2010 Annual Report

CHINA GLASS HOLDINGS LIMITED
中國玻璃控股有限公司*

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

* For identification purposes only

China Glass Holdings Limited • ANNUAL REPORT 2010

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BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Zhou Cheng *(Chairman)*
(re-designated on 19 October 2010)
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

Ms. Li Hiu Ling *(appointed on 1 March 2011)*
Mr. Ng Kit Man *(resigned on 28 February 2011)*

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

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168-200 Connaught Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
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
China Merchants Bank
Bank of Hankou

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
Brunswick Group Ltd.

STOCK CODE

Hong Kong Stock Exchange 3300

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2010 are extracted from the audited financial statements of this report and the Company's 2006, 2007, 2008 and 2009 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2010	**2009**	**2008**	**2007**	**2006**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Turnover	**3,154,796**	2,078,408	2,289,941	2,212,324	573,136
Cost of sales	**(2,293,413)**	(1,613,726)	(2,078,045)	(1,821,647)	(517,829)
Gross profit	**861,383**	464,682	211,896	390,677	55,307
Other revenue	**33,024**	19,009	19,398	16,400	5,076
Other net income/(loss)	**8,107**	955	(5,164)	583	84
Distribution costs	**(77,486)**	(62,183)	(82,879)	(71,927)	(24,098)
Administrative expenses	**(205,989)**	(179,726)	(219,588)	(144,921)	(33,541)
Other expenses	**-**	–	(60,061)	–	–
Profit/(loss) from operations	**619,039**	242,737	(136,398)	190,812	2,828
Share of losses of an associate	**-**	(20,893)	(41,999)	–	–
Impairment loss on assets classified as held-for-sale	**-**	–	–	(5,277)	–
Excess of the net fair value of the acquired net assets over cost	**-**	–	–	26,071	24,315
Gain from issuance of shares by subsidiaries	**-**	–	–	5,646	–
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**	–	–	–	–
Finance (costs)/income	**(94,275)**	34,344	(66,001)	(84,354)	(16,795)
Profit/(loss) before taxation	**607,397**	256,188	(244,398)	132,898	10,348
Income tax	**(100,637)**	(38,772)	26,990	6,033	4,257
Profit/(loss) for the year	**506,760**	217,416	(217,408)	138,931	14,605

ASSETS AND LIABILITIES

	The Group				
	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**4,982,093**	3,834,060	3,554,990	3,558,441	1,361,234
Total liabilities	**(3,038,788)**	(2,596,573)	(2,554,289)	(2,274,401)	(838,510)
Net assets	**1,943,305**	1,237,487	1,000,701	1,284,040	522,724

Dear Shareholders,

In 2010, the glass industry developed rapidly due to steady growth in the economy. Notwithstanding a number of factors, such as the resumption of activity for production lines that had been previously suspended and control measures over the real estate industry during the period, demand increased as a result from the introduction of a large number of social security housing. Supply and demand in the glass market achieved equilibrium for the year. Both production and sales resumed their booming growth. Under this business environment, the price of glass also increased significantly when compared to last year.

In 2010, the manufacturing costs and selling prices of the Group's products increased at different rates. However, the increase in average unit selling price was substantially higher than the increase in average unit production costs. The Group had 13 glass production lines, an offline Low-E coated glass production line and an amorphous silicon thin-film battery production line in operation throughout 2010. The Group recorded revenue of RMB3,155 million from principal operations, an increase of 51.79% from that of last year. Profit after tax was RMB507 million, an increase of 133.08% from that of last year. Output, revenue and profits reached new heights since the establishment of the Company, which were attributable to four main reasons: firstly, the Group consistently applied the strategy of increasing the ratio of high value added products. The proportion of energy saving products, such as coated glass with a higher technology content and added value, in the output was increased, which generated more revenue for the Group. Secondly, the strategy of substituting low cost energy for the Group first bore fruit in the beginning of 2010. This effectively offset a surge of fuel costs in the market. Thirdly, the Group's operation centre reorganised its management structure. Efficiency and rate of response in the enterprise were improved. The Group made remarkable achievements in centralised purchasing, which effectively reduced costs. Fourthly, the Group benefitted from the improvement in its business environment as a whole.

According to the Twelfth Five-Year Plan of the State, China will further accelerate its development and implement strategic restructuring in its economy. Development plans for seven strategic emerging industries in energy saving, environmental protection, new energy and new material will be executed in full force. As the largest and leading professional on-line coated glass producer in China, the Group has a leading bank of patent technologies in energy saving and new energy glass products. It is the only manufacturer in China that has intellectual property for "manufacturing technology for on-line Low-E coated float glass" and "manufacturing technology of on-line transparent conducting oxide (TCO) float glass", which confirms the Group's leadership and competitive edge in the development of the industry under the guidance of the State.

The Group will continue to adhere to the "differentiation" operation strategies and increase the proportion of energy saving and new energy glass high value added products. This will satisfy the growth in demand of the market for energy saving, environmental protection, new energy and new materials. At the same time, this will also drive the Company's sustainable growth. I am confident that the Company's strategy to transform into one of the largest producers of energy saving and new energy glass in China will ultimately be realized.

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

Zhou Cheng
Chairman

MARKET REVIEW

Being affected by growth in the economy, the glass market sustained its upward momentum in 2010. As early as the beginning of 2010, the price of glass remained high despite it being a low season for sales. During the second quarter, with the resumption of activity in previously suspended production lines increasing supply to the market, prices fell temporarily. However, demand increased from the introduction of a large amount of social security housing. This also continuously drove the price up.

According to statistics from a PRC authority, glass output in 2010 rose substantially compared with last year as a result of the resumption of activity in previously suspended production lines. 630.26 million weight cases of glass were produced in aggregate in the PRC for the year, an increase of 61.93 million weight cases from the same period last year, or a year-on-year increase of 10.90%. However, the rate of increase in output was very close to the rate of increase in market demand. According to the statistics from this source, the output-to-sales ratio for major glass enterprises in the PRC (those which accounted for 56.67% of total glass output in the PRC) reached 97.81% as a whole for 2010 and stayed high. Thus, the glass industry experienced a rise in both output and price in 2010. Both production and sales resumed booming growth. The increase in consolidated average selling price of glass products was greater than the increase in the costs for the supply of raw materials and fuels. At the same time, the industry increased focus on new energy and energy saving glass products, with particular reference to the development of the industry in the Twelfth Five-Year Plan. The public at large also became more familiar with energy saving glass products. It is believed that such changes will later effectively restructure demand in the glass market and reorient the industry as a whole towards energy saving products.

BUSINESS REVIEW

Overview

As at the end of 2010, the Group had 16 glass production lines, of which there were 14 float glass production lines and 2 sheet glass production lines. The melting capacity amounted to 6,770T/D. There was also 1 offline Low-E coated glass production line with an output of 3 million square meters per annum and 1 amorphous silicon thin-film battery production line with production capacity of 12MW per annum. The Group had 13 glass production lines, an offline Low-E coated glass production line and an amorphous silicon thin-film battery production line in operation during the year. There were two new production lines of high end products added during the year that adopted low-cost energy. These two production lines are Dongtai 2nd Line (which commenced operation in April 2010) and Linyi 1st Line (still in construction at the end of 2010, and officially commenced production in February 2011). During the year, production also resumed at the SHD 2nd Line and Nanjing 1st Line (which was successfully upgraded to produce solar photovoltaic products). Operations at the float glass production line in Qinchang, Beijing were still suspended, and Nanjing 2nd Line of patterned glass production line suspended operations for overhaul.

As the largest producer of painted glass and coated glass in the PRC, the Group focused in the development of the following products during 2010:

1. Glass of high value-added for construction, which is mainly comprised of online coated products, including online energy saving glass products (e.g. online Low-E coated glass), online sunshine-controlled coated glass and glass products with online functions, such as online easy cleaning coated glass. The aforementioned products are all produced from patented technologies for which the Group has proprietary intellectual property rights. The Group also produces complementary offline energy saving glass products, such as offline Low-E glass, according to market demand.

2. Glass of general added value for construction, which is mainly comprised of various clear and painted float glass.

3. New energy products: They can be classified into two categories: one is produced from new energy based materials, including solar power ultra-clear photovoltaic glass (which is used in poly-silicon solar power batteries) and online TCO glass (which is used in thin film solar power batteries, and is produced from patented technologies that the Group has proprietary intellectual property rights). The other category is new energy products, including amorphous-silicon solar power thin film batteries and BIPV solar photovoltaic units.

In 2010, the Group produced 35.51 million weight cases of glass in different categories, an increase of 37.68% compared with last year. The output-to-sales ratio was 99.07%. Revenue from principal operations amounted to RMB3,154.80 million, an increase of 51.79% from last year. Profit after tax was RMB506.76 million, an increase of 133.08% from last year.

Raw materials prices and production costs

In 2010, the price of raw materials for the glass industry surged. During the first half of 2010, prices fell after an earlier rise. By the third quarter, the trend became steady. Not until October 2010 did the price of certain major raw materials rise substantially. In particular, the price of soda ash demonstrated an explosive surge in the fourth quarter, which reached 50% higher than at the same period last year, as a result of the control measures over the industry. After the revision to the related control measures, the production capability of enterprises producing soda ash was substantially recovered, and the price of soda ash fell gradually. To date, the price of soda ash has decreased by over 25% from its highest levels. According to the statistics, the price of raw materials and fuel for the glass industry rose by over 20% in 2010 compared with the same period last year.

In 2010, the consolidated average cost of sales for the glass products of the Group was RMB65.19/weight case, an increase of RMB5.24/weight case or 8.74% from last year. The Group's increase in costs were less than its peers, which was mainly due to the following two reasons:

I. The Group achieved initial success in the strategy of substitutes in energy. During the year, the share by application of low cost energy in the production lines increased. At the same time, the Group devoted its efforts to market the new solid fuel spraying and blowing technology that was proprietarily developed by the Group. New fuels with midrange costs were substituted for the high-cost traditional fuels. All of these contributed significantly to reduce fuel costs

II. The operation model of the Group currently through the management centre accelerated the timing in response to the changes faced by the enterprise. Remarkable results were achieved in centralised purchasing, which contributed to cost control of the Group, to a certain extent.

Production, sales and selling price

In 2010, the production lines that were put in operation under the Group maintained sound operating conditions. A total of 35.51 million weight cases of glass of different types were produced, an increase of 9.72 million weight cases or 37.68% compared with the same period last year.

In 2010, the Group sold a total of 35.18 million weight cases of glass in different types. The output-to-sales ratio was 99.07%. The consolidated average selling price of glass products for the year was RMB86.46/weight case, an increase of RMB11.41/weight case or 15.20% compared with last year.

There was a relatively significant increase in the selling price of the Group's products in 2010 for two major reasons:

I. The Group adjusted its product mix during the year. Efforts were devoted to market products of advanced and new technologies with patents so as to increase its share in the Group's product mix as a whole.

II. The remarkable performance of the glass market as a whole, which laid a good foundation for the increase in selling price by the enterprise.

Profit for the year

In 2010, the profit after tax of the Group was RMB506.76 million, an increase of RMB289.34 million or 133%. The increase in profit was mainly due to the increase in gross profit margin. The gross profit increased by RMB396.70 million or 85% due to the combined effect of the increase in average selling price by 15% and the increase in unit cost by 8%.

Implementation of Strategic Plans

At the beginning of 2010, the Group proposed the strategic plan of "Two High and One Low" as the direction for its development. "Two High and One Low" refers to maintaining the leading edge in "High" technologies, increasing the share of "High" added value products in the overall mix and adopting substitute energies and new technologies to achieve "Low" costs. The Company aims to become one of the largest producers of energy saving and new energy glass products in the PRC within three years. The initiatives the Company took in 2010 pursuant to such plans were set out below:

I. To rationalize the capital structure of the Group

The Group increased its shareholding in JV Investments Limited ("JV Investments") at the end of 2010 with the support of its shareholders, as well as the equity interests in certain well-performing subsidiaries, such as Weihai Blue Star Glass Co., Ltd. ("Weihai Blue Star"), the controlling entity for its operations in the PRC. The Group also increased its share in core assets and reduced our reliance on intermediate holding companies. These efforts effectively laid the fundamentals of the Group's capital structure in high technology products.

II. To promote the adoption of advanced and new technologies in the production lines

The Group expanded the application of high technologies in its production lines and completed the construction of the following production lines:

1. Dongtai 2nd Line, the online Low-E dedicated production line (600T/D), which will produce Low-E products in 2011

2. Linyi 1st Line, the online TCO and Low-E dedicated production line (500T/D), which commenced operation in 2011

3. The production base of solar power ultra-clear photovoltaic glass at Nanjing. Nanjing 1st Line (100T/D) commenced production in mid-2010, the performance of which was outstanding. Nanjing 2nd line is still under construction and will commence operations during the first half of 2011. By then, the production base of solar power products at Nanjing will have a production capability of 420T/D

4. An expansion in the production capability of amorphous silicon thin film solar power batteries production line. Weihai China Glass Solar Co., Ltd ("Weihai Solar"), a subsidiary of the Group, expanded the capability of the production line from the technologies researched and developed proprietarily. At the beginning of 2011, the capability of the solar power thin film production line will be expanded to 12MW. The subsidiary was also awarded "Top Ten Branded Enterprises of Solar Power and Energy Saving Architectures for the Eleventh Five-Year Period" by a credential authority of the State.

III. To expand the research and development for advanced and new technologies

1. To perfect and improve technologies for online Low-E coated glass, online TCO coated glass and online easy cleaning coated glass, so that these technologies can adapt to the requirements in scale of operation

2. To continue in the research and development of online titanium sunlight controlled coated technology so that such technology can become more perfect and improved

3. To research and develop ultra-clear patterned coated reduced radiation technology for which preliminary results were obtained

4. To expand research in the techniques critical to amorphous-silicon batteries for which a major breakthrough was achieved in the efficiency of power generation and stable conversion.

IV. To pursue for finalising the implementation of the strategy in substituting with energies of low cost

As of the end of 2010, the Group continued to pursue implementing low-cost energies. New production lines that use low-cost coke gas were built. At the same time, equipment that applies the new solid fuel spraying and blowing technology, for which the Group owns a patent, was installed at the float glass production lines that originally used higher-cost energy. This allowed these production lines to reduce energy costs.

In addition, the Group also devoted more resources to promote energy saving and reducing emissions in 2010. The Group's base at Weihai, Shandong, upgraded the desulphurisation devices and dust removers in existing production lines. Apart from reducing emissions to the designated benchmark, the substances derived from desulphurisation were also recycled, and became a classic model for the local green economy. The Group's production base in Suqian, Jiangsu also upgraded energy saving and environmental protection technologies during its scheduled overhaul. The Group also passed the energy saving audit conducted by the Ministry of Finance and the National Development and Restructuring Commission, and obtained energy finance and saving awards from the State.

OUTLOOK

The Group sees a number of challenges and opportunities in the economic environment in 2011. The uncertainties in the course of economic recovery, inflation and expectations as well as the control measures over commodity residential units in the PRC will be challenges to the development of the Company. The introduction of social security housing by the State, the trend of environmental protection and energy saving construction materials and the evolution of the relevant legislation, which will provide construction materials to rural areas and policy support for new energy, will be opportunities for the development of the Company.

These are analysed in detail as follows:

1. Development in the macro-economic environment in the international market and the PRC

The high level impact brought by the international financial crisis has not yet been overcome. The growth of global economy is expected to slow down in 2011. However, taking into account that 2011 is the first year for the Twelfth Five-Year Plan period of the PRC, the PRC will further accelerate the change in the course of development according to the outline of the Twelfth Five-Year Plan. Development plans for seven strategic emerging industries in energy saving, environmental protection, next-generation information technology, biomedicine, manufacturing for sophisticated equipment, new energy, new materials and new energy cars will be executed in full force so as to achieve strategic restructuring of the economy. The core operations of the Group are shifting towards energy saving and new energy glass products. By then, the Group will produce energy saving and new energy products from technologies researched and developed proprietarily in its production lines according to the market demand. The market share of the Group's products will increase upon revisions in the industry's policies.

2. Directions for the policies related to the real estate and the glass industries

The State Council introduced eight new measures in January 2011 to implement control over the real estate market so as to curb the demand for acquisition of housing properties. The State also increased the construction of social security housing. In 2011, it planned to construct 10 million units of welfare housing, an increase of 72% compared with last year. At the same time, Wen Jiabo, the Premier of the PRC, stated that the State will construct 36 million units of welfare housing in the coming five years.

The trend of the development in the real estate industry will create promising opportunities for the glass industry and the operations of the Group. The future development will be demonstrated from two aspects:

I. Strong growth in the demand for glass from strong growth in the demand for residential properties

There has been strong growth in the demand for housing, in accordance with the urbanization process in China. Whilst the government will introduce various measures to curb the soaring prices of residential property, the government is expected to allocate unprecedented resources to the construction of low rent and social security housing to satisfy demands from the public. This will sustain the growth in demand for glass products.

II. ***Energy saving and environmental protection products becoming popular as a result of Investment by the government***

Currently, energy saving glass, such as hollow gas and Low-E, are widely applied in architecture in Europe and the United States, for which the utilisation rate exceeds 90%. The utilisation rate in the PRC is still less than 10%. With the emphasis placed by the PRC government on environmental protection and energy saving, the Energy Conservation Law requires that energy saving architecture will be a trend dominating society. Under the Twelfth Five-Year Plan, the development of the glass industry will be guided by the government through its investment. Being driven by the social security housing introduced by the government, energy saving construction materials such as Low-E glass will be widely applied in new construction projects and growth will be exponential. This will bring rapid growth to the market demand for energy saving glass products. By leveraging its industry-leading production capability and reserve, the Group will achieve further progress in the research and development of technologies and the optimisation of the industry with respect to energy saving glass. Therefore, the revision in the macro-economic control measures and the related implementation policies by the State will not adversely affect the industry, but prove beneficial to the development of the Group.

3. Demand from glass market

According to the historical figures and the forecasts for the coming years, 80% of the sheet glass will be sold in the PRC and the remaining 20% will be exported or exported by way of processing. The real estate industry is a key industry that has demand for glass, representing 60% of the entire demand for glass.

(1) Real estate market

According to the information published by authorities, such as National Bureau of Statistics, the Group forecasts that the area of new construction projects that began construction in 2011 will at least increase by 10% against that of 2010. This has already taken into account housing properties that began construction in 2010 and the plan of the State to build social security housing. Correspondingly, the demand for glass by the real estate industry in 2011 is expected to increase by over 10%.

(2) Exports market

In the exports market, Europe still remains sluggish whilst Africa and South America are demonstrating growth. Among South American countries, Brazil will be particularly outstanding, as its economy will be driven by the upcoming World Cup and Olympics. According to industry planning and the analysis on exports to international markets, exports of glass are still expected to grow by 10% in 2011.

(3) Other market

Automobile glass market: According to the statistics of State authorities automobiles sales reached 18.65 million units in 2010, an increase of 31.90%. However, with the control measures imposed by the State to curb the excessive growth in automobiles future sales growth of automobiles is expected to fall to 10%. The total demand for automobile glass will be affected, to a certain extent. However, the demand for high-end automobile glass, in particular whole-sheet high-end automobile glass, will still increase. At present, this product is still imported from other countries.

Market of glass for solar power: According the forecast of iSuppli, the installation of photovoltaic (PV) solar power units will increase by 39.3% in 2011. This will lead to rapid growth in the solar power industry, which will also drive the demand for solar power glass up by about 40%. At the same time, due to the issue of pollution in the production and processing of silicon materials, with ongoing breakthroughs in thin film solar power technology, the thin film solar power industry will also demonstrate exponential growth. This lays a market foundation for the sales of the Group's online TCO coated glass (thin film solar power battery racks) and thin film battery racks.

To sum up from the above, the Group conservatively forecasts that the demand for glass in 2011 will increase by 10% compared from that in 2010.

4. Supply to glass market

According to the statistics forecast compiled by State authorities, the Group expects there to be approximately 15-18 new float glass production lines in the PRC in 2011, and production capabilities will increase by about 8%. Taking into account that the production lines for solar power ultra-clear glass will also increase, production capability of sheet glass is expected to increase by more than 49 million weight cases for both types, representing an increase of approximately 7-8% from production capability in 2010. Output and sales in the glass market will still reach an equilibrium as a whole.

5. Supply of raw materials and fuels

Raw materials and fuel for the glass industry are primarily soda ash, silicon sand, heavy oil, coal, natural gas and petroleum powder, which are mostly products from natural resources. Since the fourth quarter of 2010, their prices stayed high. In 2011, subject to international and domestic supply and demand, limitations in exploration of resources, surges in transportation and labour costs and output restrictions imposed on the industry to secure prices, the prices of such materials are expected to further increase from those in 2010.

Thus, the Group expects the glass market to generally reach an equilibrium in 2011. However the focus of competition will be changed and characterised by the following:

1. Competition among producers using traditional techniques to produce ordinary glass products will become intense and profit margins will fall substantially

2. The proportion of energy products with high technology content (mainly featuring Low-E) and new energy products (mainly featuring ultra-clear glass and TCO glass) in the market as a whole will increase. The producers of such products will enjoy a higher rate of return and output-to-sales ratio with mild competition.

3. Enterprises that warrant the quality of products and reduce prices through improvement of techniques from new technologies, substitute energy or scale of economy will enjoy advantages in competition over their peers.

2011 will be a year full of opportunities and challenges. The Group will focus its efforts in the following areas:

I. To further the operation strategy of "product differentiation" consistently, to adjust the product mix and to increase the weighting of high added value products such as energy saving and new energy glass in the total output.

The Group has operated under the "product differentiation" strategy for a number of years. The competitive edge of the Group is derived from its advanced technology. In 2011, the Group will continue to spread the operation strategy of "product differentiation" consistently so as to fully realise its competitive edge in technology for energy saving construction materials and new energy products. The Group aims to:

1. Convert existing production capabilities to the production of high end products and increase the proportion of energy saving products:

The output of energy saving products, such as sunlight controlled coated glass, easy cleaning coated glass, and Low-E glass will increase through technology transfer and reproduction, increasing the proportion of energy saving products by over 50% in 2011 as compared with that of 2010.

2. Further construction of production capability for new energy products so as to speed up the achievement of desired product mix:

By utilizing the new production lines in Nanjing, China Glass Blue Star (Linyi) Glass Company Limited ("Linyi Blue Star") and Wehai Solar to increase the production of solar power ultra-clear photovoltaic glass, online TCO glass, amorphous silicon solar power batteries and BIPV units. Competitiveness in the market will be promptly built up and the Group seeks to increase the output of new energy products by over 100% in 2011.

II. To speed up efforts integrating research and development results, to enhance technology innovation and to provide technology support to the "Three Years' Plan".

1. To continually enhance the existing technologies of the Group. By capitalising on the in-depth research by the Group in "online Low-E coated glass and titanium series sunlight easy clean coated glass", emphasis will be placed on enhancing the continuous, steady, and high-quality production capabilities of online Low-E coated glass and online titanium series sunlight coated glass. This will lay the foundation for the reproduction of high end products by the Group's production lines.

2. To prepare research and development of new products in the pipeline. The Company will leverage on its technology resources and continue to develop energy saving products and new energy products so as to build up the technology bank for the development of the Company. The competitiveness of its products in the market will increase through capturing the technical advantages of the products.

3. To continue in the research and development of technologies in energy saving, environmental protection and low carbon. The research will also combine with innovative views at efficiency in structural combustion and wider use of substitute energy. Full oxygen combustion and heat transfer methods inside the furnace will be studied in depth. New melting technologies will be explored to complement the materials and measures for energy saving, and reducing emissions during the course of producing glass will be reviewed. This will ensure that the Company occupies a leading position in the related fields.

III. To apply substitute fuels extensively for reducing production costs

Since energy prices are expected to continue to rise, the Group will persistently implement the "Two High One Low" strategy of substituting low-cost energy. Apart from continuing to enhance the utilisation rate of its proprietary solid fuel spraying and blowing technology, the Group will also increase the proportion of low-cost fuel in its production lines. The Group will strive to preliminarily complete its initiative to substitute energy by the end of 2011, and realise the target in Phase 1 of the "One Low" strategy. This will reduce the costs of the Company substantially and expand its edge in costs above its peers. Subsequently, the Group will continue to reduce its costs through optimising the composition of the furnace and enhancing the melting technology.

IV. To consolidate the internal management of the Group and to fully realise the competitive advantage of the Group:

1. To integrate the marketing of energy saving and new energy products produced by different subsidiaries of the Group. The market for high end products will be integrated so that there will be one brand in consistent quality through one single channel at one price and having single source to provide after-sales services.

2. To continue perfecting the optimisation of the Group's management mechanisms. By consolidating the actual situations faced by the Company, the governance structure at different levels of the Group will be standardised so as to form a flexible and effective control and management mechanism.

3. To continue in rationalising the asset structure of the Group, it will selectively increase its holding in core assets, emphasising strategic resources that are meaningful to support the development of the Group. The Group will quickly intervene as appropriate to improve its profitability and ability to mitigate risk and lay the foundation for achieving the strategic objectives regarding its capital structure.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 52% from RMB2.08 billion for the year ended 31 December 2009 to RMB3.15 billion for the year ended 31 December 2010. There were two reasons attributable to the increase in turnover. On the one hand, sales volume increased by 31% due to the increase in the Group's production capacity. On the other hand, the whole year average selling price increased by 15% due to the favourable glass market environment and higher selling price of energy saving and new energy product which is continuously developed by the Group.

Cost of sales

The Group's cost of sales increased by approximately 42% from RMB1.61 billion for the year ended 31 December 2009 to RMB2.29 billion for the year ended 31 December 2010. This was mainly attributable to the increase in sales volume by approximately 31% and the increase in unit cost by 8% due to the increase in purchase prices of major raw materials such as soda ash and fuels.

Gross profit

The Group's gross profit increased by approximately 85% from RMB465 million for the year ended 31 December 2009 to RMB861 million for the year ended 31 December 2010. This was mainly attributable to the increase in sales volume and the growth in gross profit margin. Gross profit margin increased from 22% in 2009 to 27% in 2010 mainly due to the combined effect of increase in average selling price and increase in the unit cost as mentioned above.

Distribution costs

The Group's distribution costs increased by approximately 25% from RMB62.18 million for the year ended 31 December 2009 to RMB77.49 million for the year ended 31 December 2010. This was mainly attributable to the increase in the cost of export charges, as a result of increase in the Group's export sales.

Administrative expenses

The Group's administrative expenses increased by approximately 15% from RMB179.73 million for the year ended 31 December 2009 to RMB205.99 million for the year ended 31 December 2010. This was mainly due to the increase in staff related cost as a result of expansion in the production capacity.

Net gain from disposal of equity interests in an associate

The group's net gain from disposal of equity interest in an associate of RMB78.03 million in the year ended 31 December 2010 represented the net gain from disposal of the Group's 50% equity interests in Taiang Pilkington China Gloss Special Glass Limited.

Finance (costs)/income

The Group's finance (costs)/income changed from RMB34.34 million of income for the year ended 31 December 2009 to RMB94.28 million of costs for the year ended 31 December 2010. This was mainly attributable to the RMB131 million of net gain from redemption of unsecured notes in 2009.

Income tax

The Group's income tax changed from RMB38.77 million for the year ended 31 December 2009 to RMB100.64 million for the year ended 31 December 2010. This was mainly due to the increase in taxable profits of certain PRC subsidiaries of the Group.

Non-current assets

The Group's non-current assets increased by approximately 19% from RMB2.76 billion as at 31 December 2009 to RMB3.27 billion as at 31 December 2010, which was mainly attributable to the completion of 2nd production line in Dongtai China Glass Special Glass Company Limited ("Dongtai Zhongbo") and the construction of production line at Linyi Blue Star.

Current assets

The Group's current assets increased by approximately 59% from RMB1.08 billion as at 31 December 2009 to RMB1.71 billion as at 31 December 2010. The increase was mainly attributable to the increase in the proceeds from the Group's sales and issuance of new shares.

Current liabilities

The Group's current liabilities increased by approximately 20% from RMB1.58 billion as at 31 December 2009 to RMB1.90 billion as at 31 December 2010. The increase was mainly attributable to the increase in trade and other payables as a result of the increase in production volume and the increase in construction payable due to the expansion of production capacity.

Non-current liabilities

The Group's non-current liabilities increased by approximately 12% from RMB1.02 billion as at 31 December 2009 to RMB1.14 billion as at 31 December 2010. This was mainly attributable to the issuance of unsecured notes during 2010.

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

As at 31 December 2010, the Group's cash and cash equivalents were RMB827.93 million (2009: RMB291.04 million). Outstanding bank and other loans were RMB760.09 million (2009: RMB753.55 million) and outstanding unsecured notes of RMB541.76 million (2009: RMB405.47 million). As at 31 December 2010, the gearing ratio (total interest-bearing debts divided by total assets) was 28% (2009: 32%). As at 31 December 2010, the Group's current ratio (current assets divided by current liabilities) was 0.90 (2009: 0.68). The Group recorded net current liabilities amounting to RMB189.39 million as at 31 December 2010 (2009: RMB499.41 million). Assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.61 (2009: 0.68).

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

Material acquisitions or disposals

On 10 January 2008, the Group has entered into a share transfer agreement to dispose of its 45% equity interests in Beijing Zhonghai Xingye Safety Glass Company Limited. The disposal was completed on 11 June 2010. Further details about the transaction were set out in Note 18 to the financial statements.

On 31 December 2009, the Group entered into an equity transfer agreement and a share transfer agreement with Pilkington International Holdings BV ("Pilkington International") and Pilkington Italy Limited ("Pilkington") in relation to the disposal of the Group's 50% equity interests in Taicang Pilkington China Glass Special Glass Company Limited ("Taicang Special Glass") to Pilkington International. At the same time, the 14.68% equity interests held by Pilkington in JV Investments were to transfer to the Group. These transactions were completed on 15 April 2010 and 10 May 2010 respectively. Further details about the transactions were set out in Note 30 to the financial statements.

On 30 June 2010, the Group entered into an equity transfer agreement for the acquisition of 39.6% equity interests in Linyi Blue Star at a consideration of fulfilling the outstanding capital contribution requirement of RMB40.0 million into Linyi Blue Star. On the same date, the Group and Linyi Blue Star entered into a capital increase agreement, pursuant to which the Group agreed to subscribe for additional 31.76% of equity interests in Linyi Blue Star at an amount of RMB47.0 million. The transactions were completed on 8 September 2010. Further details about the transaction were set out in Note 32 to the financial statements.

On 19 October 2010, the Group entered into agreement with Pilkington and Mei Long Developments Limited ("Mei Long") respectively for the acquisition of their non-controlling interests in JV Investments, in consideration of issuance of a total of 123,069,529 consideration shares and the cash consideration of RMB42.9 million. Upon the completion of the above acquisitions on 8 December 2010, JV Investments became a wholly owned subsidiary of the Group. Further details of such transactions were set out in Note 32 to the financial statements.

On 17 December 2010, the Group acquired 17.46% of equity interests in Weihai Blue Star at a consideration of RMB122 million. Further details of the transaction were set out in Note 32 to the financial statements.

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 year ended 31 December 2010.

Issuance of New Shares

During the first half of 2009, the Board resolved to place, on a conditional basis, a total of 46,330,000 new shares to members of its senior management at a price of HK$0.53 per ordinary share. Upon completion of the placing on 26 January 2010, the number of shares issued by the Company increased from 416,000,000 to 462,330,000, and the Company received HK$22.80 million (equivalent to RMB20.10 million) as proceeds (after deducting the issuance costs).

On 3 December 2010, the Group allotted 9,500,000 shares and 83,000,000 shares to First Fortune Enterprises Limited ("First Fortune") and other public shareholders respectively at a placing price of HK$4.5 per share and allotted 123,069,529 shares to then non-controlling equity holders of JV Investments as consideration for the Group's acquisitions of 42.10% equity interests in JV Investments. Upon completion of the placing on 8 December 2010, the number of shares issued by the Company increased from 462,330,000 to 677,899,529, and the Company received HK$403.75 million (equivalent to RMB347.60 million) as proceeds (after deducting the issuance costs).

Human resources and employees' remuneration

As at 31 December 2010, the Group had employed a total of approximately 6,933 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 has maintained at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. Details of staff costs and pension schemes were set out in Note 6(b) to the financial statements.

Charge on assets

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

Capital commitments

Details of the Group's capital commitments as at 31 December 2010 were set out in Note 34 to the financial statements.

Contingent liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities.

Exchange rate risk and related hedging

The Group's sales transactions and monetary assets were primarily denominated in RMB, USD and Euro Dollars ("EUR"). Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB will closely associate with the development of the PRC economy. Our assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. Details of the Group's exchange rate risk were set out in Note 35(d) to the financial statements.

During the year ended 31 December 2010, the Group had not adopted any derivatives for hedging purposes.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 December 2010 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	12%
– five largest suppliers combined	31%
Sales	
– the largest customer	8%
– five largest customers combined	15%

During the year ended 31 December 2010, no director of the Company ("Director(s)") or any associates of a Director or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) of the Company has any interest in any of the Group's five largest customers and suppliers.

The Board of Directors have pleasure in submitting their annual report together with the audited financial statements of the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and of the Group's affairs as at that date are set out in the financial statements on pages 46 to 138.

The Board recommends a final dividend of HK$0.03 per ordinary share for the year ended 31 December 2010 (31 December 2009: Nil). Further details are set out in Note 31(b) to the financial statements.

RESERVES

Details of distributable reserves of the Company are set out in Note 31(e) to the financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in Note 31(a) to the financial statements.

DONATIONS

There was no donation made by the Group during the year ended 31 December 2010 (2009: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 31(c) to the financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

Mr. Zhou Cheng *(Chairman) (re-designated on 19 October 2010)*
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

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

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

CONTINUING CONNECTED TRANSACTIONS

Raw Materials Supply Agreement

Weihai Blue Star, a subsidiary of the Company, has entered into a raw materials supply agreement ("Raw Materials Supply Agreement") with Qingdao Soda Ash Industrial Co., Ltd. ("Qingdao Soda Ash") on 31 December 2009. Pursuant to the Raw Materials Supply Agreement, Weihai Blue Star and its subsidiaries had agreed to purchase the soda ash manufactured by Qingdao Soda Ash from Qingdao Soda Ash for a term of three years commencing from 1 January 2010. At the time of the transaction, Qingdao Soda Ash was a connected person of the Company by virtue of it being a 17.46% equity holder of Weihai Blue Star. The value of the transaction for the year ended 2010 was RMB84.75 million. On 30 December 2010, Starfair Group Limited ("Starfair"), an indirect wholly-owned subsidiary of the Company, acquired 17.46% equity interest in Weihai Blue Star from Qingdao Soda Ash. Upon completion of this transaction, Qingdao Soda Ash ceased to be a connected person of the Company.

Purchase of Raw Materials and Labour Services Agreement

On 8 May 2008, Weihai Blue Star entered into the master agreement (the "Master Agreement") with Shandong Bluestar Glass (Group) Company Limited ("Shandong Bluestar") pursuant to which Weihai Blue Star and its subsidiaries agreed to purchase raw materials and receive labour services from Shandong Bluestar for a term of three years commencing 1 January 2008. At the time of the transaction, Shandong Bluestar was a non-wholly owned subsidiary of Legend Holdings Limited, which held 80% of its equity interest, Legend Holdings Limited indirectly held 40% shareholding in Hony International Limited ("Hony International") and Hony International was a substantial shareholder of the Company. Therefore, at the time of the transaction, Shandong Bluestar was an associate of a substantial shareholder of the Company and a connected person of the Company. The value of raw material purchase and labour service for the year ended 2010 was RMB17.8 million and RMB Nil, respectively.

Upon the expiry of the Master Agreement on 31 December 2010, Weihai Blue Star and Shandong Bluestar entered into a new master agreement on 17 December 2010 for a term of three years commencing from 1 January 2011, pursuant to which Shandong Bluestar agreed to provide the packaging materials, gas supply, labour and rental services to the Group on a continuing basis.

Master Sales Agreement

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

At the time of the transaction, Pilkington was a substantial shareholder of the Company, which held 51% interest in Inversiones Float Chile Limitada which in turn held 51% interest in Vidrios. At the time of the transaction, Vidrios in turn held 100% of the interest in Vidrios Lirquen Peru SAC and members of the Vidrios Group are therefore connected persons of the Company. No sales transaction was carried out between the Company and its subsidiaries and the members of the Vidrios Group for the year ended 31 December 2010.

The above continuing connected transactions ceased on 31 December 2010.

Master Supply Agreement

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

At the time of the transaction, Weihai Solar was a non wholly-owned subsidiary of the Company which was owned as to 67% by a subsidiary of the Company. At the time of the transaction, China Singyes Solar Technologies Holdings Limited ("China Singyes"), which held directly or indirectly, an aggregate of 33% equity interest in Weihai Solar, was a substantial shareholder of Weihai Solar. At the time of the transaction, Zhuhai Singyes was owned as to 75% by China Singyes and was a non wholly-owned subsidiary of China Singyes. Accordingly, Zhuhai Singyes was a connected person of the Company. The value of the transaction for the year ended 2010 was RMB16.8 million.

Lease Agreement

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

At the time of the transaction, Shandong Blue Star was an associate of the substantial shareholder of the Company and a connected person of the Company. The value of the transaction for the year ended 2010 was RMB1.7 million.

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

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

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

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

The Company has complied with the announcement requirements in accordance with Chapter 14A of the Listing Rules for all of the above continuing connected transactions.

Further, the Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

CONNECTED TRANSACTIONS

Issuance of New Shares

On 26 January 2010, the Company placed 46,330,000 ordinary shares of the Company of par value HK$0.10 each (the "Share") to the members of its senior management staff at a price of HK$0.53 per Share. On 8 December 2010, the Company issued a total of 123,069,529 Shares to Mei Long and Pilkington, 9,500,000 Shares to First Fortune, and 83,000,000 Shares to independent third parties by way of placing, details of which are set out in the section headed "Management Discussion and Analysis – Issuance of New Shares".

Disposal of 50% Equity Interest in Taicang Special Glass

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

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

The above transaction constituted both a discloseable and connected transaction of the Company which is subject to the approval of its independent shareholders at the special general meeting. The resolution of the transaction was passed by the shareholders at the special general meeting held on 8 February 2010. The transfer of equity interest in Taicang Special Glass has been completed on 15 April 2010 and the share transfer of JV Investments has been completed on 10 May 2010.

Share Transfer of 45% equity interests in Zhonghai Xingye

On 10 January 2008, 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.

At the time of the transaction, Weihai Blue Star, the transferor, and Mr. Xu, the transferee, held 75% and 25% of registered capital of Zhonghai Xingye, respectively and as the transferee was a substantial shareholder of Zhonghai Xingye, he was a connected person of the Company.

The above transaction constituted connected transaction of the Company which is exempt from independent shareholders approval requirement. The disposal has been completed on 11 June 2010.

Acquisition of Non-controlling Interests in JV Investments and Placement of New Shares to First Fortune

On 19 October 2010, the Company has entered into an agreement with Mei Long (the "Mei Long Agreement") and with Pilkington (the "Pilkington Agreement") respectively, to acquire the non-controlling interests in JV Investments representing a total of approximately 42.10% of its share capital, in consideration of issuance of a total of 123,069,529 consideration Shares to Pilkington and Mei Long, and payment of cash consideration to Pilkington. The Company has also entered into an agreement with First Fortune (the "Subscription Agreement") pursuant to which First Fortune agreed to subscribe for 9,500,000 Shares at a price of HK$4.50 per share.

JV Investments was a non-wholly owned subsidiary of the Company at the time of the transaction. Each of Pilkington and Mei Long, which held approximately 25.46% and 16.64% of the total issued capital of JV Investments respectively at the time of the transaction, is a substantial shareholder of a subsidiary of the Group. First Fortune is a controlling shareholder of the Company which held approximately 31.25% interest in the Company at the time of the transaction. Pilkington is also a substantial shareholder of the Company holding approximately 26.90% interest in the Company at the time of the transaction. As such, each of Pilkington, Mei Long and First Fortune is a connected person of the Company.

The transaction under the Pilkington Agreement and the Mei Long Agreement constituted both a major and connected transaction of the Company. The transaction under the Subscription Agreement constituted both a discloseable and connected transaction of the Company. Both transactions are subject to the approval of its independent shareholders at the special general meeting. The resolution of the transactions was passed by the shareholders at the special general meeting held on 3 December 2010 and the transactions have been completed on 8 December 2010.

Share Transfer of 17.46% Equity Interest in Weihai Blue Star

On 17 December 2010, Starfair, an indirect wholly-owned subsidiary of the Company and Qingdao Soda Ash entered into a share transfer agreement, pursuant to which Starfair had agreed to purchase 17.46% equity interest in Weihai Blue Star from Qingdao Soda Ash at a consideration of RMB121,703,600.

At the time of the transfer, Qingdao Soda Ash was a substantial shareholder of Weihai Blue Star, an indirect non wholly-owned subsidiary of the Company, hence Qingdao Soda was a connected person of the Company. The above transaction constituted connected transaction of the Company which is exempt from independent shareholders approval requirement.

Other than disclosed above, the Group was not involved in any connected transactions for the year ended 31 December 2010.

The related party transactions are set out in Note 33 to the financial statements. Apart from the connected transactions disclosed above, all the other related party transactions did not fall within the scope of Chapter 14A of the Listing Rules which are required to comply with the reporting, announcement or independent Shareholders' approval requirements.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2010, none of the Directors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to which the Company, any of its holding company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

CONTRACT OF SIGNIFICANCE

Other than the agreements disclosed in the sections headed "Continuing Connected Transactions" and "Connected Transactions" in the Report of the Directors of this annual report, no contracts of significance of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2010.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31 December 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)	3.93%
Mr. Liu Jinduo	The Company	Interest of a controlled corporation [3]	206,338,370 Shares (L)	30.44%
Mr. Zhang Zhaoheng	The Company	Beneficial owner	13,300,000 Shares (L)	1.97%
Mr. Cui Xiangdong	The Company	Beneficial owner	6,000,000 Shares (L)	0.89%

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 as to 153,963,000 Shares and Mei Long as to 52,375,370 Shares, both are subsidiaries 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 31 December 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 31 December 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 [13]	Beneficial owner	153,963,000 Shares (L)	22.71%
Hony International	Interest of a controlled corporation [2]	153,963,000 Shares (L)	22.71%
EML	Interest of a controlled corporation [3]	206,338,370 Shares (L)	30.44%
Right Lane Limited	Interest of a controlled corporation [3]	206,338,370 Shares (L)	30.44%
Mr. Cao Zhijiang	Interest of a controlled corporation [4]	206,338,370 Shares (L)	30.44%
Mr. Zhang Zuxiang	Interest of a controlled corporation [4]	206,338,370 Shares (L)	30.44%
Legend Holdings Limited [5] [15] [16] [17]	Interest of a controlled corporation [6]	206,338,370 Shares (L)	30.44%
Employees' Shareholding Society of Legend Holdings Limited	Interest of a controlled corporation [7]	206,338,370 Shares (L)	30.44%
Swift Glory [13] [14]	Beneficial owner	26,617,000 Shares (L)	3.93%
Pilkington	Beneficial owner	195,078,159 Shares (L)	28.78%

Name	Capacity	Number and class of securities [1]	Approximate percentage of shareholding
Pilkington Brothers Limited	Interest of a controlled corporation [8]	195,078,159 Shares (L)	28.78%
Pilkington Group Limited	Interest of a controlled corporation [9]	195,078,159 Shares (L)	28.78%
NSG UK Enterprises, Limited	Interest of a controlled corporation [10]	195,078,159 Shares (L)	28.78%
NSG Holding (Europe) Limited	Interest of a controlled corporation [11]	195,078,159 Shares (L)	28.78%
Nippon Sheet Glass Co., Ltd. [18]	Interest of a controlled corporation [12]	195,078,159 Shares (L)	28.78%
International Finance Corporation	Beneficial owner	33,698,000 Shares (L)	4.97%
Mei Long [19]	Beneficial owner	52,375,370 Shares (L)	7.73%
Deutsche Bank Aktiengesellschaft	Beneficial owner	53,482,000 Shares (L) 18,982,000 Shares (L)	7.88% 2.8%

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.

(19) Mei Long is owned as to 60% by EML and 40% by Right Lane Limited.

Save as disclosed above, as at 31 December 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.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its Shares. The following is a summary of the principal terms of the rules of the share option scheme:

(a) Who may join

The Board of Directors may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, "Qualified Participants").

(b) The purpose of the share option scheme

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

(c) Subscription Price

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

(d) Grant of Option

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

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

(e) Maximum number of Shares

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

(f) Timing for exercise of options

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

(g) Life of the share option scheme

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

On 29 February 2008, the Directors of the Company granted share options under the share option scheme. No options was granted under the share option scheme during the year ended 31 December 2010.

The closing price of the Shares at the date of grant was HK$3.50. Movement of share options granted under the option scheme during the year ended 31 December 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 31/12/2010	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	0.11%
	29/2/2008	3.5	28/2/2010	29/5/2015	562,500	–	562,500	0.08%
	29/2/2008	3.5	28/2/2011	29/5/2015	562,500	–	562,500	0.08%
Zhang Zhaoheng	29/2/2008	3.5	28/2/2009	29/5/2015	750,000	–	750,000	0.11%
	29/2/2008	3.5	28/2/2010	29/5/2015	562,500	–	562,500	0.08%
	29/2/2008	3.5	28/2/2011	29/5/2015	562,500	–	562,500	0.08%
Li Ping	29/2/2008	3.5	28/2/2009	29/5/2015	320,000	–	320,000	0.05%
	29/2/2008	3.5	28/2/2010	29/5/2015	240,000	–	240,000	0.04%
	29/2/2008	3.5	28/2/2011	29/5/2015	240,000	–	240,000	0.04%
Cui Xiangdong	29/2/2008	3.5	28/2/2009	29/5/2015	320,000	–	320,000	0.05%
	29/2/2008	3.5	28/2/2010	29/5/2015	240,000	–	240,000	0.04%
	29/2/2008	3.5	28/2/2011	29/5/2015	240,000	–	240,000	0.04%
Employees	29/2/2008	3.5	28/2/2009	29/5/2015	5,580,000	–	5,580,000	0.82%
	29/2/2008	3.5	28/2/2010	29/5/2015	4,185,000	–	4,185,000	0.62%
	29/2/2008	3.5	28/2/2011	29/5/2015	4,185,000	–	4,185,000	0.62%
Total					19,300,000	–	19,300,000	

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

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive directors

Mr. Zhang Zhaoheng（張昭珩）, aged 52, is an executive Director and the chief executive officer of the Company. He joined the Group in March 2007. Mr Zhang is a senior economist with a postgraduate qualification, he is the Vice President of China Marketing Association and Vice Chairman of China Building Glass and Industrial Glass Association. Mr Zhang joined Blue Star Glass Company in October 1976 and has previously served as chairman and general manager of Weihai Blue Star, chairman of companies like Blue Star New Technology Company and Zhongbo Technology. He has 33 years of extensive experience in building material industry and corporate management.

Mr. Li Ping（李平）, aged 50, is an executive Director and senior vice president of the Company and chairman of the board of Jiangsu SHD New Materials Company Limited (江蘇蘇華達新材料股份有限公司), an indirect wholly-owned subsidiary of the Company. He graduated in 1982 from Zhejiang University, majoring in materials, with a bachelor degree in engineering and a master's degree in business administration. He is a senior engineer at postgraduate level. Mr Li joined the Group in February 1982 and has formerly worked as deputy head of Jiangsu Glass Factory, deputy general manager and general manager of Jiangsu Glass Group Company Limited. He has 28 years of experience in the building materials industry and enterprise management.

Mr. Cui Xiangdong（崔向東）, aged 51, is an executive Director and senior vice president of the Company. He joined the Group in March 2007. Mr Cui is an accountant and a senior economist with a university qualification. Mr Cui joined Blue Star Glass in October 1977 and has previously served as general manager of Shandong Blue Star Glass Group, director of companies like Blue Star Co., Blue Star New Technology Company and Zhongbo Technology. He has 32 years of extensive experience in building material industry, corporate management and marketing.

Non-Executive Directors

Mr. Zhou Cheng（周誠）, aged 54, is the Chairman of the Company. Mr. Zhou has been an executive director and Chief Executive Officer of the Company since the listing of the Company in 2005 and has been the Chairman of the Company since September 2007. He is a senior engineer and graduated from Nanjing University of Technology in 1980, majoring in inorganic chemistry. Mr. Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and chairman and general manager of Jiangsu Glass Group Company Limited. Mr. Zhou is now the vice president of Legend Holdings Limited.

Mr. Zhao John Huan（趙令歡）, aged 48, is a non-executive Director of the Company. He joined the Group in January 2005. Mr Zhao graduated from Nanjing University with a bachelor degree and from Northwestern University in the US with a masters degree. Mr Zhao has extensive experience in senior management positions at several US and PRC companies. Mr Zhao is currently a director and a senior vice president of Legend Holdings Limited, a president of Hony Capital Ltd, and a director of Simcere Pharmaceutical Group, an executive director of China Pharmaceutical Group Limited, a non-executive director of Wumart Stores, Inc., an independent non-executive director of Gemdale (Group) Co., Ltd. and a director of Biosensors International Group.

Mr. Liu Jinduo（劉金鐸）, aged 72, is a non-executive Director of the Company. He joined the Group in January 2005. Mr Liu has extensive experience in enterprise management. Before retiring in 2001 he served as vice president of Legend Holdings Limited. He is currently also a director of EML.

Mr. Eddie Chai（柴楠）, aged 52, is a non-executive Director of the Company. He joined the Group in July 2006. Mr. Chai is the group country manager of Pilkington (Asia) Limited which is a subsidiary of Pilkington, one of the world's leading float glass companies and the founder of float glass technology. From 2003 to 2006, Mr. Chai was the founder and director of China Investment Solution. From 1996 to 2003, he was the managing director of Northern China and senior vice president in strategy and business development of Lafarge China in China and Paris respectively. Form 1993 to 1995, he was the managing consultant of McKinsey & Co.

Mr. Chen Shuai（陳帥）, aged 37, was appointed as a non-executive Director of the Company. He joined the Group on 2 January 2009. Mr. Chen graduated from the Beijing Forestry University with a bachelor degree and he received a MBA degree from China Europe International Business School. Mr. Chen is currently a director of the investment department of Hony Capital Ltd. and a non-executive director of China Golden Development Holdings Ltd., he has extensive experience in financial, banking, merger and acquisition investment in China. Mr. Chen also has over 6 years of experience in the field of finance and capital investment in the PRC.

Independent Non-Executive Directors

Mr. Song Jun（宋軍）, aged 50, is an independent non-executive Director. He joined the Group in January 2005. Mr. Song graduated from Tsinghua University in 1990 with a PhD in engineering. Mr. Song has served as directors or chairmen of more than ten affiliated companies of Tsinghua Holdings Co., Ltd. and has extensive experience in management and operations. Mr. Song was formerly the Chairman of Tsinghua Holdings Co., Ltd. and is now the Secretary-General of Tsinghua University Education Foundation.

Mr. Sik Siu Kwan（薛兆坤）, aged 43, is an independent non-executive Director of the Company. He joined the Group in May 2006. Mr. Sik has more than 20 years of experience in investment banking and finance. He has held senior positions with a number of major international investment banks, responsible for investment bank business development and regional business operations. He graduated from Oxford University with first class honours in his Bachelor's degree in engineering and master degree. He is also a member of The Institute of Chartered Accountants in England and Wales.

Mr. Zhang Baiheng（張佰恒）, aged 50, is an independent non-executive Director. He joined the Group in January 2005. He was an officer of the China Air Force. Mr. Zhang has extensive experience in the building material industry, and he currently served as the general secretary of the China Architectural and Industrial Glass Association.

Senior Management

Mr. Lu Guo（呂國）, aged 48, is a vice president of the Company, Mr. Lu is a senior engineer. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material, majoring in glass. Mr Lu joined the Group in August 1984 and has worked as head of a branch factory of Jiangsu Glass Factory, an assistant to the general manager and a deputy general manager of Jiangsu Glass Group. He has over 20 years of experience in the PRC glass industry.

Mr. Ge Yankai（葛言凱）, aged 50, is a vice president of the Company and a director of Weihai Blue Star, a director and general manager of Blue Star New Technology Company. He joined the Group in March 2007. Mr Ge is a senior engineer. He graduated with an engineering bachelor degree from Shandong University of Technology, majoring in electrical automation, in 1982. Mr Ge joined Blue Star Glass in 1982 and has previously served as deputy general manager Shandong Blue Star Glass Group, director and deputy general manager of Blue Star Co., director and general manager of Blue Star New Technology Company. He has 30 years of extensive experience in the glass industry in the PRC.

Mr. Yang Hongfu（楊洪富）, aged 49, is a vice president of the Company and a director of Dongtai Zhongbo. He joined the Group in January 2005. Mr Yang is a senior economist and a university graduate. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, vice chairman of Jiangsu SHD New Materials Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision Jiangsu Nantong Yaorong Glass Co., Ltd.

Mr. Cheng Xin（程昕）, aged 38, is a vice president and director of Weihai Blue Star. He joined the Group in March 2007. Mr. Cheng is a registered security analyst, an economist and a master of business administration, he graduated from China Europe International Business School. Mr. Cheng has previously worked as manager of Investment Advisory Department of Haitong Securities Co., Ltd., deputy general manager of Junxin Venture Capital Investment Company. He has 17 years of extensive experience in the investment scope.

Mr. Wang Jianxun（汪建勛）, aged 53, is a chief technology officer of the Company and director of Hangzhou Blue Star. He joined the Group in March 2007. Mr Wang graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor degree in engineering. He is a professor grade senior engineer. Mr Wang has previously worked as engineer, deputy chief engineer, senior engineer, professor grade senior engineer in Qinhuangdao Glass Design Research Institute; professor grade senior engineer in Zhejiang University; director and general manager of Hangzhou Blue Star New Materials Company. Mr Wang has over 30 years of extensive experience in the research and development and application on the glass engineering project design. He was also awarded several National S&T Advance Awards.

Company Secretary

Mr. Ng Kit Man（伍潔文）, aged 38, was appointed as the company secretary of the Company. He joined the Group on 13 March 2009. Mr. Ng received his honors degree of Bachelor of Accountancy from the Hong Kong Polytechnic University in 1995. After graduation, he gained his accounting experiences in several private and listed companies in Hong Kong. He is now a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ng has been resigned as the company secretary of the Company on 28 February 2011.

Ms. Li Hiu Ling（李曉玲）, aged 27, has been appointed as the company secretary of the Company on 28 February 2011. Ms. Li is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and holds a bachelor degree in social sciences (honours) from the Hong Kong Baptist University and a master degree in science from the City University of Hong Kong. Ms. Li joined the Group in April 2008 and participated in managing company secretarial and investor relations matters. Ms. Li is familiar with the Company's secretarial practice, and has good understanding of the Company's operation and extensive experience in handling the relevant affairs.

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

During the year ended 31 December 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 Directors, as at the date of this report, the Company has maintained the prescribed public float of not less than 25% under the Listing Rules.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

Save as disclosed in "Material acqusitions or disposals" in the Management Discussion and Analysis of this annual report, the Group had not made any material acquisitions or disposals during the year ended 31 December 2010.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group are set out in Note 36 to the financial statements.

UNSECURED NOTES

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

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non- executive Directors. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2010.

INVESTOR RELATIONS AND COMMUNICATIONS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CCGP"), as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct rules (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code during the financial year ended 31 December 2010.

AUDITORS

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

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 10 March 2011

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

In the opinion of the Board, the Company has complied with the CCGP throughout the year ended 31 December 2010.

THE BOARD OF DIRECTORS

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

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

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

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

Proposed board meeting dates for the forthcoming financial year are circulated to the Board of Directors in the preceding year. During the year ended 31 December 2010, the Board held nine board meetings. The attendance of the Directors at these nine board meetings are as follows:

Directors' attendance at board meetings	**Directors' number of attendance**
Mr. Zhou Cheng	8/9
Mr. Zhang Zhaoheng	9/9
Mr. Li Ping	8/9
Mr. Cui Xiangdong	9/9
Mr. Zhao John Huan	5/9
Mr. Liu Jinduo	7/9
Mr. Eddie Chai	6/9
Mr. Chen Shuai	8/9
Mr. Song Jun	5/9
Mr. Zhang Baiheng	6/9
Mr. Sik Siu Kwan	7/9

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

Chairman and Chief Executive Officer ("CEO")

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

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

Board Composition

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

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 31 to 33 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

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

Nomination of Directors

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

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

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

Appointments, Re-election and Removal

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

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

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

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

Responsibilities of Directors

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

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

Directors' Securities Transactions

The Company has adopted the Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code during the financial year ended 31 December 2010.

Supply of and Access to Information

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

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

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

BOARD COMMITTEE

The board committees of the Company are the audit committee and remuneration committee.

Audit Committee

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

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

During the year ended 31 December 2010, two audit committee meetings have been held.

Directors' attendance at audit committee meeting

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

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

During the year ended 31 December 2010, the audit committee has met the external auditors to discuss and review areas of concerns and internal control without the presence of the management. The audit committee reviewed the interim and annual reports before submission to the Board. The committee focused not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Remuneration Committee

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

During the year ended 31 December 2010, one remuneration committee meetings have been held.

Directors' attendance at remuneration committee meeting

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

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

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

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

Delegation by the Board

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

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

ACCOUNTABILITY AND AUDIT

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

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

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

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

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group endeavors to set up an internal control system with a well defined management structure with limits of authority, which is designed for the achievement of business objectives, to safeguard assets against unauthorized use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Board has conducted a review on the effectiveness of the Group's internal control system during 2010 with a view to improve its internal control system.

AUDITORS' REMUNERATION

The Company engaged the auditors to review and audit the financial statements of the Company included in the interim and annual reports, respectively, for RMB7,000,000 (which is payable by the Company). Save as disclosed above, the Company did not engage KPMG for any other non-audit services during the year ended 31 December 2010.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

VOTING BY POLL

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

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

i) by the chairman of the meeting; or

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

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

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

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

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

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

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

KPMG

To the Shareholders of China Glass Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 138, which comprise the consolidated and the Company's balance sheets as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

10 March 2011

Consolidated Income Statement

For the year ended 31 December 2010
(Expressed in Renminbi ("RMB"))

	Note	**2010 RMB'000**	2009 RMB'000
Turnover	4	**3,154,796**	2,078,408
Cost of sales		**(2,293,413)**	(1,613,726)
Gross profit		**861,383**	464,682
Other revenue	5	**33,024**	19,009
Other net income	5	**8,107**	955
Distribution costs		**(77,486)**	(62,183)
Administrative expenses		**(205,989)**	(179,726)
Profit from operations		**619,039**	242,737
Share of losses of an associate		**-**	(20,893)
Net gain from disposal of controlling equity interests in a subsidiary	18	**4,608**	–
Net gain from disposal of equity interests in an associate	30	**78,025**	–
Finance (costs)/income	6(a)	**(94,275)**	34,344
Profit before taxation	6	**607,397**	256,188
Income tax	7	**(100,637)**	(38,772)
Profit for the year		**506,760**	217,416
Attributable to:			
Equity shareholders of the Company		**304,751**	135,610
Non-controlling interests		**202,009**	81,806
Profit for the year		**506,760**	217,416
Basic and diluted earnings per share (RMB)	11	**0.644**	0.326

The notes on pages 55 to 138 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 31(b).

For the year ended 31 December 2010
(Expressed in RMB)

	2010 RMB'000	2009 RMB'000
Profit for the year	**506,760**	217,416
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**(623)**	2,394
Total comprehensive income for the year	**506,137**	219,810
Attributable to:		
Equity shareholders of the Company	**304,549**	137,920
Non-controlling interests	**201,588**	81,890
Total comprehensive income for the year	**506,137**	219,810

The notes on pages 55 to 138 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2010
(Expressed in RMB)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	**2,798,556**	2,319,947
Lease prepayments	16	**321,752**	304,662
Intangible assets	17	**58,148**	70,063
Receivables from related companies	20	**19,645**	–
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	29(b)	**74,410**	62,156
		3,273,511	2,757,828
Current assets			
Inventories	21	**342,180**	312,057
Trade and other receivables	22(a)	**538,475**	473,138
Cash and cash equivalents	23	**827,927**	291,037
		1,708,582	1,076,232
Current liabilities			
Trade and other payables	24(a)	**1,561,920**	1,274,906
Bank and other loans	25	**292,560**	273,616
Income tax payable	29(a)	**43,487**	27,123
		1,897,967	1,575,645
Net current liabilities		**(189,385)**	(499,413)
Total assets less current liabilities		**3,084,126**	2,258,415

The notes on pages 55 to 138 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Bank and other loans	25	**467,526**	479,937
Amounts due to a related company	26	**81,276**	76,928
Unsecured notes	27	**541,757**	405,472
Deferred tax liabilities	29(b)	**50,262**	58,591
		1,140,821	1,020,928
NET ASSETS		**1,943,305**	1,237,487
CAPITAL AND RESERVES			
Share capital	31	**66,422**	43,856
Reserves	31	**1,385,231**	517,421
Total equity attributable to equity shareholders of the Company		**1,451,653**	561,277
Non-controlling interests		**491,652**	676,210
TOTAL EQUITY		**1,943,305**	1,237,487

Approved and authorised for issue by the board of directors on 10 March 2011.

Zhou Cheng
Director

Zhang Zhaoheng
Director

The notes on pages 55 to 138 form part of these financial statements.

Balance Sheet

At 31 December 2010

(Expressed in RMB)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	13(b)	**972**	1,239
Investments in subsidiaries	14	**900,191**	176,287
Loans to a subsidiary	15	**334,783**	346,409
		1,235,946	523,935
Current assets			
Other receivables	22(b)	**491,590**	336,546
Cash and cash equivalents	23	**108,495**	30,322
		600,085	366,868
Current liabilities			
Other payables	24(b)	**67,891**	46,960
Net current assets		**532,194**	319,908
Total assets less current liabilities		**1,768,140**	843,843
Non-current liabilities			
Unsecured notes	27	**396,857**	405,472
NET ASSETS		**1,371,283**	438,371
CAPITAL AND RESERVES			
Share capital	31	**66,422**	43,856
Reserves	31	**1,304,861**	394,515
TOTAL EQUITY		**1,371,283**	438,371

Approved and authorised for issue by the board of directors on 10 March 2011.

Zhou Cheng
Director

Zhang Zhaoheng
Director

The notes on pages 55 to 138 form part of these financial statements.

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 31(c)(i))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(d)(ii))	Statutory reserves RMB'000 (Note 31(d)(iii))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 31(d)(iv))	(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 2009:										
Profit for the year	-	-	-	-	-	-	135,610	135,610	81,806	217,416
Other comprehensive income	-	-	-	-	-	2,310	-	2,310	84	2,394
Total comprehensive income for the year	-	-	-	-	-	2,310	135,610	137,920	81,890	219,810
Written put option over non-controlling interests	-	-	-	-	23,124	-	-	23,124	-	23,124
Equity-settled share-based transactions (Note 28)	-	-	5,113	-	-	-	285	5,398	-	5,398
Appropriations to reserves	-	-	-	17,545	-	-	(17,545)	-	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(11,546)	(11,546)
Transactions with equity holders of the Group	-	-	5,113	17,545	23,124	-	(17,260)	28,522	(11,546)	16,976
Balance at 31 December 2009	43,856	410,482	14,302	40,785	(21,824)	(23)	73,699	561,277	676,210	1,237,487

The notes on pages 55 to 138 form part of these financial statements.

For the year ended 31 December 2010
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 31(c)(i))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(d)(ii))	Statutory reserves RMB'000 (Note 31(d)(iii))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 31(d)(iv))	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 2010:										
Profit for the year	-	-	-	-	-	-	304,751	304,751	202,009	506,760
Other comprehensive income	-	-	-	-	-	(202)	-	(202)	(421)	(623)
Total comprehensive income for the year	-	-	-	-	-	(202)	304,751	304,549	201,588	506,137
Issuance of shares (Note 31(c)(ii))	22,566	985,792	-	-	-	-	-	1,008,358	-	1,008,358
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	11,236	11,236
Effect on equity arising from the acquisitions of non-controlling interests (Notes 30, 32(b) and 32(c))	-	-	-	-	(425,180)	-	-	(425,180)	(459,436)	(884,616)
Effect on equity arising from the acquisition of a subsidiary (Note 32(a))	-	-	-	-	-	-	-	-	61,000	61,000
Effect on equity arising from the disposal of controlling equity interests in a subsidiary (Note 18)	-	-	-	-	-	-	-	-	1,054	1,054
Equity-settled share-based transactions (Note 28)	-	-	2,649	-	-	-	-	2,649	-	2,649
Transfer between reserves	-	-	-	-	(10,286)	-	10,286	-	-	-
Transactions with equity holders of the Group	22,566	985,792	2,649	-	(435,466)	-	10,286	585,827	(386,146)	199,681
Balance at 31 December 2010	66,422	1,396,274	16,951	40,785	(457,290)	(225)	388,736	1,451,653	491,652	1,943,305

The notes on pages 55 to 138 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Profit before taxation		**607,397**	256,188
Adjustments for:			
Depreciation and amortisation	6(c)	**225,145**	186,834
Net gain on disposal of property, plant and equipment	5	**(731)**	(152)
Net gain on redemption of unsecured notes	6(a)	**–**	(130,648)
Interest income	5	**(2,012)**	(3,031)
Interest expenses and other borrowing costs	6(a)	**107,638**	95,084
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)**	–
Equity-settled share-based payment expenses	6(b)	**2,649**	5,398
Changes in working capital:			
(Increase)/decrease in inventories		**(32,867)**	90,478
Increase in non-current receivables from related companies		**(19,645)**	–
Increase in trade and other receivables		**(17,656)**	(213,141)
Increase/(decrease) in trade and other payables		**8,001**	(48,285)
Cash generated from operations		**795,286**	259,618
The People's Republic of China (the "PRC") Income Tax paid	29(a)	**(99,437)**	(10,542)
Net cash generated from operating activities		**695,849**	249,076
Investing activities			
Payment for the purchase of property, plant and equipment		**(288,313)**	(415,155)
Payment for land use right premiums		**(56,432)**	(9,693)
Proceeds from disposal of property, plant and equipment		**3,421**	78,559
Proceeds from disposal of non-controlling interests in a subsidiary		**–**	73,500
Payment for acquisition of controlling equity interests in a subsidiary, net of cash acquired	32(a)	**(85,099)**	–
Proceeds from disposal of controlling equity interests in a subsidiary, net of cash disposed of		**(1,064)**	–
Increase in time deposits	23(a)	**(23,000)**	–
Interest received		**2,012**	3,031
Net cash used in investing activities		**(448,475)**	(269,758)

The notes on pages 55 to 138 form part of these financial statements.

	Note	2010 RMB'000	2009 RMB'000
Financing activities			
Proceeds from new bank and other loans		**491,091**	660,089
Repayment of bank and other loans		**(479,559)**	(354,320)
Redemption of unsecured notes	27	**–**	(133,620)
Payment of transaction costs on redemption of unsecured notes	27	**–**	(3,518)
Proceeds from the issuance of unsecured notes	27	**150,000**	–
Payment of transaction costs on issuance of unsecured notes	27	**(5,400)**	–
Proceeds from issuance of new shares	31(c)(ii)	**378,765**	–
Payment of transaction costs on issuance of new shares		**(10,727)**	–
Contributions from non-controlling interests		**11,236**	–
Dividends paid to equity shareholders of the Company		**–**	(9,302)
Dividends paid to non-controlling interests		**(50)**	(3,876)
Payment for acquisitions of non-controlling interests in a subsidiary		**(172,742)**	(14,525)
Other finance costs paid		**(98,237)**	(108,645)
Net cash generated from financing activities		**264,377**	32,283
Net increase in cash and cash equivalents		**511,751**	11,601
Cash and cash equivalents at 1 January	23	**291,037**	279,503
Effect of foreign exchange rate changes		**2,139**	(67)
Cash and cash equivalents at 31 December	23	**804,927**	291,037

The notes on pages 55 to 138 form part of these financial statements.

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Group and the Group's interest in an associate.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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

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

(c) Subsidiaries and non-controlling interests

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

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company. Loans from equity holders of non-controlling interests and other contractual obligations towards these equity holders are presented as financial liabilities in the consolidated balance sheet in accordance with Notes 2(n) or 2(p) depending on the nature of the liability.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in the income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)) or jointly controlled entity.

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

(d) Associate

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

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

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of entire interest in that investee, with a resulting gain or loss being recognised in the income statement. Any interests retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see Note 2(k)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)).

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

(f) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment (continued)

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

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

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

(g) Intangible assets (other than goodwill)

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

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

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

	Estimated useful lives
Intellectual properties	7-10 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Lease prepayments

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

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(j) Trade and other receivables

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

(k) Impairment of assets

(i) Impairment of equity securities and receivables

Investments in equity securities (other than investments in subsidiaries (see Note 2(k)(ii))) and non-current and current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of equity securities and receivables (continued)

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- for investment in an associate recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

- for unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of equity securities and receivables (continued)

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– lease prepayments;

– intangible assets;

– investments in subsidiaries (except for those classified as held-for-sale (see Note 2(v))); and

– goodwill.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

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

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

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

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

(m) Cash and cash equivalents

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

(n) Interest-bearing borrowings

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

(o) Employee benefits

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(p) Trade and other payables

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

(q) Income tax

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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

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

  - the same taxable entity; or

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

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) Sale of goods

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

(ii) Interest income

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

(iii) Government grants

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

(t) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

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

(u) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held-for-sale when the above criteria for classification as held-for-sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

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

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

(w) Related parties

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

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

(x) Segment reporting

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 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 operations – 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 Group's 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.

- HK (Int) 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*. The issuance of HK (Int) 5 has had no material impact on the Group's financial statements as the conclusions of HK (Int) 5 were consistent with policies already adopted by the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 TURNOVER

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

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

The Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's turnover for the year ended 31 December 2010. For the year ended 31 December 2009, the Group has transactions with one customer that exceeded 10% of the Group's turnover and revenue from this customer amounted to approximately RMB224.2 million. Details of concentrations of credit risk are set out in Note 35(a).

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

5 OTHER REVENUE AND NET INCOME

	2010	2009
	RMB'000	RMB'000
Other revenue		
Interest income	**2,012**	3,031
Government grants	**25,675**	9,900
Others	**5,337**	6,078
	33,024	19,009
Other net income		
Net gain from sale of raw and scrap materials	**7,376**	803
Net gain on disposal of property, plant and equipment	**731**	152
	8,107	955

6 PROFIT BEFORE TAXATION

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

(a) Finance costs/(income):

	2010 RMB'000	2009 RMB'000
Interest on bank advances and other borrowings	**92,452**	96,089
Bank charges and other finance costs	**23,413**	8,211
Total borrowing costs	**115,865**	104,300
Less: amounts capitalised*	**(8,227)**	(9,216)
Net borrowing costs	**107,638**	95,084
Net foreign exchange (gain)/loss	**(13,363)**	1,220
Net gain on redemption of unsecured notes (see Note 27)	**-**	(130,648)
	94,275	(34,344)

* The borrowing costs have been capitalised at 5.96% per annum for the year ended 31 December 2010 (2009: 7.62% per annum).

(b) Staff costs#:

	2010 RMB'000	2009 RMB'000
Salaries, wages and other benefits	**234,413**	168,549
Contributions to defined contribution retirement plans	**26,363**	19,599
Equity-settled share-based payment expenses (see Note 28)	**2,649**	5,398
	263,425	193,546

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

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs#: (continued)

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

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

(c) Other items:

	2010	2009
	RMB'000	RMB'000
Cost of inventories (Note 21) #	**2,293,413**	1,613,726
Auditors' remuneration – audit services	**7,000**	7,300
Depreciation and amortisation #	**225,145**	186,834
(Reversal of impairment loss)/impairment loss		
on trade and other receivables (see Note 22(a)(ii))	**(5,603)**	2,205
Operating lease charges in respect of #		
– land	**328**	737
– plant and buildings	**4,690**	3,464
– motor vehicles	**1,396**	1,172
Research and development costs		
(other than amortisation costs)	**2,425**	1,681

Cost of inventories includes RMB360.1 million (2009: RMB279.5 million) for the year ended 31 December 2010, relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2010 RMB'000	2009 RMB'000
Current tax – PRC income tax (Note 29(a))		
– Provision for the year	**112,378**	38,308
– Under-provision in respect of prior year	**3,423**	–
	115,801	38,308
Deferred tax (Note 29(b))		
– Origination and reversal of temporary differences	**(7,332)**	464
– Write-down of deferred tax assets	**3,722**	–
– Recognition of prior years' tax losses and impairment losses previously not recognised	**(11,554)**	–
	(15,164)	464
	100,637	38,772

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

	2010 RMB'000	2009 RMB'000
Profit before taxation	**607,397**	256,188
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	**133,592**	48,636
Tax effect of non-deductible expenses	**4,394**	3,038
Tax effect of unused tax losses not recognised (Note 29(c))	**5,335**	7,142
Tax credit (Notes (iv) and (v))	**(38,275)**	(20,044)
Tax effect of recognition of prior years' tax losses and impairment losses previously not recognised (Note (vi))	**(11,554)**	–
Tax effect of write-down of deferred tax assets (Note (vii))	**3,722**	–
Under-provision in respect of prior year	**3,423**	–
Income tax	**100,637**	38,772

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

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

Notes:

(i) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong SAR did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2010 (2009: RMBNil).

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

(iii) The PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax rates ranging from 15% to 25% (2009: 15% to 25%).

(iv) Certain PRC subsidiaries of the Group are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprise with foreign investment in the PRC, these PRC subsidiaries obtained approval from the respective tax bureau that they are entitled to a 100% relief from PRC Enterprise Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any, or if the PRC subsidiary is entitled but has not commenced in enjoying the tax holiday, the tax holiday must commence immediately in 2008 under the new tax law mentioned in Note 7(b)(v) below.

(v) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries of the Group has changed to 25% with effect 1 January 2008; or gradually increase to 25% over a five-year period if the PRC subsidiary was previously enjoying a preferential tax rate of below 25%.

(vi) Previously unrecognised tax losses and impairment losses are recognised in 2010, following a change in estimates of the future operating results of a PRC subsidiary of the Group.

(vii) Previously recognised tax losses were written-down in 2010, following a change in estimates of the future operating results of a PRC subsidiary of the Group.

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2010						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Zhou Cheng (Re-designated on 19 October 2010)	-	373	1,799	-	2,172	257	2,429
Mr. Zhang Zhaoheng	-	637	1,580	26	2,243	257	2,500
Mr. Li Ping	-	362	630	19	1,011	110	1,121
Mr. Cui Xiangdong	-	362	790	26	1,178	110	1,288
Non-executive directors							
Mr. Zhou Cheng (Re-designated on 19 October 2010)	-	-	-	-	-	-	-
Mr. Zhao John Huan	-	-	-	-	-	-	-
Mr. Liu Jinduo	-	-	-	-	-	-	-
Mr. Eddie Chai	-	-	-	-	-	-	-
Mr. Chen Shuai	-	-	-	-	-	-	-
Independent non-executive directors							
Mr. Song Jun	100	-	-	-	100	-	100
Mr. Sik Siu Kwan	100	-	-	-	100	-	100
Mr. Zhang Baiheng	100	-	-	-	100	-	100
	300	1,734	4,799	71	6,904	734	7,638

8 DIRECTORS' REMUNERATION (continued)

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

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

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2009: four) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2009: one) individuals is as follows:

	2010	2009
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**649**	377
Discretionary bonuses	**1,692**	–
Share-based payments	**192**	207
Retirement scheme contributions	**48**	–
	2,581	584

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

	2010	2009
HK$Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	–

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

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB55.8 million (2009: a profit of RMB62.8 million) which has been dealt with in the financial statements of the Company.

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB304.8 million (2009: RMB135.6 million) and the weighted average of 473,331,000 ordinary shares (2009: 416,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2010	2009
	'000	'000
Issued ordinary shares at 1 January	**416,000**	416,000
Effect of shares issued on 26 January 2010 (Note 31(c)(ii))	**43,157**	–
Effect of shares issued on 8 December 2010 (Note 31(c)(ii))	**14,174**	–
Weighted average number of ordinary shares at 31 December	**473,331**	416,000

(b) Diluted earnings per share

There were no dilutive potential ordinary shares as at 31 December 2010 and 2009.

12 SEGMENT REPORTING

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

- Low value-added glass products: this segment produces, markets and distributes low value-added glass products such as clear glass.

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

12 SEGMENT REPORTING (continued)

(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.

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 non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of losses of an associate, net gain from disposal of controlling equity interests in a subsidiary, net gain from disposal of equity interests in an associate, director's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses, and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have occurred for the years ended 31 December 2010 and 2009.

12 SEGMENT REPORTING (continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below.

	Low value-added glass products		High value-added glass products		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Revenue from external customers and reportable segment revenue	**1,722,534**	1,078,705	**1,432,262**	999,703	**3,154,796**	2,078,408
Reportable segment profit (adjusted EBITDA)	**442,095**	198,596	**427,495**	244,145	**869,590**	442,741
Interest income	**1,021**	1,913	**984**	1,111	**2,005**	3,024
Interest expenses (net of amounts capitalised)	**(49,164)**	(48,519)	**(27,812)**	(25,614)	**(76,976)**	(74,133)
Depreciation and amortisation	**(121,831)**	(94,177)	**(102,272)**	(91,388)	**(224,103)**	(185,565)
Reportable segment assets	**2,350,262**	1,590,575	**2,547,662**	2,228,174	**4,897,924**	3,818,749
Additions to non-current segment assets during the year	**318,177**	29,263	**436,679**	424,833	**754,856**	454,096
Reportable segment liabilities	**1,527,305**	1,132,584	**1,516,679**	1,382,611	**3,043,984**	2,515,195

12 SEGMENT REPORTING (continued)

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

	2010 RMB'000	2009 RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	**869,590**	442,741
Share of losses of an associate	**-**	(20,893)
Net gain from disposal of controlling interests in a subsidiary	**4,608**	–
Net gain from disposal of equity interests in an associate	**78,025**	–
Interest income	**2,012**	3,031
Depreciation and amortisation	**(225,145)**	(186,834)
Finance (costs)/income	**(94,275)**	34,344
Unallocated head office and corporate expenses	**(27,418)**	(16,201)
Consolidated profit before taxation	**607,397**	256,188

	2010 RMB'000	2009 RMB'000
Assets		
Reportable segment assets	**4,897,924**	3,818,749
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**74,410**	62,156
Unallocated head office and corporate assets	**701,053**	560,763
Elimination of receivables between segments, and segments and head office	**(692,294)**	(608,608)
Consolidated total assets	**4,982,093**	3,834,060

	2010 RMB'000	2009 RMB'000
Liabilities		
Reportable segment liabilities	**3,043,984**	2,515,195
Income tax payable	**43,487**	27,123
Deferred tax liabilities	**50,262**	58,591
Unallocated head office and corporate liabilities	**593,349**	604,272
Elimination of payables between segments, and segments and head office	**(692,294)**	(608,608)
Consolidated total liabilities	**3,038,788**	2,596,573

12 SEGMENT REPORTING (continued)

(c) Geographic information

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

	Revenues from external customers		Specified non-current assets	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (including Hong Kong SAR) (place of domicile)	**2,453,253**	1,653,269	**3,178,456**	2,694,672
Middle East	**279,116**	256,919	**–**	–
South Korea	**87,661**	23,107	**–**	–
Brazil	**42,209**	13,400	**–**	–
Nigeria	**13,522**	3,252	**–**	–
Malaysia	**13,453**	10,115	**–**	–
India	**5,626**	12,739	**–**	–
Other countries	**259,956**	105,607	**–**	–
	701,543	425,139	**–**	–
	3,154,796	2,078,408	**3,178,456**	2,694,672

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 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

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group (continued)

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2010	1,129,809	1,973,164	20,939	113,398	3,237,310
Additions	29,334	39,704	9,430	542,990	621,458
Additions through acquisition of a subsidiary (Note 32(a))	-	-	-	89,022	89,022
Transfer in/(out)	85,949	307,067	-	(393,016)	-
Decrease through disposal of a subsidiary	(20,412)	(18,853)	(1,447)	-	(40,712)
Disposals	(5,261)	(29,692)	(3,680)	-	(38,633)
At 31 December 2010	1,219,419	2,271,390	25,242	352,394	3,868,445
Accumulated depreciation and impairment losses:					
At 1 January 2010	203,255	703,938	10,170	-	917,363
Charge for the year	38,437	165,225	2,322	-	205,984
Decrease through disposal of a subsidiary	(3,983)	(12,174)	(903)	-	(17,060)
Written back on disposals	(4,511)	(29,619)	(2,268)	-	(36,398)
At 31 December 2010	233,198	827,370	9,321	-	1,069,889
Net book value:					
At 31 December 2010	986,221	1,444,020	15,921	352,394	2,798,556

At 31 December 2010, property certificates of certain properties with an aggregate net book value of RMB381.1 million (31 December 2009: RMB323.3 million) are yet to be obtained.

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2009 and 31 December 2009	2,173	2,027	4,200
Accumulated depreciation:			
At 1 January 2009	1,099	611	1,710
Charge for the year	600	651	1,251
At 31 December 2009	1,699	1,262	2,961
Net book value:			
At 31 December 2009	474	765	1,239
Cost:			
At 1 January 2010	**2,173**	**2,027**	**4,200**
Additions	**–**	**627**	**627**
At 31 December 2010	**2,173**	**2,654**	**4,827**
Accumulated depreciation:			
At 1 January 2010	**1,699**	**1,262**	**2,961**
Charge for the year	**446**	**448**	**894**
At 31 December 2010	**2,145**	**1,710**	**3,855**
Net book value:			
At 31 December 2010	**28**	**944**	**972**

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	RMB'000
Unlisted shares, at cost	**900,191**	176,287

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

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operations**	**Particulars of registered/issued and paid-up capital**	**The Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
Beijing Qinchang Glass Company Limited	PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
China Glass Blue Star (Linyi) Glass Company Limited (formerly known as "Linyi Bulusida Special Glass Company Limited") ("Linyi Blue Star") (Note 32(a))	PRC	Registered and paid-up capital of RMB148,000,000	43.11%	–	58.78%	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited	PRC	Registered and paid-up capital of RMB150,000,000	100%	–	100%*	Production, marketing and distribution of glass and glass products
Hangzhou Blue Star New Materials Technology Company Limited	PRC	Registered and paid-up capital of RMB1,000,000	84.67%	–	90%	Development of glass production technology
Hanzhong Blue Star Silicon Sand Company Limited	PRC	Registered and paid-up capital of RMB2,400,000	87.72%	–	90.10%	Processing and sale of silicon sand

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and operations	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Huada (HK) International Company Limited	Hong Kong SAR	Issued and paid-up capital of HK$10,000	100%	–	100%	Trading of glass and glass products
Jiangsu SHD New Materials Company Limited	PRC	Registered and paid-up capital of RMB96,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
JV Investments Limited (Notes 30 and 32(b))	Cayman Islands	Issued and paid-up capital of USD90,313	100%	100%	–	Investment holding
Nanjing Yuanhong Special Glass Company Limited (formerly known as "Nanjing Yuanhong Glass Glaze Company Limited")	PRC	Registered and paid-up capital of RMB80,000,000	59.09%	–	80.95%	Production, marketing and distribution of glass and glass products
Shaanxi Blue Star Glass Company Limited	PRC	Registered and paid-up capital of RMB100,000,000	97.36%	–	100%	Production, marketing and distribution of glass and glass products
Suqian Huasheng Management Consulting Company Limited	PRC	Registered and paid-up capital of RMB100,000	100%	–	100%	Provision of management services to group companies
Suqian Huayi Coated Glass Company Limited	PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

			Proportion of ownership interest			
Name of company	Place of incorporation/ establishment and operations	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Weihai Blue Star Glass Company Limited (Note 32(c))	PRC	Registered and paid-up capital of RMB107,700,000	73.34%	–	75.20%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Import & Export Company Limited	PRC	Registered and paid-up capital of RMB5,000,000	73.34%	–	100%	Trading of glass and glass products
Weihai Blue Star New Technology Glass Company Limited	PRC	Registered and paid-up capital of USD12,000,000	53.91%	–	73.50%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Technology Industrial Park Company Limited	PRC	Registered and paid-up capital of RMB25,680,000	73.34%	–	100%	Investment holding
Weihai China Glass Solar Company Limited	PRC	Registered and paid-up capital of USD10,000,000	49.14%	–	67.00%	Production, marketing and distribution of photovoltaic battery module products
Weihai China Glass Solar Construction Company Limited	PRC	Registered and paid-up capital of RMB2,000,000	49.14%	–	100%	Installation of photovoltaic battery module products
Weihai China Glass Solar Inspection Company Limited	PRC	Registered and paid-up capital of RMB12,000,000	49.14%	–	100%	Testing of photovoltaic products and photo-thermal products

(Expressed in RMB unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Wuhai Blue Star Glass Company Limited	PRC	Registered and paid-up capital of RMB128,378,729	79.96%	–	97.35%	Production, marketing and distribution of glass and glass products
Wuhai Blue Star Transportation Company Limited	PRC	Registered and paid-up capital of RMB2,000,000	76.87%	–	100%	Provision of transportation services to group companies
Wuhai Haibo Trading Company Limited	PRC	Registered and paid-up capital of RMB2,570,000	68.30%	–	85.42%	Trading of glass and glass products
Xianyang Blue Star Coated Glass Company Limited	PRC	Registered and paid-up capital of RMB90,000,000	87.20%	–	88.89%	Production, marketing and distribution of glass and glass products
Zhongbo Technology Company Limited	PRC	Registered and paid-up capital of RMB194,860,000	61.67%	–	76.68%	Production, marketing and distribution of glass and glass products

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

15 LOANS TO A SUBSIDIARY

The Company's loans to a subsidiary are unsecured, non-interest bearing and are repayable on 30 June 2012.

16 LEASE PREPAYMENTS

	The Group 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	**36,831**
Additions through acquisition of a subsidiary (Note 32(a))	**8,203**
Decrease through disposal of a subsidiary	**(22,701)**
At 31 December 2010	**351,141**
Accumulated amortisation:	
At 1 January 2010	**24,146**
Charge for the year	**7,246**
Decrease through disposal of a subsidiary	**(2,003)**
At 31 December 2010	**29,389**
Net book value:	
At 31 December 2010	**321,752**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 31 December 2010, land use right certificates of certain land use rights with an aggregate carrying value of RMB32.5 million (31 December 2009: RMB13.3 million) are yet to be obtained.

17 INTANGIBLE ASSETS

	The Group Intellectual properties RMB'000
Cost:	
At 1 January 2009, 31 December 2009 and 31 December 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 year	**11,915**
At 31 December 2010	**65,591**
Net book value:	
At 31 December 2010	**58,148**
At 31 December 2009	70,063

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

18 INTEREST IN AN ASSOCIATE

	The Group	
	2010	2009
	RMB'000	RMB'000
Share of net assets	**–**	–

On 11 June 2010, Weihai Blue Star Glass Company Limited ("Weihai Blue Star"), 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 indirect equity interests in Zhonghai Xingye decreased from 75% to 30%, and lost control of Zhonghai Xingye. In accordance with the accounting policy set out in Note 2(c), the Group accounted for this transaction as a disposal of the entire 75% equity interests in Zhonghai Xingye, with a resulting gain of RMB4.6 million recognised for the year ended 31 December 2010. The 30% equity interests retained in Zhonghai Xingye is recognised at fair value of RMBNil and regarded as the cost on initial recognition of an investment in an associate.

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	22.00%	–	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, is listed below:

	Assets	**Liabilities**	**Equity**	**Revenue**	**Net profit**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
31 December 2010					
Zhonghai Xingye	**65,089**	**66,413**	**(1,324)**	**40,440**	**1,728**

19 GOODWILL

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

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

The recoverable amount of the cash generating unit was determined based on value-in-use calculations. These calculations used cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period, budgeted gross profit margin of 15.7% and discount rate of 6.8%.

20 NON-CURRENT RECEIVABLES FROM RELATED COMPANIES

	The Group	
	2010	2009
	RMB'000	RMB'000
Amount due from an associate (Note (i))	**17,277**	–
Amount due from an affiliate of an equity shareholder of the Company (Note (ii))	**2,368**	–
	19,645	–

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 January 2012 to June 2015.

(ii) The amount is unsecured, non-interest bearing and is to be settled by bi-annual instalments between January 2012 to June 2013.

21 INVENTORIES

	The Group	
	2010	2009
	RMB'000	RMB'000
Raw materials	**123,474**	105,868
Work in progress and finished goods	**191,246**	177,873
Racks, spare parts and consumables	**30,978**	33,930
	345,698	317,671
Less: write-down of inventories	**(3,518)**	(5,614)
	342,180	312,057

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Carrying amount of inventories sold	**2,294,884**	1,626,463
Reversal of write-down of inventories	**(1,471)**	(12,737)
	2,293,413	1,613,726

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

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

22 TRADE AND OTHER RECEIVABLES

(a) The Group

	2010 RMB'000	2009 RMB'000
Trade receivable from:		
– Third parties	**133,263**	77,736
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**62,977**	42,909
– Companies under common significant influence	**147**	322
Bills receivable	**69,103**	167,825
	265,490	288,792
Less: allowance for doubtful debts (Note 22(a)(ii))	**(20,346)**	(28,435)
	245,144	260,357
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (aa))	**4,140**	2,353
– Non-controlling equity holders of subsidiaries of the Group (Note (bb))	**446**	142
– An associate of the Group (Note (cc))	**198**	4,735
– Companies under common significant influence (Note (bb))	**48,312**	44,264
	53,096	51,494
Less: allowance for doubtful debts (Note 22(a)(ii))	**(3,074)**	(2,990)
	50,022	48,504
Prepayments, deposits and other receivables	**247,060**	173,795
Less: allowance for doubtful debts (Note 22(a)(ii))	**(3,751)**	(9,518)
	243,309	164,277
	538,475	473,138

Notes:

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

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

(cc) The amount at 31 December 2010 is unsecured, non-interest bearing and has no fixed terms of repayment. 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 January 2012 to June 2013 (see Note 20(ii) for further details).

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

22 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (continued)

(i) Ageing analysis

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

	2010	2009
	RMB'000	RMB'000
Within 1 month	**136,910**	55,043
More than 1 month but less than 3 months	**57,650**	68,893
More than 3 months but less than 6 months	**40,461**	119,540
Over 6 months	**10,123**	16,881
	245,144	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.

Further details on the Group's credit policy are set out in Note 35(a).

22 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (continued)

(ii) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 2(k)(i)).

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

	2010 RMB'000	2009 RMB'000
At 1 January	**40,943**	39,917
(Reversal of impairment loss)/impairment loss recognised	**(5,603)**	2,205
Decrease through disposal of a subsidiary	**(6,557)**	–
Uncollectible amounts written off	**(1,612)**	(1,179)
At 31 December	**27,171**	40,943

At 31 December 2010, the Group's trade and other receivables of RMB27.2 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.

(b) The Company

	2010 RMB'000	2009 RMB'000
Amount due from an equity shareholder of the Company (Note (aa))	**26**	26
Amounts due from subsidiaries (Note (bb))	**490,137**	333,909
Prepayments, deposits and other receivables	**1,427**	2,611
	491,590	336,546

Notes:

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

(bb) The amounts are unsecured. Except for an amount of RMB70.0 million (31 December 2009: RMB70.0 million) which bears interest at 6.70% per annum (31 December 2009: 5.76% per annum) and is repayable within one year, all of the remaining balances are non-interest bearing and have no fixed terms of repayment.

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

23 CASH AND CASH EQUIVALENTS

(a) The Group

	2010 RMB'000	2009 RMB'000
Cash at bank and in hand	**804,927**	291,037
Time deposits with banks	**23,000**	–
Cash and cash equivalents in the consolidated balance sheet	**827,927**	291,037
Less: time deposits with original maturity over 3 months	**(23,000)**	–
Cash and cash equivalents in the consolidated cash flow statement	**804,927**	291,037

At 31 December 2010, cash and cash equivalents of RMB59.9 million (31 December 2009: RMB23.6 million) were pledged to secure bills and future interest payments arising from the unsecured notes issued by the Group.

(b) The Company

	2010 RMB'000	2009 RMB'000
Cash at bank and in hand	**108,495**	30,322

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

24 TRADE AND OTHER PAYABLES

(a) The Group

	2010 RMB'000	2009 RMB'000
Trade payable to:		
– Third parties	**339,670**	374,154
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**3,895**	8,148
– Companies under common significant influence	**3,681**	2,070
Bills payable	**124,516**	59,874
	471,762	444,246
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**4,829**	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))	**35,612**	47,146
	40,455	65,594
Accrued charges and other payables	**938,530**	659,386
Financial liabilities measured at amortised cost	**1,450,747**	1,169,226
Advances received from customers	**111,173**	105,680
	1,561,920	1,274,906

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 RMB6.0 million at 31 December 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 31 December 2010 is RMB6.0 million (31 December 2009: RMB13.7 million) which is repayable within one year, where all of the remaining balances have no fixed terms of repayment.

24 TRADE AND OTHER PAYABLES (continued)

(a) The Group (continued)

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:

	2010 RMB'000	2009 RMB'000
Due within 1 month or on demand	**367,246**	393,586
Due after 1 month but within 6 months	**104,516**	50,660
	471,762	444,246

(b) The Company

	2010 RMB'000	2009 RMB'000
Amounts due to subsidiaries (Note (i))	**44,694**	4,499
Accrued charges and other payables	**23,197**	42,461
	67,891	46,960

Note:

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

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

25 BANK AND OTHER LOANS

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

	2010 RMB'000	2009 RMB'000
Bank loans	**203,706**	254,940
Loan from a third party	**5,000**	5,000
	208,706	259,940
Add: current portion of long-term bank and other loans	**83,854**	13,676
	292,560	273,616

At 31 December 2010, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2010 RMB'000	2009 RMB'000
Bank loans:		
– Pledged by bank bills	**3,150**	5,420
– Secured by property, plant and equipment and land use rights	**20,000**	69,520
– Guaranteed and secured by property, plant and equipment and land use rights	**–**	7,000
– Unguaranteed and unsecured	**180,556**	173,000
	203,706	254,940
Loan from a third party:		
– Unguaranteed and unsecured	**5,000**	5,000
	208,706	259,940

At 31 December 2010, the aggregate carrying values of the secured property, plant and equipment and land use rights are RMB141.2 million (31 December 2009: RMB105.4 million).

25 BANK AND OTHER LOANS (continued)

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

	2010 RMB'000	2009 RMB'000
Bank loans	**321,800**	298,800
Loans from third parties	**44,568**	44,568
Loans from an equity shareholder of the Company	**185,012**	150,245
	551,380	493,613
Less: current portion of long-term bank and other loans	**(83,854)**	(13,676)
	467,526	479,937

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

	2010 RMB'000	2009 RMB'000
Within 1 year or on demand	**83,854**	13,676
After 1 year but within 2 years	**214,091**	84,671
After 2 years but within 5 years	**233,435**	319,011
After 5 years	**20,000**	76,255
	551,380	493,613

At 31 December 2010, except for long-term bank loans of RMB237.0 million (31 December 2009: RMB178.8 million) which are secured by property, plant and equipment and land use rights, all of the remaining borrowings are unsecured. At 31 December 2010, the aggregate carrying values of the secured property, plant and equipment and land use rights are RMB466.0 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 31 December 2010, the Group's banking facilities amounted to RMB150.0 million (2009: RMB150.0 million) are utilised to the extent of RMB150.0 million (2009: RMB150.0 million).

25 BANK AND OTHER LOANS (continued)

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 35(b). At 31 December 2010, none of the covenants relating to the bank and other loans had been breached (2009: RMBNil).

26 NON-CURRENT AMOUNTS DUE TO A RELATED COMPANY

	The Group	
	2010	2009
	RMB'000	RMB'000
Payable for purchase of properties (Note (i))	**20,614**	26,552
Expected consideration to be paid on a written put option over non-controlling interests (Note (ii))	**60,662**	50,376
	81,276	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 January 2012 to December 2014. Further details of the transaction are set out in Note 33(a)(i).

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

27 UNSECURED NOTES

	2010 RMB'000	2009 RMB'000
Unsecured notes 9.625% 2012 (Note (i))	**396,857**	405,472
Unsecured notes 4.95% 2013 (Note (ii))	**144,900**	–
	541,757	405,472

Notes:

(i) 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.

(ii) On 27 October 2010, a subsidiary of the Group issued unsecured notes with an aggregate principal amount of RMB150.0 million at par on the PRC inter-bank bonds market. The unsecured notes bear interest at 4.95% per annum, and interest is payable monthly beginning on 2 November 2010. The unsecured notes will mature on 27 October 2013 and are guaranteed by a third party.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

	2010		2009	
	Weighted average exercise price	**Number of options ’000**	Weighted average exercise price	Number of options ’000
Outstanding at the beginning of the year	**HK$3.50**	**19,300**	HK$3.50	20,000
Forfeited during the year	**–**	**–**	HK$3.50	(700)
Outstanding at the end of the year	**HK$3.50**	**19,300**	HK$3.50	19,300
Exercisable at the end of the year	**HK$3.50**	**13,510**	HK$3.50	7,720

The options outstanding at 31 December 2010 had an exercise price of HK$3.50 (31 December 2009: HK$3.50) and a weighted average remaining contractual life of 4.42 years (31 December 2009: 5.42 years).

(Expressed in RMB unless otherwise indicated)

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions

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

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

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

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	The Group	
	2010	2009
	RMB'000	RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**27,123**	(643)
Provision for income tax on the estimated taxable profit for the year (Note 7(a))	**112,378**	38,308
Under-provision in respect of prior year (Note 7(a))	**3,423**	–
Income tax paid	**(99,437)**	(10,542)
Balance of income tax payable at 31 December	**43,487**	27,123

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write down of inventories RMB'000	Impairment losses on trade and other receivables RMB'000	Depreciation expenses in excess of related tax allowances, and government grants and related depreciation 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 (Note 7(a))	(2,135)	(2,311)	(134)	1,179	-	(3,401)	2,937	(464)
At 31 December 2009	**32,685**	**772**	**5,785**	**14,318**	**8,596**	**62,156**	**(58,591)**	**3,565**
Credited/(charged) to the consolidated income statement (Note 7(a))	**1,852**	**(111)**	**506**	**8,244**	**1,763**	**12,254**	**2,910**	**15,164**
Decrease through disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**5,419**	**5,419**
At 31 December 2010	**34,537**	**661**	**6,291**	**22,562**	**10,359**	**74,410**	**(50,262)**	**24,148**

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

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

(ii) The Company

There were no significant unrecognised deferred tax assets and liabilities as at 31 December 2010 and 2009.

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of unused tax losses arising from certain PRC subsidiaries of the Group of RMB88.6 million (2009: RMB100.3 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unused tax losses of RMB88.6 million at 31 December 2010 will expire on or before 31 December 2015.

(d) Deferred tax liabilities not recognised

At 31 December 2010, temporary differences relating to the undistributed profits of certain PRC subsidiaries of the Group amounted to RMB656.0 million (2009: RMB208.1 million). Deferred tax liabilities of RMB29.7 million (2009: RMB9.6 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

30 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"), previously an associate of the Group, to Pilkington International. By virtue of the share transfer agreement, the sale of the 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.

Subsequent to the above transaction, the Group entered into various agreements to further acquire the controlling equity interests of JV Investments. Further details are set out in Note 32(b).

31 CAPITAL AND RESERVES

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 31(c)(i))	Share premium RMB'000 (Note 31(d)(i))	Capital reserve RMB'000 (Note 31(d)(ii))	Exchange reserve RMB'000 (Note 31(d)(iv))	(Accumulated losses) /retained profits RMB'000	Total RMB'000
At 1 January 2009	43,856	410,482	9,189	(68,754)	(23,950)	370,823
Changes in equity for 2009:						
Profit for the year	-	-	-	-	62,769	62,769
Other comprehensive income	-	-	-	(619)	-	(619)
Total comprehensive income for the year	-	-	-	(619)	62,769	62,150
Equity-settled share-based transactions (Note 28)	-	-	5,113	-	285	5,398
At 31 December 2009	43,856	410,482	14,302	(69,373)	39,104	438,371
At 1 January 2010	**43,856**	**410,482**	**14,302**	**(69,373)**	**39,104**	**438,371**
Changes in equity for 2010:						
Loss for the year	**-**	**-**	**-**	**-**	**(55,753)**	**(55,753)**
Other comprehensive income	**-**	**-**	**-**	**(22,342)**	**-**	**(22,342)**
Total comprehensive income for the year	**-**	**-**	**-**	**(22,342)**	**(55,753)**	**(78,095)**
Issuance of shares (Note 31(c)(ii))	**22,566**	**985,792**	**-**	**-**	**-**	**1,008,358**
Equity-settled share-based transactions (Note 28)	**-**	**-**	**2,649**	**-**	**-**	**2,649**
Transactions with equity shareholders of the Company	**22,566**	**985,792**	**2,649**	**-**	**-**	**1,011,007**
At 31 December 2010	**66,422**	**1,396,274**	**16,951**	**(91,715)**	**(16,649)**	**1,371,283**

31 CAPITAL AND RESERVES (continued)

(b) Dividends

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

	2010 RMB'000	2009 RMB'000
Final dividend proposed after the balance sheet date of HK$0.03 per ordinary share (before the proposed share split mentioned in Note 36(c)) (2009: HK$Nil per ordinary share)	17,305	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

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

(c) Share capital

(i) Authorised and issued share capital

	2010		2009	
	No. of shares ('000)	HK$'000	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	700,000	70,000	700,000	70,000

	2010		2009	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid				
At 1 January	416,000	43,856	416,000	43,856
Shares issued	261,900	22,566	–	–
At 31 December	677,900	66,422	416,000	43,856

(Expressed in RMB unless otherwise indicated)

31 CAPITAL AND RESERVES (continued)

(c) Share capital (continued)

(ii) 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. The above shares were issued on 26 January 2010 and 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 Company's share premium account.

In a special general meeting held on 3 December 2010, the Company's shareholders approved the issuance of 123,069,529 ordinary shares (the "JVI Acquisition Shares") to the then non-controlling equity holders of JV Investments as consideration for the Group's acquisitions of 42.10% of equity interests in JV Investments. At the same time, the Company's shareholders also approved the placing of 9,500,000 ordinary shares to an equity shareholder of the Company and 83,000,000 ordinary shares to independent third parties at a price of HK$4.50. The above shares were issued and placed on 8 December 2010, and the combined deemed proceeds of the JVI Acquisition Shares (determined based on the closing trading price of the Company's shares on 8 December 2010) and cash proceeds of the share placements of HK$21.6 million (equivalent to approximately RMB18.5 million), representing the par value, were credited to the Company's share capital. The remaining deemed and cash proceeds, net of transaction costs, of HK$1,128.6 million (equivalent to approximately RMB969.8 million) were credited to the Company's share premium account.

Upon completion of the issuance of above ordinary shares, the Company's number of shares in issue increased from 416,000,000 to 677,899,529.

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

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

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

31 CAPITAL AND RESERVES (continued)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(o)(ii).

(iii) Statutory reserves

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

(iv) Exchange reserve

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

(e) Distributable reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMBNil (31 December 2009: RMB39.1 million). The directors of the Company recommend the payment of a final dividend of HK$0.03 per ordinary share (before the proposed share split mentioned in Note 36(c)) for the year ended 31 December 2010 (2009: HK$Nil per ordinary share).

(f) Capital management

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

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

31 CAPITAL AND RESERVES (continued)

(f) Capital management (continued)

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

During 2010, the Group's strategy was to continue to lower the adjusted net debt-to-capital ratio to an acceptable level. In order to improve the Group's capital structure, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2010 and 2009 is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Current liabilities:		
Trade and other payables	**1,561,920**	1,274,906
Bank and other loans	**292,560**	273,616
	1,854,480	1,548,522
Non-current liabilities:		
Bank and other loans	**467,526**	479,937
Amounts due to a related company	**81,276**	76,928
Unsecured notes	**541,757**	405,472
Total debt	**2,945,039**	2,510,859
Add: proposed dividends	**17,305**	–
Less: cash and cash equivalents	**(827,927)**	(291,037)
Adjusted net debt	**2,134,417**	2,219,822
Total equity	**1,943,305**	1,237,487
Less: proposed dividends	**(17,305)**	–
Adjusted capital	**1,926,000**	1,237,487
Adjusted net debt-to-capital ratio	**111%**	179%

31 CAPITAL AND RESERVES (continued)

(f) Capital management (continued)

	The Company	
	2010	2009
	RMB'000	RMB'000
Current liabilities:		
Other payables	**67,891**	46,960
Non-current liabilities:		
Unsecured notes	**396,857**	405,472
Total debt	**464,748**	452,432
Add: proposed dividends	**17,305**	–
Less: cash and cash equivalents	**(108,495)**	(30,322)
Adjusted net debt	**373,558**	422,110
Total equity	**1,371,283**	438,371
Less: proposed dividends	**(17,305)**	–
Adjusted capital	**1,353,978**	438,371
Adjusted net debt-to-capital ratio	**28%**	96%

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

32 ACQUISITON OF A SUBSIDIARY AND CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

(a) On 30 June 2010, Weihai Blue Star, a subsidiary of the Group, entered into various equity transfer agreements to acquire an aggregate of 39.6% equity interests in Linyi Blue Star from the equity holders of Linyi Blue Star, with the consideration being Weihai Blue Star taking up the obligation to fulfil the outstanding capital contribution requirement of RMB40.0 million into Linyi Blue Star. At the same time, Weihai Blue Star has entered into a capital increase agreement with Linyi Blue Star to further contribute RMB47.0 million into Linyi Blue Star.

Upon completion of the above equity transfers and capital increase on 8 September 2010, Weihai Blue Star's equity interests in Linyi Blue Star is 58.78%. The directors of the Company consider the acquisition of Linyi Blue Star will benefit the Group by (i) increasing the Group's production capacity; and (ii) increasing the Group's competitiveness in the glass market, as Linyi Blue Star can have access to relatively cheaper raw materials and fuel source.

The identifiable assets acquired and liabilities assumed in the above acquisition (not adjusted for the percentage of ownership held by the Group) were as follows:

	RMB'000
Property, plant and equipment	89,022
Lease prepayments	8,203
Other receivables	70,991
Cash and cash equivalents	1,901
Other payables	(69,117)
Total identifiable net assets	101,000
Cash and cash equivalents acquired	1,901

Pre-acquisition carrying amounts of the acquiree's assets and liabilities were determined based on applicable HKFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition were their estimated fair values. Linyi Blue Star is under construction at the date of acquisition, hence the directors of the Company considered the estimated fair values of the assets acquired and liabilities assumed to be the same as their pre-acquisition carrying amounts. Accordingly, the directors of the Company considered the assumption of Linyi Blue Star being acquired on 1 January 2010 would have no significant effect on the Group's turnover and net profit for the year ended 31 December 2010.

32 ACQUISITON OF A SUBSIDIARY AND CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES (continued)

(b) On 19 October 2010, the Company announced that the Company has entered into agreements with Mei Long Developments Limited ("Mei Long") and Pilkington, being the then non-controlling shareholders of JV Investments, to acquire their 16.64% and 25.46% equity interests in JV Investments, respectively, with the consideration being the Company's issuance of a total of 123,069,529 ordinary shares and a cash consideration of RMB42.9 million.

Upon completion of the above acquisitions on 8 December 2010, JV Investments became a wholly-owned subsidiary of the Group. Consequently, the Group recognised a decrease in non-controlling interests of RMB270.6 million.

(c) On 30 December 2010, Starfair Group Limited, a wholly owned subsidiary of the Company, acquired an additional 17.46% equity interests in Weihai Blue Star for a consideration of RMB121.7 million.

Upon completion of the above acquisition, the Group's effective interests in Weihai Blue Star increased from 54.58% to 73.34%. Consequently, the Group recognised a decrease in non-controlling interests of RMB110.8 million.

33 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 31 December 2010, the outstanding amount bears interest at 6.12% per annum (31 December 2009: 6.12% per annum). For the year ended 31 December 2010, interest expenses of RMB1.8 million had incurred and been paid to Jiangsu Glass Group (2009: RMB2.2 million).

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

(ii) Other transactions

	Note	2010 RMB'000	2009 RMB'000
Sale of glass and glass products to related parties		**32**	40
Purchase of raw materials from related parties		**18,037**	12,819
Labour service expenses		**40**	699
Operating lease expenses		**1,662**	1,672
Non-interest bearing advances granted to related parties	(iii)	**6,280**	107
Settlement of non-interest bearing advances granted to related parties	(iii)	**695**	1,291
Non-interest bearing advances received from related parties	(iii)	**129**	–
Repayment of non-interest bearing advances received from related parties	(iii)	**6,237**	1,598

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

	Note	2010 RMB'000	2009 RMB'000
Management service expenses		**–**	878
Interest expenses	(ii)	**11,097**	11,615
Non-interest bearing advances granted to a related party	(iii)	**309**	138
Loan received from a related party	(iv)	**52,982**	–
Repayment of loans received from a related party	(v)	**13,562**	–

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	Note	2010 RMB'000	2009 RMB'000
Sale of glass and glass products to related parties		**342,861**	263,155
Purchase of raw materials from related parties		**86,688**	36,268
Labour service expenses		**2,056**	–
Non-interest bearing advances granted to related parties	(iii)	**304**	725
Settlement of non-interest bearing advances granted to related parties	(iii)	**–**	725
Non-interest bearing advances received from related parties	(iii)	**1,304**	12,000
Repayment of non-interest bearing advances received from related parties	(iii)	**1,388**	12,000

(d) Transactions with subsidiaries of the Group

	Note	2010 RMB'000	2009 RMB'000
Interest income	(i)	**4,021**	4,032
Non-interest bearing advances granted to subsidiaries	(iii)	**208,366**	509
Settlement of non-interest bearing advances granted to subsidiaries	(iii)	**30,985**	25,109
Settlement of loans granted to a subsidiary	(vi)	**–**	196,324
Non-interest bearing advances received from a subsidiary	(iii)	**49,596**	–

(e) Transactions with associates of the Group

	Note	2010 RMB'000	2009 RMB'000
Service fee income		**–**	1,330
Non-interest bearing advances granted to related parties	(iii)	**33**	159
Settlement of non-interest bearing advances granted to a related party	(iii)	**4,986**	–

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(f) Key management personnel remuneration

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

	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	**11,222**	2,933
Contributions to defined contribution retirement plans	**233**	149
Equity compensation benefits	**1,215**	2,623
	12,670	5,705

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

Notes:

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

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

(iii) Except for an amount of RMB4.1 million which is secured by property, plant and equipment and land use right of the Group's associate and is to be settled by instalments from January 2012 to June 2015, the remaining advances are unsecured and have no fixed terms of repayment.

(iv) The loan is unsecured, bears interest at 6.58% per annum and is repayable in bi-annual instalments from 15 July 2012 to 15 July 2015.

(v) The repayment is related to loans that are unsecured, bear interest ranging from 7.36% to 7.73% per annum and are repayable from 15 January 2011 to 15 July 2015.

(vi) The settlement is related to loans that are unsecured, non-interest bearing and are repayable on 30 June 2012.

34 COMMITMENTS

(a) Capital commitments

At 31 December 2010, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**74,994**	217,520
– Authorised but not contracted for	**220,000**	25,315
	294,994	242,835
Commitments in respect of investment in a subsidiary		
– Contracted for	**16,306**	–
– Authorised but not contracted for	**–**	–
	16,306	–
Total commitments		
– Contracted for	**91,300**	217,520
– Authorised but not contracted for	**220,000**	25,315
	311,300	242,835

At 31 December 2010, capital commitments in respect of land and buildings, and machinery and equipment are for the expansion and upgrade of certain existing production lines of the Group; and capital commitments in respect of investment in a subsidiary is for the acquisition of non-controlling interests in a subsidiary of the Group (see Note 36(a)).

34 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

(i) The Group

	2010 RMB'000	2009 RMB'000
Within 1 year	**4,533**	4,865
After 1 year but within 5 years	**3,654**	7,441
After 5 years	**5,040**	2,846
	13,227	15,152

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

(ii) The Company

	2010 RMB'000	2009 RMB'000
Within 1 year	**1,359**	1,323
After 1 year but within 5 years	**1,749**	2,882
	3,108	4,205

The Company leases its office premises under operating leases. The lease run for an initial period of 2 to 5 years, where all terms are renegotiated upon renewal. The leases do not include contingent rentals.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

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

For trade and other receivables and non-current receivables from related companies, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers, except for those disclosed in Notes 20 and 22(a).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2010, 14.5% (31 December 2009: 11.0%) and 34.8% (31 December 2009: 17.0%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from non-current receivables from related companies and trade and other receivables are set out in Notes 20 and 22.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

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

At 31 December 2010, the Group had net current liabilities of RMB189.4 million. The Group will continue to undertake various measures in order to further improve its liquidity position in the short and longer term.

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

The Group

	2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Trade and other payables	1,563,388	-	-	-	1,563,388	1,561,920
Bank and other loans	329,502	238,385	263,705	22,307	853,899	760,086
Non-current amounts due to a related company	71,285	7,500	15,155	-	93,940	81,276
Unsecured notes	46,238	449,495	156,188	-	651,921	541,757
	2,010,413	695,380	435,048	22,307	3,163,148	2,945,039

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Group (continued)

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

The Company

	2010 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Balance sheet carrying amount RMB'000**
Other payables	**67,891**	**-**	**-**	**-**	**67,891**	**67,891**
Unsecured notes	**38,813**	**442,070**	**-**	**-**	**480,883**	**396,857**
	106,704	**442,070**	**-**	**-**	**548,774**	**464,748**

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Company (continued)

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

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk

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

(i) Interest rate profile

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

	The Group			
	2010		2009	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**6.55%**	**301,730**	6.29%	404,753
Amounts due to a related company	**6.12%**	**26,552**	6.12%	32,353
Unsecured notes	**4.95%-9.625%**	**541,757**	9.625%	405,472
		870,039		842,578
Variable rate borrowings:				
Bank and other loans	**6.20%**	**458,356**	5.96%	348,800
Amounts due to a related company	**6.44%**	**60,662**	5.94%	50,376
		519,018		399,176
Total borrowings		**1,389,057**		1,241,754
Fixed rate borrowings as a percentage of total borrowings		**63%**		68%

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

	The Company			
	2010		2009	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Unsecured notes	**9.625%**	**396,857**	9.625%	405,472
Total borrowings		**396,857**		405,472
Fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(ii) Sensitivity analysis

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB4.23 million (2009: RMB3.29 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the balance sheet date, the impact on the Group's results (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2009.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk

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

(i) Recognised assets and liabilities

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

(ii) Exposure to currency risk

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

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Group

	Exposure to foreign currencies			
	2010			
	United States Dollars RMB'000	Renminbi RMB'000	Hong Kong Dollars RMB'000	Euros RMB'000
Bank and other loans	(194,568)	–	–	–
Cash and cash equivalents	40,212	270	21	96
Trade and other receivables	62,358	150	–	–
Trade and other payables	(384,903)	(5,076)	–	(1,356)
Non-current amounts due to a related company	–	(60,662)	–	–
Gross exposure arising from recognised assets and liabilities	(476,901)	(65,318)	21	(1,260)

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

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies	
	2010	2009
	Renminbi	Renminbi
	RMB'000	RMB'000
Cash and cash equivalents	**270**	97
Other receivables	**150**	150
Other payables	**(5,076)**	(4,499)
Gross exposure arising from recognised assets and liabilities	**(4,656)**	(4,252)

(iii) Sensitivity analysis

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

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

	The Group			
	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000
United States Dollars	**5%**	**(18,984)**	5%	(21,015)
	(5%)	**18,984**	(5%)	21,015
Renminbi	**5%**	**(3,266)**	5%	(2,731)
	(5%)	**3,266**	(5%)	2,731
Hong Kong Dollars	**5%**	**1**	5%	(355)
	(5%)	**(1)**	(5%)	355
Euros	**20%**	**(220)**	10%	(293)
	(20%)	**220**	(10%)	293

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values

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

The carrying amounts of the Group's and of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009 except as follows:

	The Group			
	2010		2009	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Available-for-sale investment	**1,000**	*	1,000	*
Long-term bank and other loans	**467,526**	**472,698**	479,937	481,115
Non-current amounts due to a related company	**81,276**	**92,651**	76,928	87,519
Unsecured notes	**541,757**	**535,613**	405,472	340,931

	The Company			
	2010		2009	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Loans to a subsidiary	**334,783**	**302,906**	346,409	295,038
Unsecured notes	**396,857**	**388,388**	405,472	340,931

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

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

(Expressed in RMB unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values (continued)

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

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

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

	2010	2009
Long-term bank and other loans	**6.63%**	6.43%
Non-current amounts due to a related company	**6.64%-6.82%**	6.29%-6.47%
Loans to a subsidiary	**6.64%**	6.29%

(ii) Unsecured notes

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

36 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of non-controlling interests in a subsidiary of the Group

On 22 December 2010, the Company, through a wholly-owned subsidiary of the Group, has entered into a series of share transfer agreements to acquire an aggregate of 17.44% equity interests in Linyi Blue Star from the current non-controlling equity holders of Linyi Blue Star at a combined consideration of RMB16.31 million. Upon completion of the above share transfers, the Group's effective interest in Linyi Blue Star will increase from 43.11% to 60.55%. Up to the date of issue of these financial statements, these transactions have not been completed.

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

36 NON-ADJUSTING POST BALANCE SHEET EVENTS (continued)

(b) Proposed exercise of an option to acquire the non-controlling interests in a subsidiary of the Group

Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD and Keen Moral Investment Limited ("Keen Moral"), both wholly-owned subsidiaries of the Group, with Jiangsu Glass Group, a related party under common significant influence, on 25 May 2009, Jiangsu Glass Group has granted Keen Moral or its nominee an exclusive and irrevocable option (the "Buy-back Option") to acquire the whole of or part of its 49% equity interests in Dongtai Glass Company at specified terms and conditions.

On 28 February 2011, the Company announced that Jiangsu SHD, as a nominee of Keen Moral, will exercise the Buy-back Option to request Jiangsu Glass Group to transfer the 49% equity interests in Dongtai Glass Company at a consideration of RMB69.1 million. The completion of the exercise of the Buy-back Option is subject to the approval of the independent shareholders of the Company in a special general meeting to be held at a future date. Upon completion of the above transaction, Dongtai Glass Company will become a wholly-owned subsidiary of the Group. Up to the date of issue of these financial statements, this transaction has yet to be completed.

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

(c) Proposed increase in the Company's authorised share capital and share split

On 28 February 2011, the Company announced that the directors of the Company have proposed to increase the authorised share capital of the Company from HK$70.0 million (divided into 700,000,000 ordinary shares) to HK$180.0 million (divided into 1,800,000,000 ordinary shares) by creating an additional 1,100,000,000 unissued ordinary shares. The additional 1,100,000,000 ordinary shares, when issued, will rank pari passu with all existing ordinary shares. The increase in authorised share capital of the Company is subject to the approval of the Company's shareholders in a special general meeting to be held at a future date. Up to the date of issue of these financial statements, this transaction has yet to be completed.

On 10 March 2011, the directors of the Company have further proposed a one-to-one share split on the Company's share capital, i.e. each existing ordinary share of HK$0.1 will be split into two ordinary shares of HK$0.05 each. The proposed share split will result in the above proposed change of the Company's authorised share capital to increase from HK$70.0 million (divided into 1,400,000,000 ordinary shares) to HK$180.0 million (divided into 3,600,000,000 ordinary shares). The proposed share split on the Company's share capital is subject to the approval of the Company's shareholders in a special general meeting to be held at a future date. Up to the date of issue of these financial statements, this transaction has yet to be completed.

(d) Proposed final dividends

On 10 March 2011, the directors of the Company have proposed a final dividend. Further details are disclosed in Note 31(b).

37 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2010 to be First Fortune Enterprises Limited and Easylead Management Limited, respectively, which are both incorporated in the British Virgin Islands.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 28 and 35 contain information about the assumptions and the risk factors relating to fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

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

(b) Impairment of long-lived assets

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

(c) Depreciation

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

(Expressed in RMB unless otherwise indicated)

39 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Limited exemption from comparative HKFRS 7 disclosures for first-time adopters*	1 July 2010
Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Revised HKAS 24, *Related party disclosures*	1 January 2011
Amendments to HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
HKFRS 9, *Financial instruments* (2009) Basis for conclusions on HKFRS 9 (2009) Amendments to other HKFRSs and guidance on HKFRS 9 (2009)	1 January 2013
HKFRS 9, *Financial instruments (2010)* Basis for conclusions on HKFRS 9 (2010) Implementation guidance on HKFRS 9 (2010)	1 January 2013

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