mass production. Efforts were also put in the development of new products and technology to meet market demand. Major technological breakthrough was achieved in the development of on-line transparent conducting oxide glass ("TCO glass").

1. **Further improvement in the technology for on-line coated float glass**

   The Group commenced large-scale production of on-line Low-E coated glass of almost pure colour as a result of the upgrading of coating machines and improvement in production process. The coating cycle was significantly extended. The coating cycle of on-line titanium solar easy-to-clean coated glass products was also extended through the upgrade and calibration of the reactors. The production of these two products is stable. Such technology improvement can be applied to other production lines of the Group to meet future growth in market demand.

2. **Successful development of on-line transparent conducting oxide**

   In the first half of 2009, the Group achieved significant technological breakthrough in respect of its on-line TCO glass products. The Group was the first manufacturer in China to independently develop on-line TCO glass and commence large-scale production. After trial application by thin-film battery manufacturers, the quality of our on-line TCO glass has become comparable to imported products and the products were used for the production of thin-film batteries. The Group will further improve such technology in our large-scale production.

3. Research and development of ultra clear glass in progress

The research work in ultra clear glass has met its targets and paved way for the technology development and support of ultra clear float glass and ultra clear patterned glass.

4. Successful development of BIPV modules

The BIPV photovoltaic modules developed by Weihai China Glass Solar Company Limited ("Weihai Solar"), a subsidiary of the Group, was recognised by the national and provincial Science and Technology Departments for its scientific achievement. It met the international standards. At present, Weihai Solar has a leading position in the BIPV photovoltaic of solar thin-film batteries in China.

Energy saving and emission reduction

Energy saving and emission reduction are always one of the main focus of the Group. In the beginning of the year, the Group strengthened the management of energy saving and improved energy saving devices and technology as proposed by the government, and achieved remarkable results. The Weihai production base installed desulphurization devices and dust removers for the new production plants and implemented 26 clean production projects which contributed to a reduction of sulphur dioxide and dust emission by 769 tons and 389 tons during the year, respectively.

Construction of new production line

1. Construction of a production line of 600T/D On-Line Low-E float glass in Dongtai was completed and commenced operation

This production line has three advantages: (1) the advantage of low cost by using local coke oven gas as fuel; (2) its capability to produce On-Line Low-E coated glass, which has a promising market prospect; (3) geographic advantage for its location at the coastal area in Jiangsu Province, which is only 2-hours drive from Shanghai and in the proximity of major markets.

The above mentioned production line began operation at the end of October 2009. Another production line in Dongtai with the same production process and capacity has commenced operation in April 2010.

2. Upgrade of a production line of Off-line Low-E coated glass with an annual production capacity of 3 million sq.m. in Weihai was completed and commenced operation in December 2009

At the end of June 2009, the Weihai production base of the Group upgraded its production line and introduced advanced technology and facilities from overseas to the New Industrial Zone for the establishment of a production line for Off-Line Low-E Coated Glass with an annual production capacity of 3 million sq.m. The production line commenced operation in December 2009 with products of quality achieving international standards. Product mix of the Group was further diversified and optimized after the commencement of operation of this production line. The Company believes that this production line will become a new driver for future profit growth.

Redemption of unsecured notes

The Group further improved its financial position by redeeming on aggregate amount of US$39.11 million of the unsecured notes with a cash consideration of US$19.56 million in July 2009, details of which are set out in note 13 above and the section headed "Purchase, Sale or Redemption of the Company's Listed Securities" below.

OUTLOOK

In 2010, with the recovery of global economy and further development of the economy in the PRC, the Group believes the glass market will keep growing in first half and then remain stable in second half of 2010. Detailed analysis is as follows:

Glass market

The number of new property construction projects and the potential resumption of suspended production lines will be the two major factors affecting the glass market in 2010.

In 2010, the demand for glass from the real estate sector in China will be greater than that in 2009. It was mainly attributable to (1) the increase in floor area of new property projects by 18% as compared to the same period in last year to 115,400 sq.m in the beginning of 2010; (2) the government policy of building materials subsidy in rural area will support infrastructure construction in rural area; (3) the launch of more low rent and social security housing projects by the government. In addition, glass is more widely used in indoor renovation and decoration in recent years.

On the other hand, the PRC government launched a series of policies and measures targeting the property market to prevent the property prices from surging too rapidly at the beginning of 2010, which is anticipated to affect the supply of residential property in the second half of 2010 and 2011. However, the Group also noticed the two favourable trends in the PRC real estate industry:

The first trend is the increase in demand of housing by the end users in accordance with the urbanization process in China. Whilst the government will introduce various measures to curb the soaring price of residential property, it is expected that the government will also speed up the construction of low rent and social security housings to satisfy such demands of housing. This will effectively maintain the demands for glass and glass products.

The second trend is the use of energy saving materials in construction as promoted by the Chinese government as an effort to protect the environment and to save energy. Currently, energy saving glass such as hollow glass and Low-E hollow glass are widely used in buildings in Europe and the United States with a utilisation rate of over 50%, while the utilisation rate of such products in China is less than 10%. According to the Energy Conservation Law, energy saving materials such as Low-E glass will be widely used in new construction projects and redevelopment projects. The Ministry of Housing and Urban Rural Development of the PRC and the National Development and Reform Commission will also strictly implement mandatory energy saving standards. It is believed that, under these stringent standards, future public and private housings will be required to use energy saving materials including Low-E glass and hollow glass. This will bring hiking demand for energy saving glass products, and help the Group to utilise its technological and production advantages in energy saving glass.

On the supply side, the number of glass production lines in the PRC increased by 23 to 209 at the end of 2009. It is expected that the production capacity will increase by more than 15% at the end of 2010 as compared to that of the end of 2009. In addition to the operating glass production lines, those suspended production lines will resume production soon and more new production lines will also commence operations as a response to increased demand in the market. Therefore, it is expected that the supply of glass will continue to grow in 2010.

In addition to the drivers above, the performance of the glass industry is also affected by changes in demand of the export market.

As the impact of global financial crisis subsided, the demand for glass in the global market is expected to increase in 2010. However, some major international glass producers in close proximity of our markets have also increased their production capacity, which will affect the growth of our export volume to a certain extent. It is expected that the export volume of glass will account for approximately 10% of total domestic glass production volume in 2010 in the PRC.

On the demand side, high quality float glass and further-processed glass featuring environmental protection functions, such as coated glass, hollow glass, particularly Low-E glass will be more popular. The competition in normal float glass market will be very keen.

In view of the above analysis, we estimate that total domestic glass production volume will increase by approximately 10% to 640 million weight cases in 2010 as compared to that of 2009 and the production and sales ratio will be between 95% to 99%. The overall selling prices will remain at high level. It is expected that the competition in normal float glass market will be keen while the unit selling price of glass featuring energy saving functions will increase.

Raw materials and fuels

It is expected that the prices of raw materials and fuels used in the production of glass will increase in 2010 as compared with that of 2009.

The price of soda ash is expected to increase in 2010, as a result of increased production cost and increase in demand from glass and chemical industry.

As for coal tar, due to the high demand for aluminium oxide and carbon and the limited supply of coal tar resulting from the production restriction in coke and iron and steel industries, the price of coal tar is expected to increase significantly in 2010.

As for coal, it is expected that its price will increase slightly due to consolidation of resources, change of industry-related policies and the increase in transportation costs.

As for petroleum powder, it is a fuel substitution and its price is closely related to those of coal and coal tar. As the demand from the carbon industry increases, the price of petroleum powder in 2010 is expected to rise to a certain extent.

As for silicon sand and stones, their prices are expected to be stable, while may be in an upward trend due to government stimulus plan.

Overall, in the first half of 2010, it is expected that the demand for sheet glass in the PRC will increase as compared with that at the end of 2009. Supply and demand will be relatively equal and the price of glass products is expected to first increase and then remain stable. In the second half of 2010, the supply of sheet glass will increase which will affect the production and sales ratio. Producers of normal glass will face market pressure, while demand and supply for high quality glass featuring energy saving functions will remain high.

In facing such market conditions, the Group will adopt the following policies:

1. **Further diversify its product portfolio by increasing the production of energy saving glass**

   The excess production capacity of glass in the PRC has been a structural problem, i.e. excess production of plain sheet glass whereas high quality float glass and glass featuring energy saving functions are under supplied.

   As discussed above, the demand for glass featuring energy saving functions will grow rapidly and this will bring a business opportunity for the Group. The Low- E coated glass, solar control coated glass, titanium coated glass, solar easy to clean coated glass and solar power thin-film battery products produced by the Group enjoy price advantage compared with that of imported glass products and are better than those produced by domestic competitors in terms of quality, production capacity, variety and after-sale service. Accordingly, the Group can leverage on the existing strategically located production bases to grasp business opportunities through resembling and replicating relevant products to meet the increasing demand for energy saving glass.

   Accordingly, the Group will adjust its product mix and increase the production of Low-E glass, solar power thin-film battery and ultra clear patterned glass to meet the market demand and to consolidate its technological advantages and market position.

2. **Technological improvement on suspended production lines to increase market share**

   In 2009, four production lines of the Group, including Beijing Qinchang Line, Jiangsu Suqian 2nd Line, and the sheet glass production line and patterned glass production line in Nanjing of Jiangsu continued to suspend production due to expiry of furnace useful life and market changes. The Group intends to conduct major overhaul or technological upgrade of these production lines in 2010 (Jiangsu Suqian 2nd Line has resumed production in February 2010).

   The second production line of Dongtai has commenced operation in April 2010. The production line has a daily melting capacity of 600 Tons and is mainly designated for the production of on-line Low-E coated glass.

   Upon commencement of production of all the Group's new and upgraded production lines, the Group's market share is expected to be further increased.

3. **Further strengthen the research and development capability and enhance the core competitiveness of the Company**

Strenghten research and development of energy saving glass

In 2010, the Group will further improve the technology of its on-line Low-E coated glass and titanium coated glass and will improve the implementation of the off-line Low-E technology in order to build a solid foundation for large scale production of energy saving products.

Research and development of new energy products and improvement of existing products

In 2010, the Group will continue its research and development of new energy products, including the commercialization of on-line TCO glass technology, and the research and development of ultra clear patterned glass. The Group will also enhance the research and development of amorphous silicon solar power thin film batteries and BIPV products to maintain its leading position in the industry.

Further strengthen research and development of new energy saving technology

In 2010, the Group will increase its investments in the research and development of technologies to save energy, reduce emission and energy consumption to achieve environmental-friendly production and to contribute to both the community and the Company.

In summary, the Group will continue to invest in research and development to ensure the leading position of the Group's technology and to enhance the core competitiveness of the Group.

4. **Expand the production capacity of new energy products and make it as a new source of profit growth**

In 2010, the Group will focus on three new energy products as below:

Solar power thin film battery products

Since the commencement of production of the PV panel production line by Weihai Solar in 2008, the production has been stable and sales results are satisfactory. The products have gained several major international technology and product certifications. However, as the production scale is small, its production costs are high and cannot fully meet market demand. The Group intends to expand the production capacity to 12MW. In addition, the Group will closely monitor the market of photovoltaic glass and will increase production when appropriate and make it a new growth driver of the Group.

TCO glass photovoltaic raw material products

In 2010, leveraging the self-developed technology of on-line TCO glass production, the Group will commence large-scale production. The quality of the TCO glass of the Group is expected to be high and the production cost is expected to be low. The introduction of the Group's TCO glass will ease the reliance on imports of similar products. The provision of TCO glass will also support the rapid growth of thin film battery industry.

Solar power ultra clear glass

The Group intends to convert the patterned glass production line in Nanjing into an ultra clear patterned glass production line.

Through these strategic changes, the Group will enter into the new energy saving market and develop a new source of profit growth by introducing more high value-added products.

5. Continue to optimize energy resources structure of the Group

It is anticipated that energy costs will continue to increase. The Group has adopted various measures to reduce the costs of energy, including:

- The Group will continue to replace heavy oil by solid fuel in its production lines by using solid fuel spraying and blowing technology.
- The Group will increase using of other energy sources with lower cost (e.g. coke oven gas) in its production lines.
- The Group will make more efforts in research and development on the technology of improving efficiency of furnace.

6. Enhance internal management and control of the Group

In 2010, the Group will strengthen its internal management in the following areas: (1) further improvement of the management system of the Group to improve the efficiency of the operation management center; (2) promotion of the corporate culture and team spirit; (3) enhancement of financial and investment management for better financial and assets structure.

The three-year development plan of the Group

The Group will leverage on its technological advantages (including the self-developed and self-proprietary leading glass coating technology and products of on-line Low-E and TCO; BIPV components building integrated photovoltaics technology) and advantages of low costs (coke oven gas is planned to be used in more than half of production lines of the Group), and through the upgrade of technology, expansion and new construction, the Company plans to adjust the product mix in the next three years. Currently, the Group mainly produces construction glass products. The Group intends to change its product mix such that it will have three types of major products, including construction glass products, energy saving glass products and new energy products. It is planned that the proportion of the Group's products will be 55% for construction glass products and 45% for energy saving glass products and new energy products by 2012. It is believed that for the next three years, the sales revenue will increase siginificantly, such that the Group will become one of the largest manufacturers of energy saving glass and new energy glass in China.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 9% from RMB2.29 billion for the year ended 31 December 2008 to RMB2.08 billion for the year ended 31 December 2009. The decrease was mainly due to the decrease of average selling price in first half 2009 as a result of shrinking demand for construction materials including glass products affected by global economic downturn and its effect on Chinese real estate market. Although the demand for glass product rebounded due to the recovery of domestic economy and real estate market in second half 2009, the whole year's average selling price still decreased by 9%.

Cost of sales

The Group's cost of sales decreased by approximately 22% from RMB2.08 billion for the year ended 31 December 2008 to RMB1.61 billion for the year ended 31 December 2009. This was mainly attributable to the decrease in unit selling cost as a result of the decrease in purchase prices of raw materials such as soda ash and decrease in unit cost of fuel due to the application of energy saving technology by the Group.

Gross profit

The Group's gross profit increased by approximately 119% from RMB211.90 million for the year ended 31 December 2008 to RMB464.68 million for the year ended 31 December 2009. This was mainly attributable to the net effect of the decrease in unit selling price and the decrease in unit selling cost as mentioned above. Gross profit margin increased from 9% in 2008 to 22% in 2009 accordingly.

Distribution costs

The Group's distribution costs decreased by approximately 25% from RMB82.88 million for the year ended 31 December 2008 to RMB62.18 million for the year ended 31 December 2009. This was mainly attributable to the decrease in the cost of export charges, as a result of decrease in export sales by the Group.

Administrative expenses

The Group's administrative expenses decreased by approximately 18% from RMB219.59 million for the year ended 31 December 2008 to RMB179.73 million for the year ended 31 December 2009. This was mainly due to the decrease in staff cost and improvements on cost control by the Group.

Share of losses of an associate

Taicang Pilkington China Glass Special Glass Company Limited ("Taicang Special Glass"), the associate of the Group, incurred a loss of RMB55.53 million in 2009, as the completion rate of its finished goods is still at a low level. The Group shared RMB20.89 million loss in accordance with its shareholding in Taicang Special Glass, and its interests in Taicang Special Glass has been reduced to zero as at 31 Decebmer 2009.

Finance income/(costs)

The Group's finance income/(costs) changed from RMB66.00 million of costs for the year ended 31 December 2008 to RMB34.34 million of income for the year ended 31 December 2009. This was mainly attributable to the RMB130.65 million of net gain from redemption of unsecured notes in 2009.

Income tax

The Group's income tax changed from RMB(26.99) million for the year ended 31 December 2008 to RMB38.77 million for the year ended 31 December 2009. This was mainly due to the increase in taxable profits of certain PRC subsidiaries of the Group.

Non-current assets

The Group's non-current assets increased by approximately 6% from RMB2,593.66 million as at 31 December 2008 to RMB2,757.83 million as at 31 December 2009, which was mainly attributable to the completion and continuing construction of new production lines in Dongtai.

Current assets

The Group's current assets increased by approximately 12% from RMB961.33 million as at 31 December 2008 to RMB1,076.23 million as at 31 December 2009. The increase was mainly attributable to the combined effect of decrease in inventory at the end of 2009 and increase in trade and other receivables at the end of 2009, as a result of increase in sales in the fourth quarter of 2009.

Current liabilities

The Group's current liabilities slightly decreased by approximately 1% from RMB1,584.76 million as at 31 December 2008 to RMB1,575.65 million as at 31 December 2009.

Non-current liabilities

The Group's non-current liabilities increased by approximately 5% from RMB969.53 million as at 31 December 2008 to RMB1,020.93 million as at 31 December 2009. This was mainly attributable to the combined effect of new long-term borrowings made in 2009 and decrease in the balance of unsecured notes as a result of redemption.

Capital structure, liquidity, financial resources and assets-liabilities ratio

As at 31 December 2009, the Group's cash and cash equivalents were RMB291.04 million (2008: RMB279.50 million), of which 90% were denominated in RMB, 9% in USD and the remainings are in other currencies. Outstanding bank and other loans were RMB753.55 million (2008: RMB447.70 million), of which 80% were denominated in RMB and 20% were denominated in USD, and outstanding unsecured notes of RMB405.47 million denominated in USD (2008: RMB669.24 million). As at 31 December 2009, the gearing ratio (total interest-bearing debts divided by total assets) was 32% (2008: 32%). As at 31 December 2009, the Group's current ratio (current assets divided by current liabilities) was 0.68 (2008: 0.61). The Group recorded net current liabilities amounting to RMB499.41 million as at 31 December 2009 (2008: RMB623.43 million). Assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.68 (2008: 0.72), the decrease of which was primarily attributable to the increase in property, plant and equipment, as well as trade and other receivables.

Details of the Group's bank and other loans and unsecured notes are set out in Note 25 and Note 27, respectively, to the financial statements.

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") at a consideration of RMB1. Upon completion of the disopal, Jiangsu Glass Group will assume the obligation to make the outstanding capital contribution in an amount of RMB73.5 million into Dongtai Company. In addition, Jiangsu Glass Group granted to the Group an exclusive and irrevocable option to acquire part of or the whole of the 49% equity interest in Dongtai Company held by Jiangsu Glass Group at a consideration of RMB Nil. The purchase price of such portion of the 49% equity interest in Dongtai Company to be acquired by Keen Moral Investment Limited ("Keen Moral") or its nominee pursuant to the exercise of the option by Keen Moral or its nominee is determined with reference to formula specified in the equity transfer agreement. The option is exercisable by the Group at any time after the equity transfer completion date up to the third anniversary of the equity transfer completion. This transaction was completed on July 2009. Further details of this transaction are set out in Note 31 to the financial statements.

On 31 December 2009, the Group entered into an equity transfer agreement and a share transfer agreement with Pilkington International Holdings BV ("Pilkington International") and Pilkington Italy Limited ("Pilkington") in relation to the disposal of the Group's 50% equity interests in Taicang Special Glass to Pilkington International and the acquisition of additional shares in JV Investments Limited from Pilkington. Upon completion of the above transactions, Taicang Special Glass will cease to be an associate of the Group and the Group's effective interest in JV investments Limited will increase from 43.22% to 57.90%. As at the date of this report, these transactions have not been completed.

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 for the year ended 31 December 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.

Upon completion of the placing on 26 January 2010, the number of shares issued by the Company increased from 416,000,000 to 462,330,000, and the Company received HK$24.6 million (equivalent to RMB21.7 million) as proceeds from the issuance of such shares.

Human resources and employees' remuneration

As at 31 December 2009, the Group had employed a total of approximately 6,184 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 has maintained 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. Details of staff costs and pension schemes were set out in Note 6(b) to the financial statements.

Charge on assets

Details of the Group's charge on assets were set out in Note 25 to the financial statements.

Capital commitments

Details of the Group's capital commitments as at 31 December 2009 were set out in Note 33 to the financial statements.

Contingent liabilities

As at 31 December 2009, the Group did not have any significant contingent liabilities.

Exchange rate risk and related hedging

The Group's sales transactions and monetary assets were primarily denominated in RMB, USD and Euro Dollars ("EUR"). 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 fluctuation 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. Details of the Group's exchange rate risk were set out in Note 34(d) to the financial statements.

During the year ended 31 December 2009, the Group had not adopted any derivatives for hedging purposes.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 December 2009 attributable to the Group's major suppliers and customers are as follows:

Purchases	
- the largest supplier	8%
- five largest suppliers combined	27%
Sales	
- the largest customer	11%
- five largest customers combined	16%

During the year ended 31 December 2009, no director of the Company ("Director(s)") or any associates of a Director or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) of the Company has any interest in any of the Group's five largest customers and suppliers.

The Board of Directors have pleasure in submitting their annual report together with the audited financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

Details of the principal activities of the Group are set out in Note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2009 and the state of the Company's and of the Group's affairs as at that date are set out in the financial statements on pages 48 to 142.

The Board does not recommend any final dividend for the year ended 31 December 2009 (31 December 2008: Nil).

RESERVES

Details of distributable reserves of the Company are set out in Note 30(e) to the financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in Note 30(a) to the financial statements.

DONATIONS

There was no donation made by the Group during the year ended 31 December 2009 (2008: RMB210,430).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year are set out in Note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 30(c) to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders under the Bye-Laws of Company, except if an ordinary resolution is passed by the shareholders of the Company (before the issue of any new Shares) to determine that such Shares shall be offered to them in the first instance. As at the date hereof the shareholders have not passed such a resolution.

DIRECTORS

The Directors during the year and up to the date of this report are:

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

Pursuant to Bye-Law 99 of the Company, one third of the Directors will retire from office at the forthcoming annual general meeting. The retiring Directors shall be eligible for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Listing Rules"), and the Company considers the independent non-executive Directors to be independent.

CONTINUING CONNECTED TRANSACTIONS

Raw Materials Supply Agreement

Weihai Blue Star Glass Co., Ltd. ("Lanxing"), a subsidiary of the Company, has entered into a raw materials supply agreement ("Raw Materials Supply Agreement") with Qingdao Soda Ash Industrial Co., Ltd. ("Qingdao Soda Ash") on 9 November 2006. Pursuant to the Raw Materials Supply Agreement, Lanxing and its subsidiaries had agreed to purchase soda ash from Qingdao Soda Ash for a term of three years commencing from 1 January 2007. Qingdao Soda Ash is a connected person of the Company by virtue of it being a 17.46% equity holder of Lanxing. The value of the transaction for the year ended 2009 was RMB36.3 million.

The above continuing connected transaction ceased on 31 December 2009.

The auditors of the Company confirmed that in respect of the continuing connected transaction stated above:

(1) the transaction was approved by the Board of the Company;

(2) the price charged for the transaction was consistent with the prices charged for comparable transactions; and

(3) the value of the transaction for the year ended 2009 did not exceed the cap disclosed in the circular dated 1 December 2006.

On 31 December 2009, Lanxing and Qingdao Soda Ash entered into a new Raw Materials Supply Agreement for a term of three years commencing from 1 January 2010. Pursuant to which Lanxing and its subsidiaries agreed to purchase the products from Qingdao Soda Ash on a continuing basis.

Purchase of Raw Materials and Labour Services Agreement

On 8 May 2008, the Company entered into the master agreement (the "Master Agreement") with Shandong Bluestar Glass (Group) Company Limited ("Shandong Bluestar") pursuant to which the Company and its subsidiaries agreed to purchase raw materials and receive labour services from Shandong Bluestar for a term of three years commencing from 1 January 2008. Shandong Bluestar (an associate of Right Lane Limited) is a connected person of the Company. The value of the transaction for the year ended 2009 was RMB13.5 million.

The auditors of the Company confirmed that in respect of the continuing connected transaction stated above:

(1) the transaction was approved by the Board of the Company;

(2) the price charged for the transaction was consistent with the prices charged for comparable transactions; and

(3) the value of the transaction for the year ended 2009 did not exceed the cap disclosed in the announcement dated 8 May 2008.

Master Sales Agreement

On 24 July 2008, the Company entered into the master sales agreement with Vidrios Lirquen S.A ("Vidrios") on behalf of the Vidrios Lirquen S.A. and Vidrios Lirquen Peru SAC (collectively, the "Vidrios Group") for a term of three years commencing from 1 January 2008 to regulate the future sales arrangements between the Group and the Vidrios Group.

Pilkington Italy Limited, a substantial shareholder of the Company, holds 51% interest in Inversiones Float Chile Limitada which in turn holds 51% interest in Vidrios. Vidrios in turn holds 100% of the interest in Vidrios Lirquen Peru SAC. Members of the Vidrios Group are therefore connected persons of the Company. No sales transaction was carried out between the Company and its subsidiaries and the members of the Vidrios Group for the year ended 31 December 2009.

Master Supply Agreement

On 21 September 2009, Weihai China Glass Solar Co., Ltd ("Weihai Solar"), a non wholly-owned subsidiary of the Company, and Zhuhai Singyes Curtain Wall Engineering Co., Ltd. ("Zhuhai Singyes") entered into the master supply agreement for a term of three years commencing from 1 January 2009, pursuant to which Weihai Solar agreed to supply amorphous silicon thin-film battery and its building-integrated photovoltaic parts manufactured by Weihai Solar to Zhuhai Singyes on a continuing basis.

Weihai Solar is a non wholly-owned subsidiary of the Company which is owned as to 67% by a subsidiary of the Company. China Singyes Solar Technologies Holdings Limited ("China Singyes"), which holds, directly or indirectly, an aggregate of 33% equity interest in Weihai Solar, is a substantial shareholder of Weihai Solar. Zhuhai Singyes is owned as to 75% by China Singyes and is a non wholly-owned subsidiary of China Singyes. Accordingly, Zhuhai Singyes is a connected person of the Company. The value of the transaction for the year ended 2009 was RMB19.1 million.

The auditors of the Company confirmed that in respect of the continuing connected transaction stated above:

(1) the transaction was approved by the Board of the Company;

(2) the price charged for the transaction was consistent with the prices charged for comparable transactions; and

(3) the value of the transaction for the year ended 2009 did not exceed the cap disclosed in the circular dated 9 October 2009.

Lease Agreement

On 21 September 2009, Weihai Solar entered into a lease agreement ("Lease Agreement") with Shandong Bluestar for a term of three years commencing from 1 January 2009 in relation to the leasing of a production site in Shandong Province, the PRC.

Shandong Bluestar is a non-wholly owned subsidiary of Legend Holdings Ltd., which holds 80% of its equity interest. Legend Holdings Ltd. indirectly holds 40% equity interest in Hony International Limited ("Hony International") and Hony International indirectly holds approximately 32.80% equity interest in the Company as at the date of the transaction and is a substantial shareholder of the Company. Therefore, Shangdong Bluestar is an associate of the substantial shareholder of the Company and a connected person of the Company. The value of the transaction for the year ended 2009 was RMB1.7 million.

The auditors of the Company confirmed that in respect of the continuing connected transaction stated above:

(1) the transaction was approved by the Board of the Company;

(2) the price charged for the transaction was in accordance with the pricing terms set out in the Lease Agreement; and

(3) the value of the transaction for the year ended 2009 did not exceed the cap disclosed in the announcement dated 21 September 2009.

The independent non-executive Directors of the Company have reviewed all the above continuing connected transactions and confirm that:

(1) the above transactions are in the ordinary and usual course of business of the Group;

(2) the above transactions are on normal commercial terms, or if there are insufficient comparable transactions to judge whether the terms of those transactions are normal commercial terms, as far as the Company is concerned, the terms of the above transactions are no less favourable than that available from or provided by independent third parties (as the case may be); and

(3) the above transactions are entered into under the terms of the agreements in respect of the relevant transactions and the transaction terms are fair and reasonable and are in the interest of shareholders of the Company as a whole.

CONNECTED TRANSACTIONS

Issuance of New Shares

On 19 March 2009, the Board resolved to place, on a conditional basis, a total of 46,330,000 new Shares to the members of its senior management staff of the Group at a price of HK$0.53 per Share, details of which are set out in the section headed "Management Discussion and Analysis - Issuance of new shares".

Disposal of 49% Equity Interest in Dongtai Company

On 25 May 2009, Keen Moral and Jiangsu Suhuada New Materials Company Limited, both being the wholly-owned subsidiaries of the Company, entered into an equity transfer agreement to dispose of an aggregate of 49% equity interests in Dongtai Company to Jiangsu Glass Group at a consideation of RMB1. Upon completion of the disposal, Jiangsu Glass Group will assume the obligation to make the outstanding capital contribution in an amount of RMB73.5 million into Dongtai Company. In addition, Jiangsu Glass Group granted to Keen Moral or its nominee an exclusive and irrevocable option to acquire part of or the whole of the 49% equity interest in Dongtai Company held by Jiangsu Glass Group at a consideration of RMB Nil. The purchase price of such portion of the 49% equity interest in Dongtai Company to be acquired by Keen Moral or its nominee pursuant to the exercise of the option by Keen Moral or its nominee is determined with reference to formula specified in the equity transfer agreement. The option is exercisable by Keen Moral or its nominee at any time after the completion of the disposal for a period of three years commencing from the completion date of the said disposal.

Jiangsu Glass Group is a connected person of the Company by virtue of it being an associate of Subo Development Co., Ltd, which is an associate of Easylead Management Limited, the substantial shareholder of the Company.

The above transaction constituted connected transaction of the Company which is subject to the approval of its independent shareholders at the special general meeting. The resolution of the transaction was passed by the shareholders at the Special General Meeting held on 29 June 2009.

Disposal of 50% Equity Interest in Taicang Special Glass

On 31 December 2009, Jade Vision Investments Limited ("Jade Vision"), a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Pilkington International in relation to the disposal of the 50% of the equity interests in Taicang Special Glass at a consideration of US$7,350,000 to Pilkington International. On the same day, the Company, Jade Vision, Pilkington International and Pilkington entered into the share transfer agreement, pursuant to which Pilkington and Pilkington International have agreed to transfer to the Company 13,256 Class B non-voting shares with par value of US$1.00 in the share capital of JV Investments Limited ("JV Investments") as consideration for the acquisition of the 50% equity interests in Taicang Special Glass by Pilkington International from Jade Vision. Following the disposal of 50% equity interests in Taicang Special Glass, the Group will cease to have any interest in Taicang Special Glass. Following the acquisition of shares of JV Investments, the Group's effective equity interests in JV Investments will increase from 43.22% to 57.90%.

JV Investments is a non wholly-owned subsidiary of the Company. Pilkington holds approximately 40.14% of the total issued capital of JV Investments and is a substantial shareholder of a subsidiary of the Group. Pilkington is also a substantial shareholder of the Company holding approximately 29.9% interest in the Company. Accordingly, Pilkington is a connected person of the Company. Pilkington International is a wholly-owned subsidiary of Pilkington. Accordingly, Pilkington International, being an associate of a substantial shareholder of the Company, is also a connected person of the Company.

The above transaction constituted both a discloseable and connected transaction of the Company which is subject to the approval of its independent shareholders at the special general meeting. The resolution of the transaction was passed by the shareholders at the Special General Meeting held on 8 February 2010.

Other than disclosed above, the Group was not involved in any connected transactions for the year ended 31 December 2009.

The related party transactions are set out in Note 32 to the financial statements. Apart from the connected transactions disclosed above, all the other related party transactions did not fall within the scope of Chapter 14A of the Listing Rules which are required to comply with the reporting, announcement or independent Shareholders' approval requirements.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2009, none of the Directors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to which the Company, any of its holding company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or in any other body corporate.

CONTRACT OF SIGNIFICANCE

Other than the agreements disclosed in the sections headed "Continuing Connected Transactions" and "Connected Transactions" in the Report of the Directors of this annual report, no contracts of significance of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2009.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in Note 8 to the financial statements.

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 31 December 2009, 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 (the "Model Code") 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 31 December 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 Enterprises Limited [13] ("First Fortune")	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	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	Beneficial owner	124,384,000 Shares (L)	29.90%
Pilkington Brothers Limited	Interest of a controlled corporation [8]	124,384,000 Shares (L)	29.90%
Pilkington Group Limited	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) 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.

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. The following is a summary of the principal terms of the rules of the share option scheme:

(a) Who may join

The Board of Directors may at its discretion grant options to: (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 (collectively, "Qualified Participants").

(b) The purpose of the share option scheme

The share option scheme seeks to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(c) Subscription Price

The subscription price ("Subscription Price") shall, subject to any adjustment pursuant to paragraph (m), be a price determined by the Board of Directors but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

(d) Grant of Option

An offer of the grant of an option shall be made to a Qualified Participant by letter ("Offer Letter") in such form as the Board of Directors may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option is deemed to have been accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the Offer Letter.

(e) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the listing date, which is 36,000,000 (representing 7.8% of the issued share capital as at the date of this annual report).

(f) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the share option scheme ("Option Period") shall be a period of time to be notified by the Board of Directors to each option-holder, which the Board of Directors may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the Offer Date.

(g) Life of the share option scheme

The share option scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the share option scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the share option scheme.

On 29 February 2008, the Directors of the Company granted share options under the share option scheme. No options was granted under the share option scheme during the year ended 31 December 2009.

The closing price of the Shares at the date of grant was HK$3.50. Movement of share options granted under the option scheme during the year ended 31 December 2009 are as follow:

					No. of share			
Participant	Date of grant	Exercise price per share	Exercise period from	until	Held as at 1/1/2009	Forfeited during the period	Held as at 31/12/2009	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	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	

Details of the share options granted were set out in Note 28 to the financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Zhou Cheng （周誠）, aged 53, is an executive Director and the chairman of the Company. Mr Zhou is a senior engineer. He graduated from Nanjing University of Technology in 1980, majoring in inorganic chemistry. Mr Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and chairman and general manager of Jiangsu Glass Group Company Limited. He has 31 years of experience in inorganic chemical industry, building materials industry and enterprise administration and management.

Mr. Zhang Zhaoheng（張昭珩）, aged 51, is an executive Director and the chief executive officer of the Company. He joined the Group in March 2007. Mr Zhang is a senior economist with a postgraduate qualification, he is the Vice President of China Marketing Association and Vice Chairman of China Building Glass and Industrial Glass Association. Mr Zhang joined Blue Star Glass Company in October 1976 and has previously served as chairman and general manager of Weihai Blue Star Glass Co., Ltd., chairman of companies like Blue Star New Technology Company and Zhongbo Technology. He has 32 years of extensive experience in building material industry and corporate management.

Mr. Li Ping （李平）, aged 49, is an executive Director and senior vice president of the Company and chairman of the board of Jiangsu SHD New Materials Company Limited (江蘇蘇華達新材料股份有限公司), an indirect wholly-owned subsidiary of the Company. He graduated in 1982 from Zhejiang University, majoring in materials, with a bachelor degree in engineering and a master's degree in business administration. He is a senior engineer at postgraduate level. Mr Li joined the Group in February 1982 and has formerly worked as deputy head of Jiangsu Glass Factory, deputy general manager and general manager of Jiangsu Glass Group Company Limited. He has 33 years of experience in the building materials industry and enterprise management.

Mr. Cui Xiangdong（崔向東）, aged 50, is an executive Director and senior vice president of the Company. He joined the Group in March 2007. Mr Cui is an accountant and a senior economist with a university qualification. Mr Cui joined Blue Star Glass in October 1977 and has previously served as general manager of Shandong Blue Star Glass Group, director of companies like Blue Star Co., Blue Star New Technology Company and Zhongbo Technology. He has 31 years of extensive experience in building material industry, corporate management and marketing.

Non-executive Directors

Mr. Zhao John Huan （趙令歡）, aged 47, is a non-executive Director of the Company. He joined the Group in January 2005. Mr Zhao graduated from Nanjing University with a bachelor degree and from Northwestern University in the US with a masters degree. Mr Zhao has extensive experience in senior management positions at several US and PRC companies. Mr Zhao is currently a vice president of Legend Holdings Limited.

Mr. Liu Jinduo(劉金鐸), aged 71, is a non-executive Director of the Company. He joined the Group in January 2005. Mr Liu has extensive experience in enterprise management. Before retiring in 2001 he served as vice president of Legend Holdings Limited. He is currently also a director of Easylead Management Limited.

Mr. Eddie Chai（柴楠）, aged 51, is a non-executive Director of the Company. He joined the Group in July 2006. Mr. Chai is the group country manager of Pilkington (Asia) Limited which is a subsidiary of Pilkington plc ("Pilkington"), one of the world's leading float glass companies and the founder of float glass technology. From 2003 to 2006, Mr. Chai was the founder and director of China Investment Solution. From 1996 to 2003, he was the managing director of Northern China and senior vice president in strategy and business development of Lafarge China in China and Paris respectively. Form 1993 to 1995, he was the managing consultant of McKinsey & Co.

Mr. Chen Shuai （陳帥）, aged 35, was appointed as a non-executive Director of the Company. He joined the Group on 2 January 2009. Mr. Chen graduated from the Beijing Forestry University with a bachelor degree. Mr. Chen is currently a vice president of Hony Capital Ltd, and has extensive experience in financial, banking, merger and acquisition investment in China. Mr. Chen also has over 6 years of experience in the field of finance and capital investment in the PRC.

Independent Non-executive Directors

Mr. Song Jun（宋軍）, aged 49, is an independent non-executive Director. He joined the Group in Janaury 2005. Mr. Song graduated from Tsinghua University in 1990 with a PhD in engineering. Mr. Song has served as directors or chairmen of more than ten affiliated companies of Tsinghua Holdings Co., Ltd. and has extensive experience in management and operations. Mr. Song was formerly the Chairman of Tsinghua Holdings Co., Ltd. and is now the Secretary-General of Tsinghua University Education Foundation.

Mr. Sik Siu Kwan(薛兆坤), aged 42, is an independent non-executive Director of the Company. He joined the Group in May 2006. Mr. Sik has more than 13 years of experience in investment banking and finance. He has held senior positions with a number of major international investment banks as well as a Hong Kong operation of a core securities and investment banking operation of a state-owned PRC bank, responsible for business development and regional business operations. He has completed several listings on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has engaged in corporate finance activities including China B stock listing, and convertible debenture issuance. He achieved first class honours in his Bachelor's degree in engineering from Oxford University in 1989. He is also a member of The Institute of Chartered Accountants in England and Wales.

Mr. Zhang Baiheng（張佰恒）, aged 49, is an independent non-executive Director. He joined the Group in January 2005. He was an officer of the China Air Force. Mr. Zhang has extensive experience in the building material industry, and he currently served as the general secretary of the China Architectural and Industrial Glass Association.

Senior Management

Mr. Lu Guo（呂國）, aged 47, is a vice president of the Company, a director and general manager of Su Hua Da. Mr Lu is a senior engineer. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material, majoring in glass. Mr Lu joined the Group in August 1984 and has worked as head of a branch factory of Jiangsu Glass Factory, an assistant to the general manager and a deputy general manager of Jiangsu Glass Group. He has over 20 years of experience in the PRC glass industry.

Mr. Ge Yankai（葛言凱）, aged 49, is a vice president of the Company and a director of Weihai Blue Star, a director and general manager of Blue Star New Technology Company. He joined the Group in March 2007. Mr Ge is a senior engineer. He graduated with an engineering bachelor degree from Shandong University of Technology, majoring in electrical automation, in 1982. Mr Ge joined Blue Star Glass in 1982 and has previously served as deputy general manager Shandong Blue Star Glass Group, director and deputy general manager of Blue Star Co., director and general manager of Blue Star New Technology Company. He has 30 years of extensive experience in the glass industry in the PRC.

Mr. Yang Hongfu （楊洪富）, aged 48, is a vice president of the Company. He joined the Group in January 2005. Mr Yang is a senior economist and a university graduate. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, vice chairman of Jiangsu SHD New Materials Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision Jiangsu Nantong Yaorong Glass Co., Ltd.

Mr. Cheng Xin （程昕）, aged 37, is a vice president and director of Weihai Blue Star Co., Ltd. He joined the Group in March 2007. Mr. Cheng is a registered security analyst, an economist and a master of business administration, he graduated from China Europe International Business School. Mr. Cheng has previously worked as manager of Investment Advisory Department of Haitong Securities Co., Ltd., deputy general manager of Junxin Venture Capital Investment Company. He has 16 years of extensive experience in the investment scope.

Mr. Wang Jianxun（汪建勛）, aged 52, is a chief technology officer of the Company and director of Hangzhou Blue Star. He joined the Group in March 2007. Mr Wang graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor degree in engineering. He is a professor grade senior engineer. Mr Wang has previously worked as engineer, deputy chief engineer, senior engineer, professor grade senior engineer in Qinhuangdao Glass Design Research Institute; professor grade senior engineer in Zhejiang University; director and general manager of Hangzhou Blue Star New Materials Company. Mr Wang has over 30 years of extensive experience in the research and development and application on the glass engineering project design. He was also awarded several National S&T Advance Awards.

Company Secretary

Mr. Ng Kit Man （伍潔文）, aged 37, was appointed as the company secretary of the Company. He joined the Group on 13 March 2009. Mr. Ng received his honors degree of Bachelor of Accountancy from the Hong Kong Polytechnic University in 1995. After graduation, he gained his accounting experiences in several private and listed companies in Hong Kong. He is now a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

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

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than mentioned below.

On 31 July 2009, the Company redeemed USD39,110,000 out 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 Directors, as at the date of this report, the Company has maintained the prescribed public float of not less than 25% under the Listing Rules.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

Save as disclosed in "Material acqusitions or disposals" in the Management Discussion and Analysis of this annual report, the Group had not made any material acquisitions or disposals during the year ended 31 December 2009.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in Note 35 to the financial statements.

UNSECURED NOTES

Details of the unsecured notes are set out in Note 27 to the financial statements.

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 annual results for the year ended 31 December 2009.

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 year ended 31 December 2009.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct rules (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code during the financial year ended 31 December 2009.

AUDITORS

The financial statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 23 April 2010

The Company is committed to the establishment of good corporate governance practices and procedures. The principles of corporate governance adopted by the Company emphasise a board of high quality, sound internal control, transparency and accountability to all shareholders.

In the opinion of the Board, the Company has complied with the CCGP throughout the year ended 31 December 2009.

THE BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. The principal roles of the Board are:

- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget in particular the capital expenditure budget; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day responsibility to the executive management under the instruction/supervision of Chief Executive Officer.

Currently, the Board has established an audit committee and a remuneration committee with defined terms of reference.

Proposed board meeting dates for the forthcoming financial year are circulated to the Board of Directors in the preceding year. During the year ended 31 December 2009, the Board held eleven board meetings. The attendance of the Directors at these eleven board meetings are as follows:

Directors' attendance at board meetings	Directors' number of attendance
Mr. Zhou Cheng	10/11
Mr. Zhang Zhaoheng	9/11
Mr. Li Ping	6/11
Mr. Cui Xiangdong	10/11
Mr. Zhao John Huan	1/11
Mr. Liu Jinduo	4/11
Mr. Eddie Chai	6/11
Mr. Chen Shuai (appointed on 2 January 2009)	6/11
Mr. Song Jun	7/11
Mr. Zhang Baiheng	6/11
Mr. Sik Siu Kwan	5/11

Board minutes are kept by the company secretary of the Company, and are sent to the Directors for records and are open for inspection by the Directors.

Chairman and Chief Executive Officer ("CEO")

In the Board, the Chairman and the CEO are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. The Board has appointed a Chairman, Mr. Zhou Cheng, who provides leadership to the Board so that the Board works effectively and discharges its responsibilities, and that all major issues are discussed by the Board in a timely manner. The CEO, Mr. Zhang Zhaoheng, who is an executive Director, has executive responsibilities over the business directions and operational decisions of the management and performance of the Group.

The Board also comprises independent non-executive Directors who bring strong independent judgement, knowledge and expertise to the Board. As noted below, the majority of the audit committee members are independent non-executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

Board Composition

The Board comprises of four executive Directors, namely Mr. Zhou Cheng, Mr. Zhang Zhaoheng, Mr. Li Ping and Mr. Cui Xiangdong; four non-executive Directors, namely Mr. Zhao John Huan, Mr. Liu Jinduo, Mr. Eddie Chai and Mr. Chen Shuai, and three independent non-executive Directors, namely Mr. Sik Siu Kwan, Mr. Song Jun and Mr. Zhang Baiheng. Mr. Zhou Cheng is the Chairman of the Board.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 33 to 35 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules.

Nomination of Directors

The Company does not have a Nomination Committee. The Board will identify suitable individual qualified to become board members, in particular candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result on the constitution of strong and diverse Board. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

According to the Bye-laws of the Company, notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company at least seven days before the date of the general meeting, or else no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting.

The detailed information on election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders to make an informed decision on their election will be set out in the circular regarding, inter alia, the share repurchase mandate and notice of annual general meeting.

Appointments, Re-election and Removal

Pursuant to the Bye-Law 102(A), the Company may from time to time in general meeting by ordinary resolution elect and pursuant to the Bye-law 102(B), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Such Directors shall hold office until the next general meeting of the Company and shall then be eligible for re-election at the meeting.

Pursuant to the Bye-Law 99, at each annual general meeting, one-third of the Directors shall retire from office by rotation.

Pursuant to the Bye-Law 104, the Company may by ordinary resolution remove any Director before the expiration of his period of office notwithstanding anything in the Bye-Laws or in any agreement between the Company and such Director and may elect another person in his stead.

Mr. Chen Shuai was appointed on 2 January 2009.

All non-executive Directors have contracts with the Company for a specified period of three years subject to retirement and rotation at the annual general meeting of the Company in accordance with the Company's Bye Laws and the CCGP.

Responsibilities of Directors

Every newly appointed Director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements, and the business and governance policies of the Group. The Directors are continually updated with legal and regulatory developments, business and market changes, and the strategic development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of board committees and scrutinise the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Directors' Securities Transactions

The Company has adopted the Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code during the financial year ended 31 December 2009.

Supply of and Access to Information

In respect of regular board meetings, an agenda and the accompanying board papers of each meeting are sent to the Directors approximately one month before the intended date of meeting. Board papers are circulated to the Directors to ensure they have adequate information before the meeting for the ad hoc matters.

The management has the obligation to supply the Board and its committees with adequate information in a timely manner, to enable them to make informed decisions. Where any Director requires more information than is volunteered by the management, each Director has separate and independent access to the Company's senior management to make further enquires if necessary.

All Directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

BOARD COMMITTEE

The board committees of the Company are the Audit Committee and Remuneration Committee.

Audit Committee

The Company has set up an audit committee to establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

The Audit Committee currently comprises two independent non-executive Directors of the Company, namely Mr. Sik Siu Kwan and Mr. Song Jun, and one non-executive Director, namely Mr. Zhao John Huan. The chairman of the Audit Committee is Mr. Sik Siu Kwan. The members of the audit committee possess a wealth of management experience in the accounting profession and commercial sectors.

During the year ended 31 December 2009, two audit committee meetings have been held.

Directors' attendance at audit committee meeting

Directors	Number of attendance
Mr. Sik Siu Kwan (Chairman of the audit committee)	2/2
Mr. Song Jun	2/2
Mr. Zhao John Huan	0/2

Full minutes of audit committee meetings are kept by the company secretary. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

During the year ended 31 December 2009, the audit committee has met the external auditors to discuss and review areas of concerns and internal control without the presence of the management. The audit committee reviewed the interim and annual reports before submission to the Board. The committee focused not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

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.

During the year ended 31 December 2009, one remuneration committee meetings have been held.

Directors' attendance at remuneration committee meeting

Directors	Number of attendance
Mr. Zhao John Huan (Chairman of remuneration committee)	1/1
Mr. Song Jun	1/1
Mr. Sik Siu Kwan	1/1

Under its terms of reference, the principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the remuneration packages of all executive Directors and make recommendations to the Board of the remuneration of non-executive Directors, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

The terms of reference of the remuneration committee are consistent with the terms as set out in the relevant section of the CCGP, and the terms of reference of the remuneration committee are available on request. No Director is involved in deciding his own remuneration.

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance.

Delegation by the Board

The day-to-day management of the Company is delegated to the management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

ACCOUNTABILITY AND AUDIT

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for each financial year which gives a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the Group's results and cash flows for the year then ended. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore, the Board continues to adopt the going concern approach in preparing the financial statements.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the relevant legal and regulatory requirements.

The Company engaged KPMG, as external auditors of the Group. The auditors' reporting responsibilities are set out in the Independent Auditor's Report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group endeavors to set up an internal control system with a well defined management structure with limits of authority, which is designed for the achievement of business objectives, to safeguard assets against unauthorized use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Board has conducted a review on the effectiveness of the Group's internal control system during 2009 with a view to improve its internal control system.

AUDITORS' REMUNERATION

The Company engaged the auditors to review and audit the financial statements of the Company included in the interim and annual reports, respectively, for RMB7,300,000 (which is payable by the Company). Save as disclosed above, the Company did not engage KPMG for any other non-audit services during the year ended 31 December 2009.

COMMUNICATIONS WITH SHAREHOLDERS

In every general meeting, in respect of each substantially separate issue, a separate resolution would be proposed by the Chairman of that meeting.

The Chairman of the Board will attend at the annual general meeting to be available to answer questions at the meeting.

VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures.

In accordance to Bye-Law 70 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

i) by the chairman of the meeting; or

ii) by at least three shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or

iii) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or

iv) by any shareholder or shareholders present in person or by duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

The Company will count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company will ensure that votes cast are properly counted and recorded.

The chairman of a meeting will at the commencement of the meeting ensure that an explanation is provided of:

i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and

ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

KPMG

Independent Auditor's Report to the Shareholders of China Glass Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") set out on pages 48 to 142, which comprise the consolidated and the Company's balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Company's and of the Group's affairs as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

23 April 2010

Consolidated Income Statement

For the year ended 31 December 2009

(Expressed in Renminbi ("RMB"))

	Note	2009 RMB'000	2008 RMB'000
Turnover	4	**2,078,408**	2,289,941
Cost of sales		**(1,613,726)**	(2,078,045)
Gross profit		**464,682**	211,896
Other revenue	5	**19,009**	19,398
Other net income/(loss)	5	**955**	(5,164)
Distribution costs		**(62,183)**	(82,879)
Administrative expenses		**(179,726)**	(219,588)
Other expenses	6(c)	**—**	(60,061)
Profit/(loss) from operations		**242,737**	(136,398)
Share of losses of an associate		**(20,893)**	(41,999)
Finance income/(costs)	6(a)	**34,344**	(66,001)
Profit/(loss) before taxation	6	**256,188**	(244,398)
Income tax	7	**(38,772)**	26,990
Profit/(loss) for the year		**217,416**	(217,408)
Attributable to:			
Equity shareholders of the Company		**135,610**	(189,343)
Non-controlling interests		**81,806**	(28,065)
Profit/(loss) for the year		**217,416**	(217,408)
Basic and diluted earnings/(loss) per share (RMB)	11	**0.326**	(0.455)

The notes on pages 56 to 142 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 30(b).

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

(Expressed in RMB)

	2009 RMB'000	2008 RMB'000
Profit/(loss) for the year	**217,416**	(217,408)
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**2,394**	(2,437)
Total comprehensive income for the year	**219,810**	(219,845)
Attributable to:		
Equity shareholders of the Company	**137,920**	(188,715)
Non-controlling interests	**81,890**	(31,130)
Total comprehensive income for the year	**219,810**	(219,845)

The notes on pages 56 to 142 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009

(Expressed in RMB)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	**2,319,947**	2,116,809
Lease prepayments	16	**304,662**	307,426
Intangible assets	17	**70,063**	81,978
Interest in an associate	18	**—**	20,893
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	29(b)	**62,156**	65,557
		2,757,828	2,593,663
Current assets			
Inventories	20	**312,057**	402,535
Trade and other receivables	21(a)	**473,138**	277,389
Prepaid income tax	29(a)	**—**	1,900
Cash and cash equivalents	22	**291,037**	279,503
		1,076,232	961,327
Current liabilities			
Trade and other payables	24(a)	**1,274,906**	1,334,463
Bank and other loans	25	**273,616**	249,038
Income tax payable	29(a)	**27,123**	1,257
		1,575,645	1,584,758
Net current liabilities		**(499,413)**	(623,431)
Total assets less current liabilities		**2,258,415**	1,970,232

The notes on pages 56 to 142 form part of these financial statements.

At 31 December 2009

(Expressed in RMB)

	Note	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank and other loans	25	**479,937**	198,657
Amounts due to a related company	26	**76,928**	40,103
Unsecured notes	27	**405,472**	669,243
Deferred tax liabilities	29(b)	**58,591**	61,528
		1,020,928	969,531
NET ASSETS		**1,237,487**	1,000,701
CAPITAL AND RESERVES			
Share capital	30	**43,856**	43,856
Reserves	30	**517,421**	350,979
Total equity attributable to equity shareholders of the Company		**561,277**	394,835
Non-controlling interests		**676,210**	605,866
TOTAL EQUITY		**1,237,487**	1,000,701

Approved and authorised for issue by the board of directors on 23 April 2010.

Zhou Cheng
Chairman

Zhang Zhaoheng
Director

The notes on pages 56 to 142 form part of these financial statements.

Balance Sheet

At 31 December 2009

(Expressed in RMB)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	13(b)	**1,239**	2,490
Investments in subsidiaries	14	**176,287**	173,625
Loans to a subsidiary	15	**346,409**	542,733
		523,935	718,848
Current assets			
Other receivables	21(b)	**336,546**	358,040
Cash and cash equivalents	22	**30,322**	12,695
		366,868	370,735
Current liabilities			
Other payables	24(b)	**46,960**	49,517
Net current assets		**319,908**	321,218
Total assets less current liabilities		**843,843**	1,040,066
Non-current liabilities			
Unsecured notes	27	**405,472**	669,243
NET ASSETS		**438,371**	370,823
CAPITAL AND RESERVES			
Share capital	30	**43,856**	43,856
Reserves	30	**394,515**	326,967
TOTAL EQUITY		**438,371**	370,823

Approved and authorised for issue by the board of directors on 23 April 2010.

Zhou Cheng
Chairman

Zhang Zhaoheng
Director

The notes on pages 56 to 142 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 30(c)(i))	Share premium RMB'000 (Note 30(d)(i))	Capital reserve RMB'000 (Note 30(d)(ii))	Statutory reserves RMB'000 (Note 30(d)(iii))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 30(d)(iv))	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling 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 2008:										
Contributions from non-controlling interests	–	–	–	–	(1,301)	–	–	(1,301)	28,468	27,167
Decrease in non-controlling interests through acquisitions of non-controlling interests	–	–	–	–	(11,077)	–	–	(11,077)	(65,835)	(76,912)
Transfer between reserves	–	–	(22,000)	(14,000)	36,000	–	–	–	–	–
Equity-settled share-based transactions (Note 28)	–	–	9,189	–	–	–	–	9,189	–	9,189
Appropriations to reserves	–	–	–	6,632	–	–	(6,632)	–	–	–
Total comprehensive income for the year	–	–	–	–	–	628	(189,343)	(188,715)	(31,130)	(219,845)
Dividends approved in respect of the previous year (Note 30(b))	–	–	–	–	–	–	(22,938)	(22,938)	–	(22,938)
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 2009:										
Written put option over non-controlling interests (Note 31)	**–**	**–**	**–**	**–**	**23,124**	**–**	**–**	**23,124**	**–**	**23,124**
Equity-settled share-based transactions (Note 28)	**–**	**–**	**5,113**	**–**	**–**	**–**	**285**	**5,398**	**–**	**5,398**
Appropriations to reserves	**–**	**–**	**–**	**17,545**	**–**	**–**	**(17,545)**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**2,310**	**135,610**	**137,920**	**81,890**	**219,810**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,546)**	**(11,546)**
Balance at 31 December 2009	**43,856**	**410,482**	**14,302**	**40,785**	**(21,824)**	**(23)**	**73,699**	**561,277**	**676,210**	**1,237,487**

The notes on pages 56 to 142 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

(Expressed in RMB)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit/(loss) before taxation		**256,188**	(244,398)
Adjustments for:			
Depreciation and amortisation	6(d)	**186,834**	182,479
Impairment loss on property, plant and equipment	6(c)	**—**	19,252
Impairment loss on intangible assets	6(c)	**—**	26,696
Impairment loss on goodwill	6(c)	**—**	14,113
Net (gain)/loss on disposal of property, plant and equipment	5	**(152)**	3,584
Net gain on redemption of unsecured notes	6(a)	**(130,648)**	—
Interest income	5	**(3,031)**	(4,455)
Interest expenses and other borrowing costs	6(a)	**95,084**	103,374
Share of losses of an associate		**20,893**	41,999
Equity-settled share-based payment expenses	6(b)	**5,398**	9,189
Operating profit before changes in working capital		**430,566**	151,833
Decrease/(increase) in inventories		**90,478**	(58,376)
(Increase)/decrease in trade and other receivables		**(213,141)**	30,157
(Decrease)/increase in trade and other payables		**(48,285)**	10,196
Cash generated from operations		**259,618**	133,810
PRC Income Tax paid	29(a)	**(10,542)**	(11,791)
Hong Kong Profits Tax paid	29(a)	**—**	(92)
Net cash generated from operating activities		**249,076**	121,927
Investing activities			
Payment for the purchase of property, plant and equipment		**(415,155)**	(286,677)
Payment for land use right premiums		**(9,693)**	(12,646)
Proceeds from disposal of property, plant and equipment		**78,559**	60,281
Payment for acquisitions of non-controlling interests		**(14,525)**	(50,932)
Proceeds from disposal of non-controlling interests in a subsidiary	31	**73,500**	—
Proceeds from disposal of assets classified as held-for-sale		**—**	4,413
Interest received		**3,031**	4,455
Net cash used in investing activities		**(284,283)**	(281,106)

The notes on pages 56 to 142 form part of these financial statements.

	Note	2009 RMB'000	2008 RMB'000
Financing activities			
Proceeds from new bank and other loans		**660,089**	420,764
Repayment of bank and other loans		**(354,320)**	(233,942)
Redemption of unsecured notes	27	**(133,620)**	—
Payment of transaction costs on redemption of unsecured notes	27	**(3,518)**	—
Contributions from non-controlling interests		**—**	27,167
Dividends paid to equity shareholders of the Company	30(b)	**(9,302)**	(15,781)
Dividends paid to non-controlling equity holders		**(3,876)**	—
Other finance costs paid		**(108,645)**	(106,784)
Net cash generated from financing activities		**46,808**	91,424
Net increase/(decrease) in cash and cash equivalents		**11,601**	(67,755)
Cash and cash equivalents at 1 January	22	**279,503**	355,855
Effect of foreign exchange rate changes		**(67)**	(8,597)
Cash and cash equivalents at 31 December	22	**291,037**	279,503

The notes on pages 56 to 142 form part of these financial statements.

1 CORPORATE INFORMATION

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 consolidated financial statements of the Company for the year ended 31 December 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis. Non-current assets held-for-sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(v)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 38.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Loans from equity holders of non-controlling interests and other contractual obligations towards these equity holders are presented as financial liabilities in the consolidated balance sheet in accordance with Notes 2(n) or 2(p) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)), unless the investment is classified as held-for-sale (see Note 2(v)).

(d) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held-for-sale (see Note 2(v)). Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Note 2(k)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

All business combinations, other than combination under common control, are accounted for by applying the purchase method.

Goodwill represents 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.

Goodwill is stated at cost less accumulated impairment losses (see Note 2(k)). Goodwill arising on a business combination is allocated to cash-generating units and is tested annually for impairment (see Note 2(k)).

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 is recognised immediately in the consolidated income statement.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	8-45 years
Machinery and equipment	3-30 years
Motor vehicles and others	3-15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(u)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see Note 2(k)).

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Intellectual properties	10-20 years

Both the period and method of amortisation are reviewed annually.

(h) Lease prepayments

Lease prepayments represent land use right premiums paid and are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)). Amortisation is charged to the income statement on a straight-line basis over the respective periods of the rights.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Impairment of financial assets

Non-current and current financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- for investment in an associate recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).
- for unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

- for trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- intangible assets;
- investments in subsidiaries and associate (except for those classified as held-for-sale); and
- goodwill.

If such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and 2(k)(ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to the income statement when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or cost of construction in progress not yet transferred to property, plant and equipment.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or continuing management involvement with the goods.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in the income statement over the useful life of the asset by way of reduced depreciation expenses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

The results of operations which have a functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(v) Non-current assets held-for-sale

A non-current asset is classified as held-for-sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held-for-sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held-for-sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets and financial assets (other than investments in subsidiaries and associate). These assets, even if held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held-for-sale, and on subsequent remeasurement while held-for-sale, are recognised in the income statement. As long as a non-current asset is classified as held-for-sale, the non-current asset is not depreciated or amortised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products, the nature of production processes, the type or class of customers, the methods used to distribute the products and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- 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*
- 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. The impact of the remainder of these developments 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 related products and 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 12). Corresponding amounts have 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. 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 amendments to HKFRS 7 require expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. These amendments have had no material impact on the Group's disclosure of fair value measurement of financial instruments.

- 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 income statement 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 the income statement, 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 TURNOVER

The principal activities of the Group are the production, marketing and distribution of glass and glass products, and the development of glass production technology.

Turnover represents the sales value of goods supplied to customers, net of value added tax.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's turnover. For the year ended 31 December 2009, revenue from this customer amounted to approximately RMB224.2 million (2008: RMB400.6 million). Details of concentrations of credit risk are set out in Note 34(a).

Further details regarding the Group's principal activities are disclosed in Note 12 to these financial statements.

5 OTHER REVENUE AND NET INCOME/(LOSS)

	2009	2008
	RMB'000	RMB'000
Other revenue		
Interest income	**3,031**	4,455
Government grants	**9,900**	12,133
Others	**6,078**	2,810
	19,009	19,398
Other net income/(loss)		
Net gain/(loss) from sale of raw and scrap materials	**803**	(1,580)
Net gain/(loss) on disposal of property, plant and equipment	**152**	(3,584)
	955	(5,164)

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance (income)/costs:

	2009 RMB'000	2008 RMB'000
Interest on bank advances and other borrowings	96,089	99,299
Bank charges and other finance costs	8,211	14,864
Total borrowing costs	104,300	114,163
Less: amounts capitalised*	(9,216)	(10,789)
Net borrowing costs	95,084	103,374
Net foreign exchange loss/(gain)	1,220	(37,373)
Net gain on redemption of unsecured notes (see Note 27)	(130,648)	—
	(34,344)	66,001

* The borrowing costs have been capitalised at 7.62% per annum for the year ended 31 December 2009 (2008: 7.26% per annum).

(b) Staff costs #:

	2009 RMB'000	2008 RMB'000
Salaries, wages and other benefits	168,549	171,481
Contributions to defined contribution retirement plans	19,599	17,500
Equity-settled share-based payment expenses (see Note 28)	5,398	9,189
	193,546	198,170

The employees of the subsidiaries of the Group established in the PRC (the "PRC subsidiaries") participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the PRC subsidiaries are required to contribute to the schemes at a rate ranging from 18% to 20% of the employees' basic salaries. Employees of the PRC subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

6 PROFIT/(LOSS) BEFORE TAXATION (continued)

(b) Staff costs #: (continued)

The employees of the Company who situated in Hong Kong Special Administrative Region ("Hong Kong SAR") participate in the Mandatory Provident Fund Scheme, whereby the Company is required to contribute to the scheme at 5% of the employees' basic salaries.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other expenses:

	2009 RMB'000	2008 RMB'000
Impairment loss on property, plant and equipment (Note 13(a))	—	19,252
Impairment loss on intangible assets (Note 17)	—	26,696
Impairment loss on goodwill (Note 19)	—	14,113
	—	60,061

(d) Other items:

	2009 RMB'000	2008 RMB'000
Cost of inventories #	1,613,726	2,078,045
Auditors' remuneration – audit services	7,300	7,500
Depreciation and amortisation #	186,834	182,479
Impairment loss on trade and other receivables (see Note 21(a)(ii))	2,205	13,827
Operating lease charges in respect of #		
- land	737	1,602
- plant and buildings	3,464	3,164
- motor vehicles	1,172	820
Research and development costs (other than amortisation costs)	1,681	3,805

Cost of inventories includes RMB279.5 million (2008: RMB256.4 million) for the year ended 31 December 2009, 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 or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000
Provision for income tax on the estimated taxable profits for the year (Note 29(a))		
- Hong Kong Profits Tax	—	47
- PRC Income Tax	38,308	5,907
	38,308	5,954
Deferred taxation (Note 29(b))		
- Origination and reversal of temporary differences	464	(40,887)
- Write-down of deferred tax assets	—	7,943
	464	(32,944)
	38,772	(26,990)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2009 RMB'000	2008 RMB'000
Profit/(loss) before taxation	256,188	(244,398)
Expected tax on profit/(loss) before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	48,636	(36,345)
Tax effect of non-deductible expenses	3,038	5,500
Tax effect of unused tax losses not recognised (Note 29(c))	7,142	12,264
Tax credit (Notes (iv) and (v))	(20,044)	(16,352)
Tax effect of write-down of deferred tax assets (Note (vi))	—	7,943
Income tax	38,772	(26,990)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates: (continued)

Notes:

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits of a subsidiary of the Group incorporated in Hong Kong SAR for the year ended 31 December 2009.

(ii) 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.

(iii) The PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax rates ranging from 15% to 25% (2008: 15% to 25%).

(iv) Certain PRC subsidiaries of the Group 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, or if the PRC subsidiary is entitled but has not commenced in enjoying the tax holiday, the tax holiday must commence immediately in 2008 under the new tax law mentioned in Note 7(b)(v) below.

(v) 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 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%.

(vi) Previously recognised tax losses were written-down in 2008, following a change in estimates of the future operating results of certain PRC subsidiaries of the Group.

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2009						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Zhou Cheng	—	449	—	—	449	556	1,005
Mr. Zhang Zhaoheng	—	449	—	25	474	556	1,030
Mr. Li Ping	—	251	—	18	269	237	506
Mr. Cui Xiangdong	—	251	—	25	276	237	513
Non-executive directors							
Mr. Zhao John Huan	1	—	—	—	1	—	1
Mr. Liu Jinduo	1	—	—	—	1	—	1
Mr. Eddie Chai	1	—	—	—	1	—	1
Mr. Chen Shuai (Appointed on 2 January 2009)	1	—	—	—	1	—	1
Independent non-executive directors							
Mr. Song Jun	88	—	—	—	88	—	88
Mr. Sik Siu Kwan	88	—	—	—	88	—	88
Mr. Zhang Baiheng	88	—	—	—	88	—	88
	268	1,400	—	68	1,736	1,586	3,322

8 DIRECTORS' REMUNERATION (continued)

	2008						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Zhou Cheng	—	449	—	—	449	861	1,310
Mr. Zhang Zhaoheng	—	449	—	23	472	861	1,333
Mr. Li Ping	—	251	—	15	266	368	634
Mr. Cui Xiangdong	—	251	—	23	274	368	642
Non-executive directors							
Mr. Zhao John Huan	1	—	—	—	1	—	1
Mr. Liu Jinduo	1	—	—	—	1	—	1
Mr. Eddie Chai	1	—	—	—	1	—	1
Mr. Guo Wen (Resigned on 22 July 2008)	1	—	—	—	1	—	1
Mr. Chen Shuai (Appointed on 2 January 2009)	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. Song Jun	91	—	—	—	91	—	91
Mr. Sik Siu Kwan	91	—	—	—	91	—	91
Mr. Zhang Baiheng	91	—	—	—	91	—	91
	277	1,400	—	61	1,738	2,458	4,196

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Note (i): These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(o)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Report of the Directors and Note 28.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2008: four) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other one (2008: one) individual is as follows:

	2009	2008
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**377**	687
Discretionary bonuses	**—**	—
Share-based payments	**207**	322
Retirement scheme contributions	**—**	22
	584	1,031

The number of employee who was not directors and who was amongst the five highest paid employees of the Group fell within the following band:

	2009	2008
HK$Nil – HK$1,000,000	**1**	—
HK$1,000,001 – HK$1,500,000	**—**	1

No emoluments were paid or payable to this employee as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB62.8 million (2008: loss of RMB25.0 million) which has been dealt with in the financial statements of the Company.

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity shareholders of the Company of RMB135.6 million (2008: loss attributable to equity shareholders of the Company of RMB189.3 million) and 416,000,000 ordinary shares (2008: 416,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares as at 31 December 2009 and 2008.

12 SEGMENT REPORTING

The Group manages its businesses by products. 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.

- High value-added glass products: this segment produces, markets and distributes high value-added glass products such as painted glass, coated glass and photovoltaic battery module products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, 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 borrowings 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 interest and finance 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, director's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning 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 occurred for the year ended 31 December 2009 and 2008.

12 SEGMENT REPORTING (continued)

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

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 years ended 31 December 2009 and 2008 is set out below.

	Low value-added glass products		High value-added glass products		Total	
	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	**1,078,705**	1,268,597	**999,703**	1,021,344	**2,078,408**	2,289,941
Reportable segment profit (adjusted EBITDA)	**198,596**	28,742	**244,145**	101,402	**442,741**	130,144
Interest income	**1,913**	397	**1,111**	3,843	**3,024**	4,240
Interest expenses (net of amounts capitalised)	**(48,519)**	(45,697)	**(25,614)**	(32,356)	**(74,133)**	(78,053)
Depreciation and amortisation	**(94,177)**	(104,231)	**(91,388)**	(77,021)	**(185,565)**	(181,252)
Impairment losses of:						
– property, plant and equipment	**–**	(19,252)	**–**	–	**–**	(19,252)
– intangible assets	**–**	–	**–**	(26,696)	**–**	(26,696)
– goodwill	**–**	(14,113)	**–**	–	**–**	(14,113)
Reportable segment assets	**1,590,575**	1,627,568	**2,228,174**	1,843,984	**3,818,749**	3,471,552
Additions to non-current segment assets during the year	**29,263**	138,819	**424,833**	310,493	**454,096**	449,312
Reportable segment liabilities	**1,132,584**	1,177,712	**1,382,611**	1,224,173	**2,515,195**	2,401,885

12 SEGMENT REPORTING (continued)

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

	2009 RMB'000	2008 RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	**442,741**	130,144
Share of losses of an associate	**(20,893)**	(41,999)
Interest income	**3,031**	4,455
Depreciation and amortisation	**(186,834)**	(182,479)
Finance income/(costs)	**34,344**	(66,001)
Other expenses	**—**	(60,061)
Unallocated head office and corporate expenses	**(16,201)**	(28,457)
Consolidated profit/(loss) before taxation	**256,188**	(244,398)

	2009 RMB'000	2008 RMB'000
Assets		
Reportable segment assets	**3,818,749**	3,471,552
Interest in an associate	**—**	20,893
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**62,156**	65,557
Prepaid income tax	**—**	1,900
Unallocated head office and corporate assets	**560,763**	737,777
Elimination of receivables between segments, and segments and head office	**(608,608)**	(743,689)
Consolidated total assets	**3,834,060**	3,554,990

12 SEGMENT REPORTING (continued)

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

	2009 RMB'000	2008 RMB'000
Liabilities		
Reportable segment liabilities	**2,515,195**	2,401,885
Income tax payable	**27,123**	1,257
Deferred tax liabilities	**58,591**	61,528
Unallocated head office and corporate liabilities	**604,272**	833,308
Elimination of payables between segments, and segments and head office	**(608,608)**	(743,689)
Consolidated total liabilities	**2,596,573**	2,554,289

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and lease prepayments and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		Specified non-current assets	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
The PRC (including Hong Kong SAR) (place of domicile)	**1,653,269**	1,550,894	**2,694,672**	2,506,213
Middle East	**256,919**	435,230	**—**	—
South Korea	**23,107**	111,235	**—**	—
Brazil	**13,400**	35,857	**—**	—
India	**12,739**	3,507	**—**	—
Malaysia	**10,115**	8,575	**—**	—
Other countries	**108,859**	144,643	**—**	—
	425,139	739,047	**—**	—
	2,078,408	2,289,941	**2,694,672**	2,506,213

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	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 (Note 6(c))	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

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group (continued)

	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 2009	911,916	1,786,923	18,714	256,653	2,974,206
Additions	367	28,035	3,179	418,247	449,828
Transfer in/(out)	286,281	275,221	—	(561,502)	—
Disposals	(68,755)	(117,015)	(954)	—	(186,724)
At 31 December 2009	1,129,809	1,973,164	20,939	113,398	3,237,310
Accumulated depreciation and impairment losses:					
At 1 January 2009	202,709	646,315	8,373	—	857,397
Charge for the year	28,926	136,473	2,428	—	167,827
Written back on disposals	(28,380)	(78,850)	(631)	—	(107,861)
At 31 December 2009	203,255	703,938	10,170	—	917,363
Net book value:					
At 31 December 2009	926,554	1,269,226	10,769	113,398	2,319,947

At 31 December 2009, property certificates of certain properties with an aggregate net book value of RMB323.3 million (31 December 2008: RMB357.6 million) are yet to be obtained.

Impairment loss

At 31 December 2008, the directors of the Company considered certain of the Group's property, plant and equipment were technologically less advance, and would become obsolete in the foreseeable future. The directors of the Company assessed the recoverable amounts of these assets, and as a result the carrying amount of the property, plant and equipment was written down by RMB19.3 million (see Note 6(c)). The estimates of recoverable amount were based on the assets' fair values less costs to sell, determined by reference to the then observable market prices for similar assets within the same industry.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2008	931	320	1,251
Additions	1,242	1,707	2,949
At 31 December 2008	2,173	2,027	4,200
Accumulated depreciation:			
At 1 January 2008	425	142	567
Charge for the year	674	469	1,143
At 31 December 2008	1,099	611	1,710
Net book value:			
At 31 December 2008	1,074	1,416	2,490
Cost:			
At 1 January 2009 and 31 December 2009	**2,173**	**2,027**	**4,200**
Accumulated depreciation:			
At 1 January 2009	**1,099**	**611**	**1,710**
Charge for the year	**600**	**651**	**1,251**
At 31 December 2009	**1,699**	**1,262**	**2,961**
Net book value:			
At 31 December 2009	**474**	**765**	**1,239**

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**176,287**	173,625

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operations**	**Particulars of registered/issued and paid-up capital**	**The Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
Beijing Qinchang Glass Company Limited	PRC	Registered and paid-up capital of RMB100,000,000	43.22%	—	100%	Production, marketing and distribution of glass and glass products
Beijing Zhonghai Xingye Safety Glass Company Limited (Note 35(a))	PRC	Registered and paid-up capital of RMB12,000,000	17.69%	—	75%	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited (Note 31)	PRC	Registered and paid-up capital of RMB150,000,000	100%	—	100%*	Production, marketing and distribution of glass and glass products
Hangzhou Blue Star New Materials Technology Company Limited	PRC	Registered and paid-up capital of RMB1,000,000	74.72%	—	90%	Development of glass production technology

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Hanzhong Blue Star Silicon Sand Company Limited	PRC	Registered and paid-up capital of RMB2,400,000	50.03%	—	90.10%	Processing and sale of silicon sand
Huada (HK) International Company Limited	Hong Kong SAR	Issued and paid-up capital of HK$10,000	100%	—	100%	Trading of glass and glass products
Jiangsu SHD New Materials Company Limited	PRC	Registered and paid-up capital of RMB96,000,000	100%	—	100%	Production, marketing and distribution of glass and glass products
JV Investments Limited	Cayman Islands	Issued and paid-up capital of USD90,313	43.22%	43.22%**	—	Investment holding
Nanjing Yuanhong Glass Glaze Company Limited	PRC	Registered and paid-up capital of RMB20,000,000	18.87%	—	80%	Production, marketing and distribution of glass and glass products
Shaanxi Blue Star Glass Company Limited	PRC	Registered and paid-up capital of RMB100,000,000	55.53%	—	100%	Production, marketing and distribution of glass and glass products
Suqian Huasheng Management Consulting Company Limited	PRC	Registered and paid-up capital of RMB100,000	100%	—	100%	Provision of management services to group companies

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Suqian Huayi Coated Glass Company Limited	PRC	Registered and paid-up capital of RMB100,000,000	100%	—	100%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Glass Company Limited	PRC	Registered and paid-up capital of RMB107,700,000	23.59%	—	57.74%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Import & Export Company Limited	PRC	Registered and paid-up capital of RMB5,000,000	23.59%	—	100%	Trading of glass and glass products
Weihai Blue Star New Technology Glass Company Limited	PRC	Registered and paid-up capital of USD12,000,000	17.34%	—	73.50%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Technology Industrial Park Company Limited	PRC	Registered and paid-up capital of RMB25,680,000	23.59%	—	100%	Investment holding
Weihai China Glass Solar Company Limited	PRC	Registered and paid-up capital of USD10,000,000	15.81%	—	67.00%	Production, marketing and distribution of glass products

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and operations	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Wuhai Blue Star Glass Company Limited	PRC	Registered and paid-up capital of RMB128,378,729	50.63%	—	97.35%	Production, marketing and distribution of glass and glass products
Wuhai Blue Star Transportation Company Limited	PRC	Registered and paid-up capital of RMB2,000,000	38.02%	—	100%	Provision of transportation services to group companies
Wuhai Haibo Trading Company Limited	PRC	Registered and paid-up capital of RMB2,570,000	43.25%	—	85.42%	Trading of glass and glass products
Xianyang Blue Star Coated Glass Company Limited	PRC	Registered and paid-up capital of RMB90,000,000	60.48%	—	88.89%	Production, marketing and distribution of glass and glass products
Zhongbo Technology Company Limited	PRC	Registered and paid-up capital of RMB194,860,000	22.08%	—	76.68%	Production, marketing and distribution of glass and glass products

14 INVESTMENTS IN SUBSIDIARIES (continued)

* As mentioned in Note 31, the Group owns 51% of the equity interests in Dongtai China Glass Special Glass Company Limited ("Dongtai Glass Company"), where the Group's also written a put option under which the Group can be required to purchase the remaining 49% equity interests from the existing non-controlling equity holder. Given the Group's adoption of an accounting policy to account for such contract as if it has been executed and the underlying equity interests are deemed to have been acquired, the proportion of ownership interest held by subsidiaries is shown as 100% accordingly.

** Although the Group owns less than half of the voting power of JV Investments Limited ("JV Investments"), it is able to govern the financial and operating policies of JV Investments through the Group's power to cast the majority of votes at meetings of the board of directors of JV Investments, and control of JV Investments is by this board.

15 LOANS TO A SUBSIDIARY

The Company's loans to a subsidiary are unsecured and non-interest bearing (31 December 2008: bore interest ranging from 8.79% to 9.79% per annum) and are repayable on 30 June 2012.

16 LEASE PREPAYMENTS

	The Group 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	**324,480**
Additions	**4,328**
At 31 December 2009	**328,808**
Accumulated amortisation:	
At 1 January 2009	**17,054**
Charge for the year	**7,092**
At 31 December 2009	**24,146**
Net book value:	
At 31 December 2009	**304,662**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 31 December 2009, land use right certificates of certain land use rights with an aggregate carrying value of RMB13.3 million (31 December 2008: RMB70.1 million) are yet to be obtained.

17 INTANGIBLE ASSETS

	The Group Intellectual properties RMB'000
Cost:	
At 1 January 2008, 31 December 2008 and 31 December 2009	**123,739**
Accumulated amortisation and impairment losses:	
At 1 January 2008	7,351
Charge for the year	7,714
Impairment loss (Note 6(c))	26,696
At 31 December 2008	**41,761**
Charge for the year	**11,915**
At 31 December 2009	**53,676**
Net book value:	
At 31 December 2009	**70,063**
At 31 December 2008	**81,978**

The amortisation charge for the year is included in "cost of sales" in the consolidated income statement.

Impairment loss

The carrying amount of intangible assets at 31 December 2009 represented intellectual properties used in the Group's glass production processes.

An impairment test was carried out in 2008 due to the global economic downturn, where the directors of the Company considered the benefits of such intellectual properties would not be realised as expected. The recoverable amounts of the cash-generating units (the production lines using the intellectual properties to produce glass products) were estimated based on their value in use, using cash flow projections prepared by the directors of the Company and after-tax discount rate of 12.01%. Based on this assessment, the recoverable amounts of the intellectual properties were determined to be RMB26.7 million lower than the related carrying amount, and an impairment loss was recognised accordingly (see Note 6(c)).

18 INTEREST IN AN ASSOCIATE

	The Group	
	2009	2008
	RMB'000	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, was listed below:

	Assets	Liabilities	Equity	Revenue	Net loss
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2009					
Taicang Special Glass	**508,810**	**520,677**	**(11,867)**	**25,989**	**55,525**
2008					
Taicang Special Glass	486,327	442,669	43,658	6,171	83,998

Pursuant to an equity transfer agreement entered into between Jade Vision Investments Limited ("Jade Vision"), a wholly owned subsidiary of the Company, and Pilkington International Holdings BV ("Pilkington International") on 31 December 2009, the Group will dispose of its 50% equity interests in Taicang Special Glass to Pilkington International at a consideration of USD7.35 million. Accordingly, the Group's interest in an associate of RMBNil has been classified as asset held-for-sale at 31 December 2009 (see Note 23). Up to the date of issue of these financial statements, the above transaction has not been completed (see Note 35(c)).

19 GOODWILL

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, being the cash generating unit containing the goodwill.

At 31 December 2008, the directors of the Company has determined that the recoverable amount of the cash generating unit was less than its carrying value by RMB14.1 million, hence an impairment loss of the same amount was provided in 2008 (see Note 6(c)).

The recoverable amount of the cash generating unit was 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, budgeted gross profit margin of 15.7% and discount rate of 6.8%.

20 INVENTORIES

	The Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	**105,868**	119,356
Work in progress and finished goods	**177,873**	263,719
Racks, spare parts and consumables	**33,930**	37,811
	317,671	420,886
Less: provision	**(5,614)**	(18,351)
	312,057	402,535

20 INVENTORIES (continued)

An analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Carrying amount of inventories sold	**1,626,463**	2,065,863
(Reversal of write-down)/write-down of inventories	**(12,737)**	12,182
	1,613,726	2,078,045

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of glass and glass products as a result of an increase in their selling prices on the glass market.

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

21 TRADE AND OTHER RECEIVABLES

(a) The Group

	2009 RMB'000	2008 RMB'000
Trade receivable from:		
– Third parties	**77,736**	65,984
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**42,909**	43,557
– Companies under common significant influence	**322**	337
Bills receivable	**167,825**	26,611
	288,792	136,489
Less: allowance for doubtful debts (Note 21(a)(ii))	**(28,435)**	(26,627)
	260,357	109,862
Amounts due from related companies:		
– Equity shareholders of the Company (Note (aa))	**2,353**	2,215
– Non-controlling equity holders of subsidiaries of the Group (Note (aa))	**142**	142
– An associate of the Group (Note (aa))	**4,735**	3,246
– Companies under common significant influence (Note (aa))	**44,264**	45,448
	51,494	51,051
Less: allowance for doubtful debts (Note 21(a)(ii))	**(2,990)**	(3,824)
	48,504	47,227
Prepayments, deposits and other receivables	**173,795**	129,766
Less: allowance for doubtful debts (Note 21(a)(ii))	**(9,518)**	(9,466)
	164,277	120,300
	473,138	277,389

Note:

(aa) 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 or recognised as expense within one year.

21 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (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:

	2009	2008
	RMB'000	RMB'000
Within 1 month	**55,043**	43,462
More than 1 month but less than 3 months	**68,893**	23,573
More than 3 months but less than 6 months	**119,540**	30,249
Over 6 months	**16,881**	12,578
	260,357	109,862

Trade and bills receivables that were not impaired relate to a wide range of customers for whom there was no recent history of default and has 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.

Further details on the Group's credit policy are set out in Note 34(a).

21 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (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 (see Note 2(k)(i)).

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

	2009	2008
	RMB'000	RMB'000
At 1 January	**39,917**	26,411
Impairment loss recognised	**2,205**	13,827
Uncollectible amounts written off	**(1,179)**	(321)
At 31 December	**40,943**	39,917

At 31 December 2009, the Group's trade and other receivables of RMB40.9 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.

(b) The Company

	2009	2008
	RMB'000	RMB'000
Amount due from an equity shareholder of the Company (Note (aa))	**26**	26
Amounts due from subsidiaries (Note (bb))	**333,909**	355,744
Prepayments, deposits and other receivables	**2,611**	2,270
	336,546	358,040

21 TRADE AND OTHER RECEIVABLES (continued)

(b) The Company (continued)

Notes:

(aa) The amount is unsecured, non-interest bearing and has no fixed term of repayment.

(bb) The amounts are unsecured. Except for an amount of RMB70.0 million (31 December 2008: RMB70.0 million) which bears interest at 5.76% per annum (31 December 2008: 5.76% per annum) and is repayable within one year, all of the remaining balances are non-interest bearing and have no fixed terms of repayment.

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

22 CASH AND CASH EQUIVALENTS

(a) The Group

	2009 RMB'000	2008 RMB'000
Cash at bank and in hand	**291,037**	279,503

At 31 December 2009, cash and cash equivalents of RMB23.6 million (31 December 2008: RMB111.5 million) were pledged to secure bills issued by the Group.

(b) The Company

	2009 RMB'000	2008 RMB'000
Cash at bank and in hand	**30,322**	12,695

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

23 ASSET CLASSIFIED AS HELD-FOR-SALE

On 31 December 2009, the Company and Jade Vision entered into an equity transfer agreement and a share transfer agreement with Pilkington International and Pilkington Italy Limited ("Pilkington"). According to the equity transfer agreement and share transfer agreement, Jade Vision has agreed to sell its 50% equity interests in Taicang Special Glass to Pilkington International at a consideration of USD7.35 million, which by virtue of the share transfer agreement, will be settled by the transfer of 14.68% equity interests of JV Investments from Pilkington to the Company. The Group's share of Taicang Special Glass' net assets immediately before entering into the equity transfer agreement was RMBNil, and has been classified as asset held-for-sale at 31 December 2009. Up to the date of issue of these financial statements, these transactions have not been completed (see Note 35(c)).

24 TRADE AND OTHER PAYABLES

(a) The Group

	2009 RMB'000	2008 RMB'000
Trade payable to:		
– Third parties	374,154	328,733
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	8,148	8,270
– Companies under common significant influence	2,070	2,163
Bills payable	59,874	278,620
	444,246	617,786
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	5,180	4,267
– Non-controlling equity holders of subsidiaries of the Group and their affiliates (Note (ii))	13,268	13,268
– Companies under common significant influence (Note (iii))	47,146	52,712
	65,594	70,247
Accrued charges and other payables	659,386	563,006
Financial liabilities measured at amortised cost	1,169,226	1,251,039
Advances received from customers	105,680	83,424
	1,274,906	1,334,463

24 TRADE AND OTHER PAYABLES (continued)

(a) The Group (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 are unsecured. Except for an amount of RMB5.8 million at 31 December 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 31 December 2009 are RMB13.7 million (31 December 2008: RMB20.1 million) which are 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 or recognised as revenue 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:

	2009	2008
	RMB'000	RMB'000
Due within 1 month or on demand	**393,586**	401,380
Due after 1 month but within 6 months	**50,660**	216,406
	444,246	617,786

(b) The Company

	2009	2008
	RMB'000	RMB'000
Amounts due to subsidiaries (Note (i))	**4,499**	4,506
Accrued charges and other payables	**42,461**	45,011
	46,960	49,517

Note:

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

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

25 BANK AND OTHER LOANS

(a) The Group's short-term bank and other loans

	2009	2008
	RMB'000	RMB'000
Bank loans	**254,940**	196,020
Loans from third parties	**5,000**	18,018
	259,940	214,038
Add: current portion of long-term bank and other loans	**13,676**	35,000
	273,616	249,038

At 31 December 2009, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) were secured as follows:

	2009	2008
	RMB'000	RMB'000
Bank loans:		
– Pledged by bank bills	**5,420**	1,700
– Secured by property, plant and equipment and land use rights	**69,520**	68,320
– Guaranteed	**—**	14,000
– Guaranteed and secured by property, plant and equipment and land use rights	**7,000**	7,000
– Unguaranteed and unsecured	**173,000**	105,000
	254,940	196,020
Loans from third parties:		
– Unguaranteed and unsecured	**5,000**	18,018
	259,940	214,038

At 31 December 2009, the aggregate carrying values of the secured property, plant and equipment and land use rights were RMB105.4 million (31 December 2008: RMB118.3 million).

25 BANK AND OTHER LOANS (continued)

(b) The Group's long-term bank and other loans

	2009 RMB'000	2008 RMB'000
Bank loans	**298,800**	35,000
Loans from third parties	**44,568**	48,500
Loans from an equity shareholder of the Company	**150,245**	150,157
	493,613	233,657
Less: current portion of long-term bank and other loans	**(13,676)**	(35,000)
	479,937	198,657

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

	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	**13,676**	35,000
After 1 year but within 2 years	**84,671**	13,676
After 2 years but within 5 years	**319,011**	100,556
After 5 years	**76,255**	84,425
	493,613	233,657

At 31 December 2009, except for long-term bank loans of RMB178.8 million (31 December 2008: RMBNil) which were secured by property, plant and equipment, all of the remaining borrowings were unsecured. At 31 December 2009, the aggregate carrying values of the secured property, plant and equipment were RMB500.7 million (31 December 2008: RMBNil).

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.

At 31 December 2009, the Group's banking facilities amounted to RMB150.0 million (2008: RMBNil) were utilised to the extent of RMB150.0 million (2008: RMBNil).

25 BANK AND OTHER LOANS (continued)

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 34(b). At 31 December 2009, none of the covenants relating to the bank and other loans had been breached (2008: RMBNil).

26 AMOUNTS DUE TO A RELATED COMPANY

	The Group	
	2009	2008
	RMB'000	RMB'000
Payable for purchase of properties (Note (i))	**26,552**	32,353
Payable for purchase of non-controlling interests in a subsidiary (Note (ii))	**—**	7,750
Expected consideration to be paid on a written put option over non-controlling interests (Note (iii))	**50,376**	—
	76,928	40,103

Notes:

(i) The amount is unsecured, bears interest at 6.12% per annum (31 December 2008: 6.12% per annum) and is repayable in monthly instalments between January 2011 to December 2014. Further details of the transaction are set out in Note 32(a)(i).

(ii) At 31 December 2008, the amount represented the remaining consideration for the acquisition of 9.90% equity interests in Suqian Huayi Coated Glass Company Limited from Jiangsu Glass Group, a related party under common significant influence. The amount is unsecured, non-interest bearing, and has been included in "trade and other payables" at 31 December 2009 (see Note 24(a)).

(iii) The amount represented the present value of the redemption amount of a written put option over 49% equity interests in Dongtai Glass Company held by Jiangsu Glass Group, a related party under common significant influence. Further details of the transaction are set out in Note 31.

27 UNSECURED NOTES

On 12 July 2007, the Company issued unsecured senior notes with an aggregate principal amount of USD100.0 million at par on the Singapore Exchange Securities Trading Limited. The unsecured 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.

On 31 July 2009, the Company redeemed an aggregate principal amount of USD39.11 million (equivalent to RMB267.2 million) of the unsecured notes with a cash consideration of USD19.56 million (equivalent to RMB133.6 million). The difference between the carrying amount of the unsecured notes redeemed and the consideration paid, net of transaction costs, was recognised as a gain on redemption of unsecured notes of RMB130.6 million in the Group's consolidated income statement (see Note 6(a)). The outstanding unsecured notes will mature on 12 July 2012, and are jointly and severally guaranteed by certain subsidiaries of the Group.

28 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 as consideration 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.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) The terms and conditions of the grants are as follows:

	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 granted	20,000,000		

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

	2009		2008	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$3.50**	**20,000**	—	—
Granted during the year	**—**	**—**	HK$3.50	20,000
Forfeited during the year	**HK$3.50**	**(700)**	—	—
Outstanding at the end of the year	**HK$3.50**	**19,300**	HK$3.50	20,000
Exercisable at the end of the year	**HK$3.50**	**7,720**	—	—

The options outstanding at 31 December 2009 had an exercise price of HK$3.50 (31 December 2008: HK$3.50) and a weighted average remaining contractual life of 5.42 years (31 December 2008: 6.42 years).

(Expressed in RMB unless otherwise indicated)

28 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

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 historical 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.

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Movements in current taxation in the consolidated balance sheet are as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**(643)**	5,286
Provision for income tax on the estimated taxable profit for the year (Note 7(a))	**38,308**	5,954
Income tax paid	**(10,542)**	(11,883)
Balance of income tax payable (net of prepaid income tax) at 31 December	**27,123**	(643)

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses	Provision for inventories	Impairment losses on receivables	Depreciation expenses in excess of related tax allowances	Impairment losses on property, plant and equipment and intangible assets	Total	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets, interest capitalisation and related depreciation	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 (Note 7(a))	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**
(Charged)/credited to the consolidated income statement (Note 7(a))	**(2,135)**	**(2,311)**	**(134)**	**1,179**	**—**	**(3,401)**	**2,937**	**(464)**
At 31 December 2009	**32,685**	**772**	**5,785**	**14,318**	**8,596**	**62,156**	**(58,591)**	**3,565**

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised (continued):

(ii) The Company

There were no significant unrecognised deferred tax assets and liabilities as at 31 December 2009 and 2008.

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses arising from certain PRC subsidiaries of the Group of RMB100.3 million (2008: RMB74.7 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2009, temporary differences relating to the undistributed profits of certain PRC subsidiaries of the Group amounted to RMB208.1 million (2008: RMB34.0 million). Deferred tax liabilities of RMB9.6 million (2008: RMB1.3 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

30 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Capital reserve	Exchange reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 30(c)(i))	(Note 30(d)(i))	(Note 30(d)(ii))	(Note 30(d)(iv))		
At 1 January 2008	43,856	410,482	—	(45,640)	23,993	432,691
Equity-settled share-based transactions (Note 28)	—	—	9,189	—	—	9,189
Total comprehensive income for the year	—	—	—	(23,114)	(25,005)	(48,119)
Dividends approved in respect of the previous year (Note 30(b))	—	—	—	—	(22,938)	(22,938)
At 31 December 2008	43,856	410,482	9,189	(68,754)	(23,950)	370,823
At 1 January 2009	**43,856**	**410,482**	**9,189**	**(68,754)**	**(23,950)**	**370,823**
Equity-settled share-based transactions (Note 28)	**—**	**—**	**5,113**	**—**	**285**	**5,398**
Total comprehensive income for the year	**—**	**—**	**—**	**(619)**	**62,769**	**62,150**
At 31 December 2009	**43,856**	**410,482**	**14,302**	**(69,373)**	**39,104**	**438,371**

30 CAPITAL AND RESERVES (continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: HK$Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year

	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the year, of HK$Nil per ordinary share (2008: HK$0.0614 per ordinary share)	**—**	22,938

(c) Share capital

(i) Authorised and issued share capital

	2009		2008	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**700,000**	**70,000**	700,000	70,000

	2009		2008	
	No. of shares ('000)	**RMB'000**	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid	**416,000**	**43,856**	416,000	43,856

(Expressed in RMB unless otherwise indicated)

30 CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

(ii) Terms of unexpired and unexercised share options at balance sheet date

Exercise period	Exercise price	2009 Number	2008 Number
28 February 2009 to 29 May 2015	HK$3.50	**7,720,000**	8,000,000
28 February 2010 to 29 May 2015	HK$3.50	**5,790,000**	6,000,000
28 February 2011 to 29 May 2015	HK$3.50	**5,790,000**	6,000,000
		19,300,000	20,000,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 28 to these financial statements.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended).

(ii) Capital reserve

The capital reserve comprises the following:

— at 31 December 2009 and 2008, the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(o)(ii); and

— at 1 January 2008, the amount of contributions by equity holders in excess of the registered capital of certain of the Group's PRC subsidiaries.

(iii) Statutory reserves

In accordance with the articles of association of the PRC subsidiaries of the Group, the PRC subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers of these reserves are at discretion of the directors of the PRC subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

30 CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves (continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which have a functional currency other than Renminbi into Renminbi. The reserve is dealt with in accordance with the accounting policy set out in Note 2(t).

(e) Distributable reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB39.1 million (31 December 2008: RMBNil). The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: HK$Nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other loans, unsecured notes and trade and other payables) less cash and cash equivalents. Adjusted capital comprises all components of equity.

During 2009, the Group's strategy was to continue to lower the adjusted net debt-to-capital ratio to an acceptable level. In order to improve the Group's capital structure, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

30 CAPITAL AND RESERVES (continued)

(f) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 December 2009 and 2008 was as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Current liabilities:		
Trade and other payables	**1,274,906**	1,334,463
Bank and other loans	**273,616**	249,038
	1,548,522	1,583,501
Non-current liabilities:		
Bank and other loans	**479,937**	198,657
Amounts due to a related company	**76,928**	40,103
Unsecured notes	**405,472**	669,243
Total debt	**2,510,859**	2,491,504
Less: Cash and cash equivalents	**(291,037)**	(279,503)
Adjusted net debt	**2,219,822**	2,212,001
Total equity and adjusted capital	**1,237,487**	1,000,701
Adjusted net debt-to-capital ratio	**179%**	221%

30 CAPITAL AND RESERVES (continued)

(f) Capital management (continued)

	The Company	
	2009	2008
	RMB'000	RMB'000
Current liabilities:		
Other payables	**46,960**	49,517
Non-current liabilities:		
Unsecured notes	**405,472**	669,243
Total debt	**452,432**	718,760
Less: Cash and cash equivalents	**(30,322)**	(12,695)
Adjusted net debt	**422,110**	706,065
Total equity and adjusted capital	**438,371**	370,823
Adjusted net debt-to-capital ratio	**96%**	190%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY

Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD and Keen Moral Investment Limited ("Keen Moral"), both wholly-owned subsidiaries of the Group, with Jiangsu Glass Group, a related company under common significant influence, on 25 May 2009, Jiangsu SHD and Keen Moral agreed to transfer a total of their 49% equity interests in Dongtai Glass Company ("Dongtai Equity Interests") to Jiangsu Glass Group at a consideration of RMB73.5 million. The transfer of Dongtai Equity Interests was completed on 10 July 2009.

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 Dongtai Equity Interests 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. At the same time, Keen Moral has written a put option ("Written Put Option") to Jiangsu Glass Group under which the Group can be required to purchase the Dongtai Equity Interests for cash upon the occurrence of certain events that are outside the control of either parties.

The directors of the Company consider that the Written Put Option held by Jiangsu Glass Group contains an unavoidable obligation for the Group to purchase the equity interests of one of its subsidiaries for cash, which gives rise to a financial liability. Such financial liability is initially recognised at the present value of the redemption amount and is subsequently stated at amortised cost (see Note 26). In addition, the directors of the Company have adopted an accounting policy to account for such type of transaction as if the Written Put Option had been exercised by the non-controlling equity holder, i.e. the underlying equity interests are deemed to have been acquired by the Group upon the entering of such contract. Accordingly, the corresponding equity interests and related profit or loss are presented as equity and profit or loss attributable to equity shareholders of the Company.

32 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(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 31 December 2009, the outstanding amount bears interest at 6.12% per annum (31 December 2008: 6.12% per annum). For the year ended 31 December 2009, interest expenses of RMB2.2 million had incurred and been paid to Jiangsu Glass Group (2008: RMB2.5 million).

(ii) Disposal of non-controlling equity interests in a subsidiary

Details of the disposal of non-controlling equity interests in a subsidiary are set out in Note 31 to these financial statements.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

(iii) Other transactions

	Note	2009 RMB'000	2008 RMB'000
Sale of glass and glass products to related parties		40	1,206
Purchase of raw materials from related parties		12,819	10,418
Labour service expenses		699	630
Operating lease expenses		1,672	870
Interest income	(i)	—	1,826
Interest expenses	(ii)	—	3,046
Non-interest bearing advances granted to related parties	(iii)	107	6,028
Settlement of non-interest bearing advances granted to related parties	(iii)	1,291	5,541
Non-interest bearing advances received from related parties	(iii)	—	4,463
Repayment of non-interest bearing advances received from related parties	(iii)	1,598	6,463
Repayment of interest bearing advances received from related parties	(iv)	—	7,939
Acquisitions of non-controlling equity interests in subsidiaries from related parties		—	32,936

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with equity shareholders of the Company and their affiliate

	Note	2009 RMB'000	2008 RMB'000
Management service expenses		**878**	—
Interest expenses	(ii)	**11,615**	4,365
Non-interest bearing advances granted to a related party	(iii)	**138**	7
Loans received from a related party	(v)	**—**	150,244
Payments of finance charges on loans received from a related party		**—**	6,999

(c) Transactions with non-controlling equity holders and management of subsidiaries of the Group and their affiliates

	Note	2009 RMB'000	2008 RMB'000
Sale of glass and glass products to related parties		**263,155**	495,036
Purchase of raw materials from related parties		**36,268**	128,121
Interest expenses	(ii)	**—**	205
Non-interest bearing advances granted to related parties	(iii)	**725**	3,016
Settlement of non-interest bearing advances granted to related parties	(iii)	**725**	6,026
Non-interest bearing advances received from related parties	(iii)	**12,000**	585
Repayment of non-interest bearing advances received from related parties	(iii)	**12,000**	2,417
Repayment of interest bearing loans received from related parties	(vi)	**—**	8,000
Acquisitions of non-controlling equity interests in a subsidiary from related parties		**—**	43,975
Guarantee provided by a related party to a bank for a subsidiary of the Group at year end		**—**	1,000

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with subsidiaries of the Group

	Note	2009 RMB'000	2008 RMB'000
Interest income	(i)	**4,032**	59,709
Non-interest bearing advances granted to subsidiaries	(iii)	**509**	87,493
Settlement of non-interest bearing advances granted to subsidiaries	(iii)	**25,109**	159,164
Interest bearing advances granted to a subsidiary		**—**	155,542
Settlement of interest bearing advances granted to a subsidiary		**—**	155,542
Loans granted to a subsidiary	(vii)	**—**	60,092
Settlement of loans granted to a subsidiary	(vii)	**196,324**	—

(e) Transactions with an associate of the Group

	Note	2009 RMB'000	2008 RMB'000
Service fee income		**1,330**	2,773
Non-interest bearing advances granted to a related party	(iii)	**159**	3,599
Settlement of non-interest bearing advances granted to a related party	(iii)	**—**	1,193

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(f) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employee as disclosed in Note 9, is as follows:

	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**2,933**	3,415
Contributions to defined contribution retirement plans	**149**	134
Equity compensation benefits	**2,623**	4,388
	5,705	7,937

Total remuneration is included in "staff costs" (see Note 6(b)).

Notes:

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

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

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

(iv) The advances were unsecured, bore interest ranging from 6.37% to 8.96% per annum and had been repaid in 2008.

(v) The loans are unsecured, bear interest ranging from 7.36% to 7.73% per annum (31 December 2008: ranging from 7.36% to 7.73% per annum) and are repayable in bi-annual instalments from 15 July 2010 to 15 July 2015.

(vi) The loan was unsecured, bore interest at 7.67% per annum and had been repaid in 2008.

(vii) The loans granted to a subsidiary are unsecured and non-interest bearing (31 December 2008: bore interest ranging from 8.79% to 9.79% per annum) and are repayable on 30 June 2012.

33 COMMITMENTS

(a) Capital commitments

At 31 December 2009, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**217,520**	484,239
– Authorised but not contracted for	**25,315**	60,811
	242,835	545,050
Commitments in respect of investment in a subsidiary		
– Contracted for	**—**	81,466
– Authorised but not contracted for	**—**	—
	—	81,466
Total commitments		
– Contracted for	**217,520**	565,705
– Authorised but not contracted for	**25,315**	60,811
	242,835	626,516

At 31 December 2009, capital commitments in respect of land and buildings, and machinery and equipment are for the expansion and upgrade of certain existing production lines of the Group.

33 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

(i) The Group

	2009 RMB'000	2008 RMB'000
Within 1 year	**4,865**	3,098
After 1 year but within 5 years	**7,441**	1,492
After 5 years	**2,846**	3,881
	15,152	8,471

The Group leases certain land and plant and buildings under operating leases. The leases typically run for an initial period of 1 to 18 years, where all terms are renegotiated upon renewal. None of the leases includes contingent rentals.

(ii) The Company

	2009 RMB'000	2008 RMB'000
Within 1 year	**1,323**	636
After 1 year but within 5 years	**2,882**	180
	4,205	816

The Company leases its office premises under operating leases. The leases typically run for an initial period of 1 to 5 years, where all terms are renegotiated upon renewal. None of the leases includes contingent rentals.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group considers its exposure to equity price risk arising from its equity investment in other entity to be insignificant.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

For trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. 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. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 11.0% (2008: 22.3%) and 17.0% (2008: 35.9%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 21.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At 31 December 2009, the Group had net current liabilities of RMB499.4 million. The Group will continue to undertake various measures in order to further improve its liquidity position in the short and longer term.

The following table shows the remaining contractual maturities at the balance sheet date of the Group's and of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables	1,276,730	—	—	—	1,276,730	1,274,906
Bank and other loans	315,871	108,837	373,306	87,414	885,428	753,553
Non-current amounts due to a related company	63,569	7,500	22,655	—	93,724	76,928
Unsecured notes	40,018	40,018	455,787	—	535,823	405,472
	1,696,188	156,355	851,748	87,414	2,791,705	2,510,859

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Group (continued)

	2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables	1,336,624	—	—	—	1,336,624	1,334,463
Bank and other loans	273,702	28,988	136,103	93,247	532,040	447,695
Non-current amounts due to a related company	—	15,250	22,500	7,655	45,405	40,103
Unsecured notes	65,783	65,783	815,026	—	946,592	669,243
	1,676,109	110,021	973,629	100,902	2,860,661	2,491,504

The Company

	2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Balance sheet carrying amount RMB'000**
Other payables	**46,960**	**—**	**—**	**—**	**46,960**	**46,960**
Unsecured notes	**40,018**	**40,018**	**455,787**	**—**	**535,823**	**405,472**
	86,978	**40,018**	**455,787**	**—**	**582,783**	**452,432**

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Company (continued)

	2008 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Other payables	49,517	—	—	—	49,517	49,517
Unsecured notes	65,783	65,783	815,026	—	946,592	669,243
	115,300	65,783	815,026	—	996,109	718,760

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Given the anticipation of a rise in interest rate following the gradual recovery of the global economy in the foreseeable future, the Group's strategy is to maintain a relatively higher proportion of its borrowings on a fixed basis.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and of the Company's borrowings at the balance sheet date.

	The Group			
	2009		2008	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**6.29%**	**404,753**	7.34%	335,695
Amounts due to a related company	**6.12%**	**32,353**	6.12%	37,693
Unsecured notes	**9.625%**	**405,472**	9.625%	669,243
		842,578		1,042,631
Variable rate borrowings:				
Bank and other loans	**5.96%**	**348,800**	5.92%	112,000
Amounts due to a related company	**5.94%**	**50,376**	—	—
		399,176		112,000
Total borrowings		**1,241,754**		1,154,631
Fixed rate borrowings as a percentage of total borrowings		**68%**		90%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

	The Company			
	2009		2008	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Unsecured notes	**9.625%**	**405,472**	9.625%	669,243
Total borrowings		**405,472**		669,243
Fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB3.29 million (2008: increased/decreased the Group's loss after tax and accumulated losses by approximately RMB0.9 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the balance sheet date, the impact on the Group's results (and retained profits or accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Renminbi, Hong Kong Dollars and Euros. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Group

	Exposure to foreign currencies			
	2009			
	United States Dollars RMB'000	Renminbi RMB'000	Hong Kong Dollars RMB'000	Euros RMB'000
Bank and other loans	(150,245)	—	—	—
Cash and cash equivalents	25,830	97	19	133
Trade and other receivables	45,124	150	—	86
Trade and other payables	(416,260)	(4,499)	(7,114)	(4,149)
Non-current amounts due to a related company	—	(50,376)	—	—
Gross exposure arising from recognised assets and liabilities	(495,551)	(54,628)	(7,095)	(3,930)

	Exposure to foreign currencies			
	2008			
	United States Dollars RMB'000	Renminbi RMB'000	Hong Kong Dollars RMB'000	Euros RMB'000
Bank and other loans	(150,157)	—	—	—
Cash and cash equivalents	4,796	63	19	9
Trade and other receivables	40,081	61	—	747
Trade and other payables	(550,106)	(4,506)	—	(3,859)
Gross exposure arising from recognised assets and liabilities	(655,386)	(4,382)	19	(3,103)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) *Exposure to currency risk* (continued)

The Company

	Exposure to foreign currencies	
	2009	2008
	Renminbi	Renminbi
	RMB'000	RMB'000
Cash and cash equivalents	**97**	63
Other receivables	**150**	61
Other payables	**(4,499)**	(4,506)
Gross exposure arising from recognised assets and liabilities	**(4,252)**	(4,382)

(iii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's results (and retained profits or accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any changes in movement in value of the United States Dollar against other currencies.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

	The Group			
	2009		2008	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and accumulated losses RMB'000
United States Dollars	**5%**	**(21,015)**	5%	(28,698)
	(5%)	**21,015**	(5%)	28,698
Renminbi	**5%**	**(2,731)**	5%	(219)
	(5%)	**2,731**	(5%)	219
Hong Kong Dollars	**5%**	**(355)**	5%	1
	(5%)	**355**	(5%)	(1)
Euros	**10%**	**(293)**	10%	(215)
	(10%)	**293**	(10%)	215

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' results after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2008.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values

The Group does not have any financial instruments measured at fair value at the balance sheet date.

The carrying amounts of the Group's and of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008 except as follows:

The Group

	2009		2008	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Available-for-sale investment	1,000	*	1,000	*
Long-term bank and other loans	479,937	481,115	198,657	212,996
Non-current amounts due to a related company	76,928	87,519	40,103	36,794
Unsecured notes	405,472	340,931	669,243	273,384

The Company

	2009		2008	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Loans to a subsidiary	346,409	295,038	542,733	611,365
Unsecured notes	405,472	340,931	669,243	273,384

* The available-for-sale investment represents unquoted securities in a PRC company and is measured at cost less any impairment losses. The investment does not have a quoted market price in an active market and accordingly a reasonable estimate of the fair value of the investment cannot be measured reliably. Hence, the Group considers it is not meaningful to disclose its fair value.

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out above.

(Expressed in RMB unless otherwise indicated)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values (continued)

(i) Long-term bank and other loans, non-current amounts due to a related company and loans to a subsidiary

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group uses the interest rates published by the People's Bank of China at 31 December 2009 plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2009	2008
Long-term bank and other loans	**6.43%**	6.55%
Non-current amounts due to a related company	**6.29%-6.47%**	6.50%
Loans to a subsidiary	**6.29%**	6.54%

(ii) Unsecured notes

The fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs.

35 NON-ADJUSTING POST BALANCE SHEET EVENTS

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

On 10 January 2008, the Company announced that 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 non-controlling 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 issue of these financial statements, this 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.

(b) Issuance of new shares

On 19 March 2009, the Company announced that the directors of the Company have 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 has been approved by the Company's shareholders in a special general meeting held on 24 April 2009. Upon completion of the placing on 26 January 2010, the number of shares issued by the Company increased from 416,000,000 to 462,330,000, and the Company received HK$24.6 million (equivalent to RMB21.7 million) as proceeds from the issuance of such shares.

(c) Disposal of equity interests in an associate of the Group and acquisition of additional shares in a subsidiary of the Group

As disclosed in Note 23, on 31 December 2009, the Company and Jade Vision entered into an equity transfer agreement and a share transfer agreement with Pilkington International and Pilkington in relation to the disposal of the Group's 50% equity interests in Taicang Special Glass to Pilkington International and the acquisition of additional shares in JV Investments from Pilkington. Upon completion of the above transactions, Taicang Special Glass will cease to be an associate of the Group and the Group's effective interest in JV investments will increase from 43.22% to 57.90%. Up to the date of issue of these financial statements, these transactions have not been completed.

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

36 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 year'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.

37 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2009 to be First Fortune Enterprises Limited and Easylead Management Limited, respectively, which are both incorporated in the British Virgin Islands.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain critical accounting estimates and judgements in applying the Group's accounting policies are described below.

(a) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the customers to make the required payments. The management bases the estimates on the ageing of the individual receivable balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(k)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(Expressed in RMB unless otherwise indicated)

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

39 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HK(IFRIC) 17, *Distributions of non-cash assets to owners*	1 July 2009
Revised HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards*	1 July 2009
Amendments to HKAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
Improvements to HKFRSs (2008)	1 July 2009
Improvements to HKFRSs (2009)	1 July 2009 or 1 January 2010
Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to HKFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010
Amendments to HKAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010

(Expressed in RMB unless otherwise indicated)

39 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

	Effective for accounting periods beginning on or after
HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Limited exemption from comparative HKFRS 7 disclosures for first-time adopters*	1 July 2010
Revised HKAS 24, *Related party disclosures*	1 January 2011
Amendments to HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
HKFRS 9, *Financial instruments* Basis for conclusions on HKFRS 9 Amendments to other HKFRSs and guidance on HKFRS 9	1 January 2013

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