CHINA GLASS HOLDINGS LIMITED

中 國 玻 璃 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 3300)

Interim Report 2010

* For identification purposes only

Contents

Corporate Information

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

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. Wang Jianxun

COMPANY SECRETARY

Mr. Ng Kit Man

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2608 26/F., West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Hong Kong

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

As to Bermuda and British Virgin Islands Laws
Appleby Spurling Hunter

As to Cayman Islands Law
Walkers SPV Limited

PRINCIPAL BANKERS

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

Consolidated Income Statement

For the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
Turnover	4	**1,422,543**	882,153
Cost of sales		**(1,038,319)**	(771,970)
Gross profit		**384,224**	110,183
Other revenue		**20,062**	7,763
Other net income/(loss)		**2,921**	(522)
Distribution costs		**(34,689)**	(31,926)
Administrative expenses		**(87,563)**	(80,942)
Profit from operations		**284,955**	4,556
Share of losses of an associate		**–**	(20,893)
Net gain from disposal of controlling equity interests in a subsidiary	11	**4,608**	–
Net gain from disposal of equity interests in an associate	21	**78,025**	–
Finance costs	5	**(52,207)**	(54,606)
Profit/(loss) before taxation	5	**315,381**	(70,943)
Income tax	6	**(50,945)**	3,251
Profit/(loss) for the period		**264,436**	(67,692)
Attributable to:			
Equity shareholders of the Company		**166,220**	(73,482)
Non-controlling interests		**98,216**	5,790
Profit/(loss) for the period		**264,436**	(67,692)
Basic and diluted earnings/(loss) per share (RMB)	7	**0.365**	(0.177)

The notes on pages 9 to 33 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 22(a).

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit/(loss) for the period	**264,436**	(67,692)
Other comprehensive income for the period (before and after tax):		
Exchange differences on translation into presentation currency	**2,316**	826
Total comprehensive income for the period	**266,752**	(66,866)
Attributable to:		
Equity shareholders of the Company	**168,090**	(72,646)
Non-controlling interests	**98,662**	5,780
Total comprehensive income for the period	**266,752**	(66,866)

The notes on pages 9 to 33 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2010 – unaudited
(Expressed in RMB)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment	8	**2,466,067**	2,319,947
Lease prepayments	9	**297,388**	304,662
Intangible assets	10	**64,106**	70,063
Receivables from related companies	12	**21,182**	–
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	20	**63,841**	62,156
		2,913,584	2,757,828
Current assets			
Inventories	13	**321,336**	312,057
Trade and other receivables	14	**719,802**	473,138
Cash and cash equivalents	15	**347,651**	291,037
		1,388,789	1,076,232
Current liabilities			
Trade and other payables	16	**1,527,153**	1,274,906
Bank and other loans	17(a)	**297,918**	273,616
Income tax payable		**24,540**	27,123
		1,849,611	1,575,645
Net current liabilities		**(460,822)**	(499,413)
Total assets less current liabilities		**2,452,762**	2,258,415

The notes on pages 9 to 33 form part of this interim financial report.

Consolidated Balance Sheet (continued)

At 30 June 2010 – unaudited
(Expressed in RMB)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current liabilities			
Bank and other loans	17(b)	**466,888**	479,937
Amounts due to a related company	18	**80,572**	76,928
Unsecured notes	19	**404,284**	405,472
Deferred tax liabilities	20	**51,690**	58,591
		1,003,434	1,020,928
NET ASSETS		**1,449,328**	1,237,487
CAPITAL AND RESERVES			
Share capital		**47,927**	43,856
Reserves		**703,500**	517,421
Total equity attributable to equity shareholders of the Company		**751,427**	561,277
Non-controlling interests		**697,901**	676,210
TOTAL EQUITY		**1,449,328**	1,237,487

The notes on pages 9 to 33 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2009	43,856	410,482	9,189	23,240	(44,948)	(2,333)	(44,651)	394,835	605,866	1,000,701
Changes in equity for the six months ended 30 June 2009:										
Equity-settled share-based transactions (Note 22(c))	–	–	3,222	–	–	–	–	3,222	–	3,222
Total comprehensive income for the period	–	–	–	–	–	836	(73,482)	(72,646)	5,780	(66,866)
Balance at 30 June 2009 and 1 July 2009	43,856	410,482	12,411	23,240	(44,948)	(1,497)	(118,133)	325,411	611,646	937,057
Changes in equity for the six months ended 31 December 2009:										
Written put option over non-controlling interests	–	–	–	–	23,124	–	–	23,124	–	23,124
Equity-settled share-based transactions (Note 22(c))	–	–	1,891	–	–	–	285	2,176	–	2,176
Appropriations to reserves	–	–	–	17,545	–	–	(17,545)	–	–	–
Total comprehensive income for the period	–	–	–	–	–	1,474	209,092	210,566	76,110	286,676
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
Balance at 1 January 2010	**43,856**	**410,482**	**14,302**	**40,785**	**(21,824)**	**(23)**	**73,699**	**561,277**	**676,210**	**1,237,487**
Changes in equity for the six months ended 30 June 2010:										
Issuance of shares (Note 22(b))	**4,071**	**15,987**	**–**	**–**	**–**	**–**	**–**	**20,058**	**–**	**20,058**
Decrease in non-controlling interests through acquisition of non-controlling interests (Note 21)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78,025)**	**(78,025)**
Increase in non-controlling interests through disposal of controlling equity interests in a subsidiary (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,054**	**1,054**
Equity-settled share-based transactions (Note 22(c))	**–**	**–**	**2,002**	**–**	**–**	**–**	**–**	**2,002**	**–**	**2,002**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**1,870**	**166,220**	**168,090**	**98,662**	**266,752**
Reclassification	**–**	**–**	**–**	**–**	**(6,643)**	**–**	**6,643**	**–**	**–**	**–**
Balance at 30 June 2010	**47,927**	**426,469**	**16,304**	**40,785**	**(28,467)**	**1,847**	**246,562**	**751,427**	**697,901**	**1,449,328**

The notes on pages 9 to 33 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
Cash generated from operations		**242,897**	15,380
Income Tax paid		**(56,695)**	(2,646)
Net cash generated from operating activities		**186,202**	12,734
Net cash used in investing activities		**(141,887)**	(40,816)
Net cash (used in)/generated from financing activities		**(15,257)**	139,333
Net increase in cash and cash equivalents		**29,058**	111,251
Cash and cash equivalents at 1 January	15	**291,037**	279,503
Effect of foreign exchange rate changes		**(444)**	(11)
Cash and cash equivalents at 30 June	15	**319,651**	390,743

The notes on pages 9 to 33 form part of this interim financial report.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 30 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity,* issued by the HKICPA. KPMG's independent review report to the Board of Directors (the "Directors") of the Company is included on page 34.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 April 2010.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of revised HKFRSs and amendments to HKFRSs, and one new Interpretation 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 3 (revised 2008), *Business combinations*, Amendments to HKAS 27, *Consolidated and separate financial statements* and Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operation – plan to sell the controlling interest in a subsidiary.* HKFRS 3 (revised 2008), amendments to HKAS 27 and HKFRS 5 have been early adopted by the Group in the 2008 financial statements.

- Improvements to HKFRSs (2009). The "Improvements to HKFRSs (2009)" comprise a number of 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 Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 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, ultra clear 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, non-current 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.

4 SEGMENT REPORTING (continued)

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

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 income and "depreciation and amortisation" is regarded as including impairment losses on tangible 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, net gain from disposal of controlling equity interests in a subsidiary, net gain from disposal of equity interests in an associate, directors' 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, impairment losses and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have occurred for the six months ended 30 June 2010 and 2009.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2010 and 2009 is set out below.

	Low value-added glass products		High value-added glass products		Total	
	Six months ended 30 June 2010	Six months ended 30 June 2009	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Six months ended 30 June 2010**	Six months ended 30 June 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers and reportable segment revenue	**742,510**	440,775	**680,033**	441,378	**1,422,543**	882,153
Reportable segment profit (adjusted EBITDA)	**192,905**	11,801	**206,771**	92,541	**399,676**	104,342
Additions to non-current segment assets during the period	**246,718**	1,730	**39,917**	339,782	**286,635**	341,512

	Low value-added glass products		High value-added glass products		Total	
	At 30 June 2010	At 31 December 2009	**At 30 June 2010**	At 31 December 2009	**At 30 June 2010**	At 31 December 2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment assets	**2,293,865**	1,590,575	**1,989,118**	2,228,174	**4,282,983**	3,818,749
Reportable segment liabilities	**1,666,402**	1,132,584	**1,114,731**	1,382,611	**2,781,133**	2,515,195

4 SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	**399,676**	104,342
Share of losses of an associate	**–**	(20,893)
Net gain from disposal of controlling equity interests in a subsidiary	**4,608**	–
Net gain from disposal of equity interests in an associate	**78,025**	–
Other revenue and net income	**732**	7,803
Depreciation and amortisation	**(107,712)**	(95,075)
Finance costs	**(52,207)**	(54,606)
Unallocated head office and corporate expenses	**(7,741)**	(12,514)
Consolidated profit/(loss) before taxation	**315,381**	(70,943)

	At 30 June	At 31 December
	2010	2009
	RMB'000	RMB'000
Assets		
Reportable segment assets	**4,282,983**	3,818,749
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**63,841**	62,156
Unallocated head office and corporate assets	**568,658**	560,763
Elimination of receivables between segments, and segments and head office	**(614,109)**	(608,608)
Consolidated total assets	**4,302,373**	3,834,060

	At 30 June	At 31 December
	2010	2009
	RMB'000	RMB'000
Liabilities		
Reportable segment liabilities	**2,781,133**	2,515,195
Income tax payable	**24,540**	27,123
Deferred tax liabilities	**51,690**	58,591
Unallocated head office and corporate liabilities	**609,791**	604,272
Elimination of payables between segments, and segments and head office	**(614,109)**	(608,608)
Consolidated total liabilities	**2,853,045**	2,596,573

5 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**45,623**	52,742
Bank charges and other finance costs	**14,558**	3,892
Total borrowing costs	**60,181**	56,634
Less: amounts capitalised	**(5,476)**	(2,921)
Net borrowing costs	**54,705**	53,713
Net foreign exchange (gain)/loss	**(2,498)**	893
	52,207	54,606

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Staff costs:		
Salaries, wages and other benefits	**97,680**	77,210
Contributions to defined contribution retirement plans	**12,985**	10,704
Equity-settled share-based payment expenses (see Note 22(c))	**2,002**	3,222
	112,667	91,136

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Other items:		
Cost of inventories (Note 13)	**1,038,319**	771,970
Depreciation and amortisation	**107,712**	95,075
(Reversal)/provision of impairment loss on trade and other receivables (Note 14(b))	**(876)**	2,202
Operating lease charges in respect of		
– land	**109**	108
– plant and buildings	**2,446**	1,543
– motor vehicles	**649**	578
Research and development costs (other than amortisation costs)	**438**	301
Net gain on disposal of property, plant and equipment	**(894)**	(40)
Interest income	**(734)**	(1,278)

6 INCOME TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Provision for income tax on the estimated taxable profits for the period		
– The People's Republic of China (the "PRC") Income Tax	**54,112**	4,762
Deferred taxation (Note 20)	**(3,167)**	(8,013)
	50,945	(3,251)

No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong Special Administrative Region ("Hong Kong SAR") did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2010 (six months ended 30 June 2009: RMBNil).

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

The subsidiaries of the Group established in the PRC (the "PRC subsidiaries") were subject to PRC Enterprise Income Tax rates ranging from 15% to 25% for the six months ended 30 June 2010 (six months ended 30 June 2009: 15% to 25%). Certain PRC subsidiaries are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprises with foreign investment in the PRC, these PRC subsidiaries obtained approval from the respective tax bureau that they are entitled to a 100% relief from PRC Enterprise Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any, 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 below.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries of the Group has 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%.

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earning per share for the six months ended 30 June 2010 is based on the profit attributable to the equity shareholders of the Company of RMB166.2 million (six months ended 30 June 2009: loss of RMB73.5 million) and the weighted average of 455,931,000 ordinary shares (six months ended 30 June 2009: 416,000,000 ordinary shares) in issue during the six months ended 30 June 2010, calculated as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Issued ordinary shares at 1 January	**416,000**	416,000
Effect of shares issued on 26 January 2010 (Note 22(b))	**39,931**	–
Weighted average number of ordinary shares at 30 June	**455,931**	416,000

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares as at 30 June 2010 and 2009.

8 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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

8 PROPERTY, PLANT AND EQUIPMENT (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 2010	1,129,809	1,973,164	20,939	113,398	3,237,310
Additions	2,255	20,458	2,699	244,142	269,554
Transfer in/(out)	40,291	300,555	–	(340,846)	–
Decrease through disposal of a subsidiary	(20,412)	(18,853)	(1,447)	–	(40,712)
Disposals	(4,788)	(16,101)	(1,337)	–	(22,226)
At 30 June 2010	1,147,155	2,259,223	20,854	16,694	3,443,926
Accumulated depreciation and impairment losses:					
At 1 January 2010	203,255	703,938	10,170	–	917,363
Charge for the period	17,927	78,961	1,210	–	98,098
Decrease through disposal of a subsidiary	(3,983)	(12,174)	(903)	–	(17,060)
Written back on disposals	(4,387)	(15,181)	(974)	–	(20,542)
At 30 June 2010	212,812	755,544	9,503	–	977,859
Net book value:					
At 30 June 2010	934,343	1,503,679	11,351	16,694	2,466,067

At 30 June 2010, property certificates of certain properties with an aggregate net book value of RMB351.4 million (31 December 2009: RMB323.3 million) are yet to be obtained.

9 LEASE PREPAYMENTS

	RMB'000
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
Cost:	
At 1 January 2010	**328,808**
Additions	**17,081**
Decrease through disposal of a subsidiary	**(22,701)**
At 30 June 2010	**323,188**
Accumulated amortisation:	
At 1 January 2010	**24,146**
Charge for the period	**3,657**
Decrease through disposal of a subsidiary	**(2,003)**
At 30 June 2010	**25,800**
Net book value:	
At 30 June 2010	**297,388**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 30 June 2010, land use right certificates of certain land use rights with an aggregate carrying value of RMB13.1 million (31 December 2009: RMB13.3 million) are yet to be obtained.

10 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2009, 31 December 2009 and 30 June 2010	**123,739**
Accumulated amortisation and impairment losses:	
At 1 January 2009	41,761
Charge for the year	11,915
At 31 December 2009	**53,676**
Charge for the period	**5,957**
At 30 June 2010	**59,633**
Net book value:	
At 30 June 2010	**64,106**
At 31 December 2009	70,063

11 INTEREST IN AN ASSOCIATE

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Share of net assets	–	–

On 11 June 2010, Weihai Blue Star Glass Company Limited, a subsidiary of the Group, disposed of its 45% equity interests in Beijing Zhonghai Xingye Safety Glass Company Limited ("Zhonghai Xingye"), to the then non-controlling equity holder of Zhonghai Xingye for a consideration of RMB1.4 million. Upon completion of this transaction, the Group's effective interest in Zhonghai Xingye decreased from 23.70% to 9.48%, where Zhonghai Xingye has ceased to be a subsidiary and became an associate of the Group. The Group recognised a net gain on disposal of controlling equity interests in Zhonghai Xingye of RMB4.6 million.

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
Zhonghai Xingye	PRC	Registered and paid-up capital of RMB12,000,000	9.48%	–	30.00%	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 RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Net loss RMB'000
30 June 2010					
Zhonghai Xingye	**44,934**	**49,214**	**(4,280)**	**13,470**	**1,228**

12 NON-CURRENT RECEIVABLES FROM RELATED COMPANIES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Amount due from an associate (Note (i))	**18,035**	–
Amount due from an affiliate of a shareholder of the Company (Note (ii))	**3,147**	–
	21,182	–

Notes:

(i) The amount is secured by property, plant and equipment and land use right of the associate, non-interest bearing and is to be settled by instalments between July 2011 to June 2015.

(ii) The amount is unsecured, non-interest bearing and is to be settled by bi-annual instalments between December 2011 to June 2013.

13 INVENTORIES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Raw materials	**111,756**	105,868
Work in progress and finished goods	**183,061**	177,873
Racks, spare parts and consumables	**33,192**	33,930
	328,009	317,671
Less: provision	**(6,673)**	(5,614)
	321,336	312,057

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

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Carrying amount of inventories sold	**1,036,635**	774,428
Write-down/(reversal of write-down) of inventories	**1,684**	(2,458)
	1,038,319	771,970

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

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade receivable from:		
– Third parties	**144,376**	77,736
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**52,880**	42,909
– Companies under common significant influence	**315**	322
Bills receivable	**332,653**	167,825
	530,224	288,792
Less: allowance for doubtful debts (Note 14(b))	**(20,427)**	(28,435)
	509,797	260,357
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (i))	**4,111**	2,353
– Non-controlling equity holders of subsidiaries of the Group (Note (ii))	**142**	142
– Associates of the Group (Note (iii))	**3,532**	4,735
– Companies under common significant influence (Note (ii))	**44,120**	44,264
	51,905	51,494
Less: allowance for doubtful debts (Note 14(b))	**(2,901)**	(2,990)
	49,004	48,504
Prepayments, deposits and other receivables	**170,362**	173,795
Less: allowance for doubtful debts (Note 14(b))	**(9,361)**	(9,518)
	161,001	164,277
	719,802	473,138

Notes:

(i) The amounts are unsecured and non-interest bearing. Except for an amount of RMB1.5 million at 30 June 2010 (31 December 2009: RMBNil) which is to be settled within one year, all of the remaining balances have no fixed terms of repayment.

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

(iii) The amount at 30 June 2010 is secured by property, plant and equipment and land use right of the associate, non-interest bearing and is to be settled within one year. The amount at 31 December 2009 was renegotiated in 2010, and the repayment terms have been revised as to be settled by bi-annual instalments between December 2010 to June 2013 (see Note 12(ii) for further details).

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

14 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 month	**161,745**	55,043
More than 1 month but less than 3 months	**143,463**	68,893
More than 3 months but less than 6 months	**182,338**	119,540
More than 6 months	**22,251**	16,881
	509,797	260,357

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.

(b) Impairment of trade and other receivables

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

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

	Six months ended 30 June 2010 RMB'000	Year ended 31 December 2009 RMB'000
At 1 January	**40,943**	39,917
(Reversal)/provision of impairment loss	**(876)**	2,205
Decrease through disposal of a subsidiary	**(6,557)**	–
Uncollectible amounts written off	**(821)**	(1,179)
At 30 June/31 December	**32,689**	40,943

At 30 June 2010, the Group's trade and other receivables of RMB32.7 million (31 December 2009: RMB40.9 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.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash at bank and in hand	**319,651**	291,037
Time deposits with banks	**28,000**	–
Cash and cash equivalents in the consolidated balance sheet	**347,651**	291,037
Less: time deposits with original maturity over 3 months	**(28,000)**	–
Cash and cash equivalents in the condensed consolidated cash flow statement	**319,651**	291,037

At 30 June 2010, cash and cash equivalents of RMB28.2 million (31 December 2009: RMB23.6 million) were pledged to secure bills issued by the Group.

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

16 TRADE AND OTHER PAYABLES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade payable to:		
– Third parties	**509,623**	374,154
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**4,497**	8,148
– Companies under common significant influence	**2,163**	2,070
Bills payable	**77,700**	59,874
	593,983	444,246
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**5,101**	5,180
– Non-controlling equity holders of subsidiaries of the Group and their affiliates (Note (ii))	**14**	13,268
– Companies under common significant influence (Note (iii))	**39,583**	47,146
	44,698	65,594
Accrued charges and other payables	**725,026**	659,386
Financial liabilities measured at amortised cost	**1,363,707**	1,169,226
Advances received from customers	**163,446**	105,680
	1,527,153	1,274,906

16 TRADE AND OTHER PAYABLES (continued)

Notes:

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

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

(iii) The amounts are unsecured. Except for an amount of RMB5.9 million at 30 June 2010 (31 December 2009: RMB5.8 million) which bears interest at 6.12% per annum (31 December 2009: 6.12% per annum), all of the remaining balances are non-interest bearing. Included in the balance at 30 June 2010 are RMB9.1 million (31 December 2009: RMB13.7 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:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Due within 1 month or on demand	**546,283**	393,586
Due after 1 month but within 6 months	**47,700**	50,660
	593,983	444,246

17 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Bank loans	**257,191**	254,940
Loan from a third party	**5,000**	5,000
	262,191	259,940
Add: current portion of long-term bank and other loans	**35,727**	13,676
	297,918	273,616

17 BANK AND OTHER LOANS (continued)

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

At 30 June 2010, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Bank loans:		
– Pledged by bank bills	**29,840**	5,420
– Secured by property, plant and equipment and land use rights	**69,520**	69,520
– Guaranteed and secured by property, plant and equipment and land use rights	**–**	7,000
– Unguaranteed and unsecured	**157,831**	173,000
	257,191	254,940
Loan from a third party:		
– Unguaranteed and unsecured	**5,000**	5,000
	262,191	259,940

At 30 June 2010, the aggregate carrying values of the secured property, plant and equipment and land use rights were RMB79.4 million (31 December 2009: RMB105.4 million).

(b) Long-term bank and other loans

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Bank loans	**308,800**	298,800
Loans from third parties	**44,568**	44,568
Loans from an equity shareholder of the Company	**149,247**	150,245
	502,615	493,613
Less: current portion of long-term bank and other loans	**(35,727)**	(13,676)
	466,888	479,937

17 BANK AND OTHER LOANS (continued)

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

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year or on demand	**35,727**	13,676
After 1 year but within 2 years	**205,977**	84,671
After 2 years but within 5 years	**230,849**	319,011
After 5 years	**30,062**	76,255
	502,615	493,613

At 30 June 2010, except for long-term bank loans of RMB188.8 million (31 December 2009: RMB178.8 million) which were secured by property, plant and equipment and land use rights, all of the remaining borrowings were unsecured. At 30 June 2010, the aggregate carrying values of the secured property, plant and equipment and land use rights were RMB383.9 million (31 December 2009: RMB500.7 million).

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

At 30 June 2010, the Group's banking facilities amounted to RMB150.0 million (31 December 2009: RMB150.0 million) were utilised to the extent of RMB150.0 million (31 December 2009: RMB150.0 million).

18 AMOUNTS DUE TO A RELATED COMPANY

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Payable for purchase of properties (Note (i))	**23,553**	26,552
Expected consideration to be paid on a written put option over non-controlling interests (Note (ii))	**57,019**	50,376
	80,572	76,928

Notes:

(i) The amount is unsecured, bears interest at 6.12% per annum (31 December 2009: 6.12% per annum) and is repayable in monthly instalments between July 2011 to December 2014. Further details of the transaction are set out in Note 23(a)(i).

(ii) The amount represented the amortised cost of the redemption amount of a written put option over 49% equity interests in Dongtai China Glass Special Glass Company Limited held by Jiangsu Glass Group Company Limited ("Jiangsu Glass Group"), a related party under common significant influence.

19 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 outstanding unsecured notes will mature on 12 July 2012, and are jointly and severally guaranteed by certain subsidiaries of the Group.

20 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Provision for inventories RMB'000	Impairment losses on receivables RMB'000	Depreciation expenses in excess of related tax allowances RMB'000	Impairment losses on property, plant and equipment and intangible assets RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2009	34,820	3,083	5,919	13,139	8,596	65,557	(61,528)	4,029
(Charged)/credited to the consolidated income statement	(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**
Credited/(charged) to the consolidated income statement (Note 6)	**1,347**	**276**	**(28)**	**90**	**–**	**1,685**	**1,482**	**3,167**
Decrease through disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**5,419**	**5,419**
At 30 June 2010	**34,032**	**1,048**	**5,757**	**14,408**	**8,596**	**63,841**	**(51,690)**	**12,151**

21 NET GAIN FROM DISPOSAL OF EQUITY INTERESTS IN AN ASSOCIATE AND ACQUISITION OF ADDITIONAL CONTROLLING EQUITY INTERESTS IN A SUBSIDIARY OF THE GROUP

On 31 December 2009, the Company and Jade Vision Investments Limited ("Jade Vision"), a wholly owned subsidiary of 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"). According to the equity transfer agreement, Jade Vision has agreed to sell all of its 50% equity interests in Taicang Pilkington China Glass Special Glass Limited ("Taicang Special Glass") to Pilkington International. By virtue of the share transfer agreement, the sale of above equity interests in Taicang Special Glass will be settled by the transfer of 14.68% equity interests of JV Investments Limited ("JV Investments"), a non-wholly owned subsidiary of the Group, from Pilkington to the Company. Upon completion of the equity transfer of Taicang Special Glass on 15 April 2010, Taicang Special Glass ceased to be an associate of the Group. The Group's share of Taicang Special Glass' net assets immediately before the equity transfer was RMBNil. The Group recognised a net gain of RMB78.0 million on disposal.

In addition, upon completion of the share transfer of JV Investments from Pilkington to the Company on 10 May 2010, the Group's effective interests in JV Investments increased from 43.22% to 57.90%. Consequently, the Group recognised a decrease in non-controlling interests of RMB78.0 million.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$Nil).

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

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

(b) Issuance of ordinary shares

In a special general meeting held on 24 April 2009, the Company's shareholders approved the placing of 46,330,000 ordinary shares of HK$0.53 per share to certain senior management of the Group. Upon completion of the issuance of the above shares on 26 January 2010, the Company's number of shares in issue increased from 416,000,000 to 462,330,000. The proceeds of HK$4.6 million (equivalent to approximately RMB4.1 million), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of transaction costs, of HK$18.2 million (equivalent to approximately RMB16.0 million) were credited to the share premium account.

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Equity-settled share-based transactions

On 29 February 2008, 20,000,000 share options were granted to directors of the Company and employees of the Group under the Company's employee share option scheme (no share options were granted during the six months ended 30 June 2010 and 2009). For the options granted, 40% will vest after one year from the date of grant; another 30% will vest after two years from the date of grant; and the remaining 30% will vest after three years from the date of grant. The options will lapse on 29 May 2015. Each option gives the holder the right to subscribe for one ordinary share in the Company. The exercise price is HK$3.50.

No share options previously granted to directors of the Company and employees of the Group have been forfeited during the six months ended 30 June 2010 (six months ended 30 June 2009: 700,000 share options).

No share options were exercised during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2010.

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 30 June 2010, the outstanding amount bears interest at 6.12% per annum (31 December 2009: 6.12% per annum). For the six months ended 30 June 2010, interest expenses of RMB1.0 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2009: RMB1.1 million).

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

(ii) Other transactions

	Note	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Sale of glass and glass products to related parties		**32**	38
Purchase of raw materials from related parties		**9,054**	7,142
Labour service expenses		**40**	–
Operating lease expenses		**850**	435
Non-interest bearing advances granted to related parties	(ii)	**2,414**	71
Settlement of non-interest bearing advances granted to related parties	(ii)	**676**	112
Non-interest bearing advances received from related parties	(ii)	**11**	–
Repayment of non-interest bearing advances received from related parties	(ii)	**3,687**	235

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

	Note	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Interest expenses	(i)	**5,713**	5,668
Non-interest bearing advances granted to a related party	(ii)	**273**	140

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

	Note	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Sale of glass and glass products to related parties		**161,497**	148,054
Purchase of raw materials from related parties		**44,713**	19,024
Labour service expenses		**1,252**	–
Non-interest bearing advances granted to related parties	(ii)	**–**	552
Non-interest bearing advances received from related parties	(ii)	**1,304**	7,650
Repayment of non-interest bearing advances received from related parties	(ii)	**1,388**	–

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with associates of the Group

	Note	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Service fee income		**–**	1,330
Non-interest bearing advances granted to a related party	(ii)	**18**	90
Settlement of non-interest bearing advances granted to a related party	(ii)	**101**	–

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Short-term employee benefits	**1,333**	1,257
Contributions to defined contribution retirement plans	**96**	125
Equity compensation benefits	**918**	1,601
	2,347	2,983

Notes:

(i) Interest expenses represented interest charges on loans received from a related party.

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

24 COMMITMENTS

(a) Capital commitments

At 30 June 2010, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**38,485**	217,520
– Authorised but not contracted for	**16,163**	25,315
	54,648	242,835
Commitments in respect of investment in a subsidiary		
– Contracted for	**87,000**	–
– Authorised but not contracted for	**–**	–
	87,000	–
Total commitments		
– Contracted for	**125,485**	217,520
– Authorised but not contracted for	**16,163**	25,315
	141,648	242,835

At 30 June 2010, capital commitments in respect of land and buildings, and machinery and equipment are for expansion and upgrade of certain existing production lines of the Group.

(b) Operating lease commitments

At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Within 1 year	**4,700**	4,865
After 1 year but within 5 years	**5,788**	7,441
After 5 years	**4,014**	2,846
	14,502	15,152

24 COMMITMENTS (continued)

(b) Operating lease commitments (continued)

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 negotiated upon renewal. None of the leases includes contingent rentals.

25 NON-ADJUSTING POST BALANCE SHEET EVENTS

Acquisition of controlling equity interests

On 30 June 2010, the Company announced that the Company, through a subsidiary, has entered into various equity transfer agreements to acquire an aggregate of 39.6% equity interests in Linyi Bulusida Special Glass Company Limited ("Linyi Bulusida") from the then equity holders of Linyi Bulusida, with the consideration being the subsidiary taking up the obligation to fulfil the outstanding capital contribution requirement of RMB40.0 million into Linyi Bulusida.

At the same time, the same subsidiary has entered into a capital increase agreement with Linyi Bulusida to subscribe for an additional 31.76% equity interests in Linyi Bulusida for a consideration of RMB47.0 million.

Upon completion of the above equity transfers and capital increase, the Group's effective interests in Linyi Bulusida will be 18.57% and Linyi Bulusida will become a non wholly-owned subsidiary of the Group.

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

Review Report to the Board of Directors of China Glass Holdings Limited

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 33 which comprises the consolidated balance sheet of China Glass Holdings Limited as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

30 August 2010

Management Discussion and Analysis

MARKET REVIEW

During the first half of 2010, production and sales for the Chinese glass market remained strong as a whole upon the steady growth of the national economy. In the first quarter of 2010, the selling price of glass declined from its peak in second half of 2009 but still stayed at a high level, being driven by the real estate market boom since the second half of last year and the rapid development of the automobile industry, as well as market movement. In the second quarter, the sold area of commodity properties in May and June recorded negative growth on a year-on-year basis because of the promulgation of the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" by the State Council on 17 April 2010. This resulted in a fall in demand on glass products. At the same time, the market supply of glass products increased due to the commencement of production of new lines and resumption of production lines that had previously suspended production. As such, the selling price of glass declined from the high level of the first quarter, but sustained a normal profitability level.

During the first half of 2010, the supply of raw materials and fuel for the glass production was abundant, as the economy was stabilized and picking up in growth. The price of raw materials and fuel rose at the beginning of the year but then fell gradually.

Compared with the same period last year, the rise in the average selling price of glass was far greater than the rise in the price of raw materials and fuel. This was also a major reason for the improvement in profitability of glass industry as a whole during the first half of 2010.

BUSINESS REVIEW

Overview

The Group currently has 17 glass production lines. These include 13 float glass production lines, 2 sheet glass production lines, 1 patterned glass and 1 off-line low-emissions ("Low-E") coated glass production line. The Group also has an amorphous silicon thin-film battery production line which has an annual production of 3MW.

During the first half of 2010, the Group had 14 glass production lines in operation, which produced 16.19 million weight cases of various types of glass, recording an increase of 3.46 million weight cases or 27.18% as compared to that of the same period of last year. The increase in production volume was mainly attributable to the commencement of production of two 600T/D float glass production lines in Dongtai, Jiangsu Province in the second half of 2009 and the first half of 2010 respectively, and the resumption of Suqian second production line and Nanjing first production line after overhauled in the first half of 2010.

During the first half of 2010, the Group proactively deployed its strategies. The Group allocated resources according to its three-year development plan formulated at the beginning of the year, the plan focused on the "Two High One Low" strategy, which is to maintain the advantages in high technology, increase the proportion of high value-added products, as well as pursuing low cost advantages. Product sale price, production to sales ratio and market share were improved through the increase in production volume, enhancement of product quality, development of new products, adjustment of product mix and exploration of new markets. Costs and expenses were reduced through the upgrading and innovation of technology, strategic purchasing and reducing consumption and waste of fuels.

Raw materials prices and production costs

During the first half of 2010, the market prices of major raw materials and fuel for the production of glass had been affected by many different factors, such as supply and demand in the international and China markets, the State's macro-economic control measures and limits on production by upstream industries to uphold the price levels. There was a continuing upward trend of prices since the end of last year until the beginning of this year, and the prices gradually declined after rising to the peak at the end of the first quarter. Accordingly, production costs in the industry increased from that of the same period of last year. However, the Group's unit cost in glass production only increased by 3%, mainly attributable to impact of market price change as mentioned above, the use of cheaper fuel such as coke oven gas and application of solid fuel spraying and blowing technology to more production lines of the Group.

Production, sales and selling price

During the first half of 2010, the Group's 14 glass production lines in normal operation maintained good operating conditions, safety and stable quality. The Group produced 16.19 million weight cases of glass during the first half of the year. The Group sold 16.23 million weight cases of glass in aggregate with a production to sales ratio of 100.25%. The overall selling price of the Group's glass products was RMB86 per weight case, representing an increase of 25% from that of the same period in last year.

Profitability analysis

During the first half of 2010, the Group's profit after tax was RMB264 million, representing an increase of RMB332 million from that of the same period of last year. This was mainly driven by the increase in profit from operations from RMB5 million in the same period of last year to RMB285 million in the first half of 2010. The significant increase in profit from operations was mainly due to three reasons: Firstly, three of the Group's production lines successively commenced production during the first half of the year. Concurrently, the demand from customers was strong. Sales volume increased by 29% during the first half of the year from that of last year. Secondly, the favourable conditions prevailed in the glass market. This, together with more high value added glass products were produced and sold by the Group, increased the average selling price of the Group's products by 25% during the first half of the year from that of last year. Thirdly, the Group continued to implement measures by reducing consumption and waste of fuels, tapping into new sources of income and cost-saving, implementing technology innovation and technique optimization for reducing the consumption in energy. Packaging costs were reduced by introducing simplified packaging. Purchase costs were reduced through strategic purchasing.

Energy saving and emission reduction

The Group continued to devote more efforts to save energy and reduce emissions in its operations during the first half of the year. Improvement was achieved with the desulphurization devices and dust removers for the existing production lines in the Group's production base at Weihai, Shandong Province. While achieving the benchmarks for emissions, the products from desulphurization were also fully recycled. This perfectly exemplifies the local cyclic economy. During the course of an overhaul conducted at the Group's one production line in Suqian, Jiangsu Province, a series of initiatives were undertaken to save energy and reduce emissions. The Group adopted 15 new technologies and techniques, which will save approximately 7,600 tonnes of fuel oil per annum. The improvements also received the State's incentive award for technology upgrade for energy saving initiatives. In addition, the Group also achieved prominent progresses with research and development in enhancing burning efficiency.

The price of heavy oil, a key fuel used by the glass industry, continued to increase. However, the Group adopted its own proprietary solid fuel spraying and blowing technology which employs low cost fuels such as petroleum powder and coal. This greatly reduced fuel costs and achieved excellent efficiency in substituting fuel. In addition, certain production lines of the Group also used cheaper fuel such as coke oven gas. The Group will continue to seek opportunities to reduce energy consumption and achieve cost savings from every possible perspective.

Implemented the "Two High One Low" strategy

I. Maintaining advantages in high technology

During the first half of the year, the Group continued to maintain its strength in the research and development of new and high technologies. The Group devoted more efforts on the research and development of energy saving glass products, new energy glass products and their industrialization, in order to be prepared for its use in new production lines.

II. Increasing proportion of high value-added products

According to the plan formulated by the Group at the beginning of the year, the Group takes the following measures in respect of the production of high value added products:

A. Energy saving glass products

The production volume and the resources allocated to the production of on-line Low-E coated glass increased according to the market demand. In particular, the installation of Low-E technology equipment designated for use by two production lines at the production base of Dongtai, Jiangsu Province was in process as planned.

B. New energy glass products

Production of ultra clear glass for solar power: At present, the Company has upgraded its first production line at Nanjing into an ultra clear glass production line. The yield ratio for the first three months of production was better than expected. The market has good feedbacks on the products, and the demand of the products was higher than supply.

Production of on-line transparent conducting oxide (TCO) glass: The products from trial production were used in the solar power demonstration project of the State and the results were promising. The first on-line TCO glass production line is now under construction in Linyi, Shandong Province, which will commence operation by the end of the year.

C. Amorphous silicon thin film batteries

A subsidiary of the Group specializing in the production of amorphous silicon thin film batteries is expanding production capacity as planned and the annual production capacity will be increased to 12MW after the expansion.

III. Pursuing low costs advantages

The Group promoted the adoption of its self-developed proprietary solid fuel spraying and blowing technology within the Group. For the time being, several production lines that originally adopted high-cost energy are now equipped with the special spray equipment to replace the high-cost energy. Additionally, the Group will actively explore new sources of low-cost energy. For example, the production line which is under construction in Linyi, Shandong Province will use cheap coke oven gas resource that is abundant in local supply as its fuel. The above measures together with the advantages of the Group in procurement of key raw materials will allow the Group to lower its costs in the future.

OUTLOOK

The Group is of the view that with the slow recovery of global economy and the steady development of the economy in China, the glass market for the second half of 2010 will rise further before stabilizing. Details of the analysis are as follows:

Impact from policies:

From a policy perspective, the promulgation of the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" by the State Council on 17 April 2010 was only intended to suppress the surge in housing price but not to curb the development of real estate sector. In the meantime, the State is also placing more emphasis on the construction of affordable housings, low-rent housings and housings of "two limits" so as to meet the strong growth in the demand for housing. Taking into account the lagging effect in the construction of affordable housings, low-rent housings, the force generating therefrom to drive the demand in the glass market will emerge gradually in the second half of the year. This will also compensate for the fall in demand previously attributed to the decline in the construction of normal residential properties and commercial properties.

Despite the State's cancellation of the export tax refund policy for float glass from July 2010, based on the analysis of composition and market environment on high value added glass products for exports, it is expected that the cost of high value-added floating glass will be able to be shifted to the overseas downstream sellers. Therefore, it is expected that the profit margin on these products will not be materially affected.

As the Chinese government becomes increasingly focused on environmental protection and energy conservation, energy-saving construction will inevitably be a dominant trend in society as a whole. At present, energy-saving glass such as hollow and Low-E hollow glass, are widely adopted in constructions throughout Europe and the United States. The usage rate of these energy-saving glass in Europe and the United States exceeds 50%, while it is less than 10% for those in China. Pursuant to the requirements of the Energy Conservation Law, energy saving construction materials such as Low-E glass will be widely used in new construction projects and redevelopment projects. Extensive use of energy saving construction materials, including Low-E glass will bring a rapid growth in the demand of energy saving glass. This will facilitate the Group to capitalize from the advantages in the research and development of technologies for energy saving glass.

Hence, the macro-economic control measures of the State and the specific adjustment in policies may adversely affect enterprises that primarily manufacture low value-added products in the industry. However, these policy adjustments are in line with the Group's strategy of increasing the proportion of high value-added products and will be beneficial to the development of the Group.

Impact from demand:

From a demand perspective, approximately 90% of sheet glass produced in China is sold in the domestic market and 10% is exported. For the demand for sheet glass in China, uses in real estate industry accounted for 70%, automobile industry accounted for 15%, internal decoration accounted for 10% and other uses accounted for 5%.

Taking into account investments in the real estate industry, land acquisition and area of housing that commenced and completed construction in the first half of the year, the demand for glass in the second half of the year is expected to increase to a certain extent from the first half of the year and that of last year.

In the automobile industry, the State launched the "Plan on Adjusting and Revitalizing the Automobile Industry" in 2009. Over 10 million units of automobiles were planned for production and sales in 2009, with an average growth of 10% during a period of three years. In 2009, the sales of automobiles in China exceeded the sales in the United States and China had become the largest automobile market in the world. It is expected that the demand for glass by the automobile industry will continue to grow in 2010 and afterwards.

As to the interior decoration market, glass has recently become a widely-used material in interior decoration in airports, office lobbies, glass doors, sanitary wares and artistic glass, and the consumption volume has been rising. In 2009, the sales of normal residential properties increased by 51% from that in 2008. As the usage of glass in interior decoration and renovation is lagging behind the use of glass in construction, glass demand for interior decoration in 2010 is expected to exceed that of 2009.

As for the international market, while the gradual recovery in the international financial market is ongoing, the global economy is still subject to the post-financial crisis era. International market currently remains uncertain.

Impact from supply:

For the supply of glass products, there were a total of 209 sheet glass production lines in China at the beginning of 2010. At present, there are over 30 float glass production lines under construction. It is expected that the production volume of sheet glass in the second half of the year will be over 360 million weight cases, representing an increase of over 15% from the first half of the year, and an increase of over 15% from that of the same period in last year.

As the demand for high quality float glass and further-processed glass featuring environmental protection functions, such as coated glass, hollow glass, and particularly Low-E glass will become more widely accepted, the normal float glass market will become very competitive.

Raw materials market:

Prices of raw materials and fuels used in the production of glass are expected to mildly increase in the second half of 2010 as compared to the first half of 2010.

Soda ash: The price of soda ash is expected to increase in the second half of the year as a result of increased production costs and an increase in demand in downstream industries such as the glass, chemical, washing agent and dyeing industries. Also, over a long period of time in the past, the industry had tended to stabilize selling price by adopting effective measures of limited production. Therefore, the price of soda ash is expected to increase slightly in the second half of the year.

Fuel oil: As international crude oil prices rose and the demand from domestic market increased, domestic fuel oil prices are expected to increase slightly in the second half of the year.

Coal: The price of coal is expected to increase slightly in the second half of the year and reach a peak in the fourth quarter.

Petroleum powder: Petroleum powder is a fuel substitute and its price is closely related to those of coal and coal tar. Due to refineries' resource limits and the impact of low cost imported petroleum powder, and taking into account the downturn in the downstream aluminum electrode and silicon metal industries, the price of petroleum powder in the second half of the year is expected to fluctuate within the price range in the first half of the year.

Silicon sand and stones: The prices of these materials in the short term mainly depend on the fluctuation in transportation costs. It is expected that prices will rise slightly in the second half of the year following the rise in fuel oil prices.

To conclude from the above, the Group expects the demand for sheet glass will increase significantly during the second half of 2010 as compared with that of the first half of the year and that of last year. Equilibrium in supply and demand will generally be achieved and there will be a trend of increased competition for normal glass products. However, the market demand for high value-added products, such as energy saving and new energy glass, as well as other coated products, will continue to have a rapid growth. Selling price is subject to seasonality factors, which is expected to increase and then stabilize in the second half of 2010 and slightly increase in the peak season.

Faced with market prospects in the second half of the year, the Group will focus its activities on the steady implementation of the strategy "Two High One Low".

Firstly, the Group will continue to execute the strategy of product differentiation, so as to flexibly accommodate the change in demand arising from the market. In fully leveraging on the Group's technological and product advantages in new energy glass and energy saving glass products, the proportion of high value-added products such as energy saving glass, high end coated glass and new energy products in the total production volume will increase gradually.

The Group will adopt a number of methods to ensure the increase in the production of high value-added products, including:

- Increasing the production proportion for high value-added products, particularly energy saving glass products according to the market demand;

- According to the market demand, adopting technologies used in the production of high value-added products to the production lines of normal products through the overhaul of the production lines.

The production capabilities of the Group in high value-added products will increase, in order to be able to fulfill market demand arising from the rapid growth of the energy saving and new energy glass markets in future. For examples, the first production line in Nanjing has been upgraded for the production of ultra clear glass for solar power during the first half of the year. The second production line will be upgraded following the success in the first production line, so that Nanjing will become a special production base of the Group for the production of ultra clear glass for solar power.

Moreover, production lines for high value-added products will be built upon the opportunities in relocation and new construction projects. Resources will also be devoted to the construction of production lines of new energy products, such as those for on-line TCO glass which is under construction in Linyi, Shandong Province and solar power thin film battery production line which is under expansion. These are also important strategies of the Group to increase its proportion of high value-added products.

Furthermore, the Group will continue to devote more efforts to the research of new and high technology, so as to enhance the core competitiveness of the Group, such measures including:

- Extending the research for on-line coated technologies, particularly the research and development for upgrading on-line Low-E coating technology and on-line TCO glass technology. This will provide a solid technological foundation for the expansion of production capacity of energy saving and new energy products.

- Increasing its investments in the research and development of technologies to reduce fuel consumption. Fuel consumption of the production lines will be reduced so as to achieve environmental-friendly production and to provide benefits to both the society and the Group.

In addition, more efforts will be deployed to promote the adoption of fuel substitutes so as to reduce production costs, including:

- Continuing to replace traditionally used fuels in our production lines with solid fuel spraying and blowing technology, in order to maximize the reduction in production costs;
- Increasing the use of other energy sources with lower costs (e.g. coke oven gas) in relocated production lines and new production lines;
- Increasing efforts in research and development of technology, in order to improve efficiency of furnace.

In addition, the Group will continue to optimize the business models of our operating centre, improve its internal control system, create highly efficient resource allocation system, improve operation efficiency of the Group, in the hope that the Group will achieve a better performance in the second half of 2010.

FINANCIAL REVIEW

For the first six months of 2010, the turnover of the Group increased by 61% to RMB1,422.5 million as compared to RMB882.2 million in the first six months of 2009. The increase was attributable to the increase in both sales volume and average selling price. The increase in sales volume was mainly attributable to the commencement of production of two production lines in Dongtai, Jiangsu Province and the resumption of production of two production lines in Nanjing and Suqian, respectively. The increase in average selling price was mainly due to the change in market price and increase in the Group's sales volume of high value-added glass products. The gross profit margin increased to approximately 27.0% from 12.5% compared to the corresponding period last year. The increase was mainly due to increase in average selling price.

The Group's profit for the period amounted to approximately RMB264.4 million, representing an increase of RMB332.1 million as compared to a loss of RMB67.7 million for the first six months of 2009. The increase was mainly attributable to the increase in gross profit and the net gain from disposal of equity interests in an associate.

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

As at 30 June 2010, the Group's cash and cash equivalents amounted to RMB347.7 million (31 December 2009: RMB291.0 million), of which 79% were denominated in Renminbi ("RMB"), 13% in United States Dollars ("USD") and 7% in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB764.8 million (31 December 2009: RMB753.6 million), of which 79% (31 December 2009: 80%) were denominated in RMB and 21% (31 December 2009: 20%) were denominated in USD, and outstanding unsecured notes amounted to RMB404.3 million (31 December 2009: RMB405.5 million) which were denominated in USD. As at 30 June 2010, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 29% (31 December 2009: 32%). As at 30 June 2010, the Group's current ratio (current assets divided by current liabilities) was 0.75 (31 December 2009: 0.68). The Group recorded net current liabilities amounting to RMB460.8 million as at 30 June 2010 (31 December 2009: RMB499.4 million). As at 30 June 2010, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.66 (31 December 2009: 0.68).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's sales transactions and monetary assets were primarily denominated in RMB, HK$, USD and Euros. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and export sales and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future appreciation of RMB will closely associate with the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate.

During the six months ended 30 June 2010, the Group had not adopted any derivatives for hedging purposes.

The Board of Directors is pleased to submit the interim report together with the unaudited financial statements of the Group for the six months ended 30 June 2010.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2010 (Dividend for the six months ended 30 June 2009: HK$Nil).

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

As at 30 June 2010, the interests and/or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities [1]	Percentage of interest in such corporation in class
Mr. Zhou Cheng	The Company	Interest of a controlled corporation [2]	26,617,000 Shares (L)	5.76%
Mr. Liu Jinduo	The Company	Interest of a controlled corporation [3]	144,463,000 Shares (L)	31.25%
Mr. Zhang Zhaoheng	The Company	Beneficial owner	13,300,000 Shares (L)	2.88%
Mr. Cui Xiangdong	The Company	Beneficial owner	6,000,000 Shares (L)	1.30%

Notes:

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

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

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

Save as disclosed above, as at 30 June 2010, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2010, 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	144,463,000 Shares (L)	31.25%
Hony International Limited ("Hony International")	Interest of a controlled corporation (2)	144,463,000 Shares (L)	31.25%
EML	Interest of a controlled corporation (3)	144,463,000 Shares (L)	31.25%
Right Lane Limited	Interest of a controlled corporation (3)	144,463,000 Shares (L)	31.25%
Mr. Cao Zhijiang	Interest of a controlled corporation (4)	144,463,000 Shares (L)	31.25%
Mr. Zhang Zuxiang	Interest of a controlled corporation (4)	144,463,000 Shares (L)	31.25%
Legend Holdings Limited (5) (15) (16) (17)	Interest of a controlled corporation (6)	144,463,000 Shares (L)	31.25%
Employees' Shareholding Society of Legend Holdings Limited	Interest of a controlled corporation (7)	144,463,000 Shares (L)	31.25%
Swift Glory (13) (14)	Beneficial owner	26,617,000 Shares (L)	5.76%
Pilkington Italy Limited	Beneficial owner	124,384,000 Shares (L)	26.90%
Pilkington Brothers Limited	Interest of a controlled corporation (8)	124,384,000 Shares (L)	26.90%
Pilkington Group Limited	Interest of a controlled corporation (9)	124,384,000 Shares (L)	26.90%

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)	26.90%
NSG Holdings (Europe) Limited	Interest of a controlled corporation [11]	124,384,000 Shares (L)	26.90%
Nippon Sheet Glass Co., Ltd. [18]	Interest of a controlled corporation [12]	124,384,000 Shares (L)	26.90%
International Finance Corporation	Beneficial owner	33,698,000 Shares (L)	7.29%

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.

Save as disclosed above, as at 30 June 2010, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CHARGE ON ASSETS

Details of the Group's charge on assets were set out in Note 17 to the unaudited interim financial report.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2010 were set out in Note 24 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2010.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares.

On 29 February 2008, the Directors of the Company and certain employees of the Group were granted share options under the share option scheme.

The closing price of the share of the Company at the date of grant was HK$3.50. During the six months ended 30 June 2010, no share options have been granted or exercised under the share option scheme of the Company. Movements of share options granted under the option scheme during the six months ended 30 June 2010 are as follow:

					No. of share			
Participant	Date of grant	Exercise price per share HK$	Exercise period from	until	Held as at 1/1/2010	Forfeited during the period	Held as at 30/6/2010	Approximate percentage interest in the Company's issued share
Directors								
Zhou Cheng	29/2/2008	3.5	28/2/2009	29/5/2015	750,000	–	750,000	0.18%
	29/2/2008	3.5	28/2/2010	29/5/2015	562,500	–	562,500	0.14%
	29/2/2008	3.5	28/2/2011	29/5/2015	562,500	–	562,500	0.14%
Zhang Zhaoheng	29/2/2008	3.5	28/2/2009	29/5/2015	750,000	–	750,000	0.18%
	29/2/2008	3.5	28/2/2010	29/5/2015	562,500	–	562,500	0.14%
	29/2/2008	3.5	28/2/2011	29/5/2015	562,500	–	562,500	0.14%
Li Ping	29/2/2008	3.5	28/2/2009	29/5/2015	320,000	–	320,000	0.08%
	29/2/2008	3.5	28/2/2010	29/5/2015	240,000	–	240,000	0.06%
	29/2/2008	3.5	28/2/2011	29/5/2015	240,000	–	240,000	0.06%
Cui Xiangdong	29/2/2008	3.5	28/2/2009	29/5/2015	320,000	–	320,000	0.08%
	29/2/2008	3.5	28/2/2010	29/5/2015	240,000	–	240,000	0.06%
	29/2/2008	3.5	28/2/2011	29/5/2015	240,000	–	240,000	0.06%
Employees	29/2/2008	3.5	28/2/2009	29/5/2015	5,580,000	–	5,580,000	1.34%
	29/2/2008	3.5	28/2/2010	29/5/2015	4,185,000	–	4,185,000	1.01%
	29/2/2008	3.5	28/2/2011	29/5/2015	4,185,000	–	4,185,000	1.01%
Total					19,300,000	–	19,300,000	

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2010, the Group had employed a total of approximately 6,652 employees in the PRC and Hong Kong (31 December 2009: about 6,184 employees). According to the relevant market situation, the Group's employees' remuneration level remains at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contributions to the above schemes were forfeited for the six months ended 30 June 2010. Details of staff costs and pension schemes were set out in Note 5 to the unaudited interim financial report.

MATERIAL ACQUISITIONS OR DISPOSALS

On 10 January 2008, Weihai Blue Star Glass Co., Ltd. ("Weihai Blue Star"), an indirect non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Xu Yulin ("Mr. Xu") to dispose of its 45% equity interests in Beijing Zhonghai Xingye Safety Glass Company Limited. On 24 April 2010, Weihai Blue Star and Mr. Xu entered into a supplemental agreement to vary certain terms of the share transfer agreement, among others, the consideration for the share transfer shall be RMB1,444,000, which was determined with reference to the independent valuation of the equity interests as at 30 June 2009. The disposal has been completed on 11 June 2010.

On 31 December 2009, the Company and Jade Vision Investments Limited ("Jade Vision"), a wholly owned subsidiary of the Group, entered into an equity transfer agreement with Pilkington International Holdings BV ("Pilkington International") and a share transfer agreement with Pilkington International and Pilkington Italy Limited ("Pilkington"). According to the equity transfer agreement, Jade Vision has agreed to sell all of its 50% equity interests in Taicang Pilkington China Glass Special Glass Limited ("Taicang Special Glass") to Pilkington International. According to the share transfer agreement, the sale of above equity interests in Taicang Special Glass would be settled by the transfer of 14.68% equity interests of JV Investments Limited ("JV Investments"), a non-wholly owned subsidiary of the Group, from Pilkington to the Company. The equity transfer of Taicang Special Glass has been completed on 15 April 2010 and the share transfer of JV Investments has been completed on 10 May 2010.

On 30 June 2010, Weihai Blue Star and six individuals (the "Transferors") entered into an equity transfer agreement, pursuant to which each of the Transferors agreed to transfer to Weihai Blue Star various equity interests in Linyi Bulusida Special Glass Company Limited ("Linyi Bulusida") held by them for an aggregate of 39.6% of the equity interest in Linyi Bulusida. Pursuant to the equity transfer agreement, Weihai Blue Star shall take up the obligation to fulfil the outstanding capital contribution requirement of RMB40.0 million into Linyi Bulusida. On the same date, Weihai Blue Star and Linyi Bulusida entered into a capital increase agreement, pursuant to which Weihai Blue Star agreed to subscribe for equity interest in Linyi Bulusida for an amount of RMB47.0 million. Upon completion of the above equity transfer and capital increase, the Company's equity interest in Linyi Bulusida will be 58.78% and Linyi Bulusida will become a non-wholly owned subsidiary of the Company.

Other than disclosed above, the Group did not have any material investments or capital assets, or material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2010. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

ISSUANCE OF NEW SHARES

In a special general meeting held on 24 April 2009, the Company's shareholders approved the placing of 46,330,000 ordinary shares of HK$0.53 per share to certain senior management of the Group. Upon completion of the issuance of the above shares on 26 January 2010, the Company's number of shares in issue increased from 416,000,000 to 462,330,000.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group were set out in Note 25 to the unaudited interim financial report.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non-executive Directors. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2010.

REMUNERATION COMMITTEE

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

INVESTOR RELATIONS AND COMMUNICATIONS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CCGP") as set out in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2010.

COMPLIANCE WITH THE MODEL CODE

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

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 30 August 2010