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

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

Interim Report 2011

* For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

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

Non-Executive Directors
Mr. Zhou Cheng *(Chairman)*
Mr. Zhao John Huan
Mr. Eddie Chai
Mr. Chen Shuai
Mr. Ning Min (appointed on 30 June 2011)
Mr. Liu Jinduo (resigned on 30 June 2011)

Independent Non-Executive Directors
Mr. Sik Siu Kwan
Mr. Zhang Baiheng
Mr. Zhao Lihua (appointed on 30 June 2011)
Mr. Song Jun (resigned on 30 June 2011)

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. Zhao John Huan
Mr. Zhao Lihua (appointed on 30 June 2011)
Mr. Song Jun (resigned on 30 June 2011)

REMUNERATION COMMITTEE

Mr. Zhao John Huan
(Chairman of remuneration committee)
Mr. Sik Siu Kwan
Mr. Zhao Lihua (appointed on 30 June 2011)
Mr. Song Jun (resigned on 30 June 2011)

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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
Shanghai Pudong Development Bank
Bank of Jiangsu
China Minsheng Banking Corp. Ltd.
China Merchants Bank
Bank of Hankou

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Brunswick Group Ltd.

STOCK CODE

Hong Kong Stock Exchange 3300

Consolidated Income Statement

For the six months ended 30 June 2011 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000
Turnover	4	**1,552,392**	1,422,543
Cost of sales		**(1,232,734)**	(1,038,319)
Gross profit		**319,658**	384,224
Other revenue		**48,418**	20,062
Other net income		**5,254**	2,921
Distribution costs		**(41,955)**	(34,689)
Administrative expenses		**(101,425)**	(87,563)
Profit from operations		**229,950**	284,955
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	5	**(44,105)**	(52,207)
Profit before taxation	5	**185,845**	315,381
Income tax	6	**(36,871)**	(50,945)
Profit for the period		**148,974**	264,436
Attributable to:			
Equity shareholders of the Company		**125,956**	166,220
Non-controlling interests		**23,018**	98,216
Profit for the period		**148,974**	264,436
Earnings per share (RMB)			
Basic	7(a)	**0.090**	0.182
Diluted	7(b)	**0.089**	N/A

The notes on pages 10 to 35 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 22(a).

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	**148,974**	264,436
Other comprehensive income for the period (before and after tax):		
Exchange differences on translation into presentation currency	**(5,577)**	2,316
Total comprehensive income for the period	**143,397**	266,752
Attributable to:		
Equity shareholders of the Company	**120,379**	168,090
Non-controlling interests	**23,018**	98,662
Total comprehensive income for the period	**143,397**	266,752

The notes on pages 10 to 35 form part of this interim financial report.

Consolidated Balance Sheet

At 30 June 2011 – unaudited

(Expressed in RMB)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	8	**2,969,211**	2,798,556
Lease prepayments	9	**317,848**	321,752
Intangible assets	10	**52,191**	58,148
Receivables from related companies	12	**15,506**	19,645
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	20	**74,828**	74,410
		3,430,584	3,273,511
Current assets			
Inventories	13	**513,486**	342,180
Trade and other receivables	14	**838,584**	538,475
Cash and cash equivalents	15	**1,106,163**	827,927
		2,458,233	1,708,582
Current liabilities			
Trade and other payables	16	**1,752,513**	1,561,920
Bank and other loans	17(a)	**465,785**	292,560
Income tax payable		**14,703**	43,487
		2,233,001	1,897,967
Net current assets/(liabilities)		**225,232**	(189,385)
Total assets less current liabilities		**3,655,816**	3,084,126

The notes on pages 10 to 35 form part of this interim financial report.

Consolidated Balance Sheet (continued)

At 30 June 2011 – unaudited
(Expressed in RMB)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current liabilities			
Bank and other loans	17(b)	**482,279**	467,526
Amounts due to a related company	18	**17,481**	81,276
Unsecured notes	19	**536,070**	541,757
Deferred tax liabilities	20	**41,985**	50,262
		1,077,815	1,140,821
NET ASSETS		**2,578,001**	1,943,305
CAPITAL AND RESERVES	22		
Share capital		**74,553**	66,422
Reserves		**2,140,080**	1,385,231
Total equity attributable to equity shareholders of the Company		**2,214,633**	1,451,653
Non-controlling interests		**363,368**	491,652
TOTAL EQUITY		**2,578,001**	1,943,305

The notes on pages 10 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits 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 the six months ended 30 June 2010:										
Profit for the period	–	–	–	–	–	–	166,220	166,220	98,216	264,436
Other comprehensive income	–	–	–	–	–	1,870	–	1,870	446	2,316
Total comprehensive income	–	–	–	–	–	1,870	166,220	168,090	98,662	266,752
Issuance of shares	4,071	15,987	–	–	–	–	–	20,058	–	20,058
Effect on equity arising from the acquisitions of non-controlling interests	–	–	–	–	–	–	–	–	(78,025)	(78,025)
Effect on equity arising from the disposal of controlling equity interests in a subsidiary	–	–	–	–	–	–	–	–	1,054	1,054
Equity-settled share-based transactions (Note 22(e))	–	–	2,002	–	–	–	–	2,002	–	2,002
Transfer between reserves	–	–	–	–	(6,643)	–	6,643	–	–	–
Transactions with equity holders of the Group	4,071	15,987	2,002	–	(6,643)	–	6,643	22,060	(76,971)	(54,911)
Balance at 30 June 2010	47,927	426,469	16,304	40,785	(28,467)	1,847	246,562	751,427	697,901	1,449,328
Balance at 1 July 2010	47,927	426,469	16,304	40,785	(28,467)	1,847	246,562	751,427	697,901	1,449,328
Changes in equity for the six months ended 31 December 2010:										
Profit for the period	–	–	–	–	–	–	138,531	138,531	103,793	242,324
Other comprehensive income	–	–	–	–	–	(2,072)	–	(2,072)	(867)	(2,939)
Total comprehensive income	–	–	–	–	–	(2,072)	138,531	136,459	102,926	239,385
Issuance of shares	18,495	969,805	–	–	–	–	–	988,300	–	988,300
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	11,236	11,236
Effect on equity arising from the acquisition of non-controlling interests	–	–	–	–	(425,180)	–	–	(425,180)	(381,411)	(806,591)
Effect on equity from the acquisition of a subsidiary	–	–	–	–	–	–	–	–	61,000	61,000
Equity-settled share-based transactions (Note 22(e))	–	–	647	–	–	–	–	647	–	647
Transfer between reserves	–	–	–	–	(3,643)	–	3,643	–	–	–
Transactions with equity holders of the Group	18,495	969,805	647	–	(428,823)	–	3,643	563,767	(309,175)	254,592
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 10 to 35 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2011 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011	66,422	1,396,274	16,951	40,785	(457,290)	(225)	388,736	1,451,653	491,652	1,943,305
Changes in equity for the six months ended 30 June 2011:										
Profit for the period	–	–	–	–	–	–	125,956	125,956	23,018	148,974
Other comprehensive income	–	–	–	–	–	(5,577)	–	(5,577)	–	(5,577)
Total comprehensive income	–	–	–	–	–	(5,577)	125,956	120,379	23,018	143,397
Dividends approved in respect of the previous year (Note 22(a)(ii))	–	–	–	–	–	–	(17,305)	(17,305)	–	(17,305)
Insurance of shares (Note 22(c))	8,367	652,640	–	–	–	–	–	661,007	–	661,007
Purchase of own shares (Note 22(d))										
– par value paid	(236)	–	–	–	–	–	–	(236)	–	(236)
– premium paid	–	–	–	–	–	–	(13,430)	(13,430)	–	(13,430)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	10,741	10,741
Effect on equity arising from the acquisitions of non-controlling interests (Note 21)	–	–	–	–	11,596	–	–	11,596	(162,043)	(150,447)
Equity-settled share-based transactions (Note 22(e))	–	–	969	–	–	–	–	969	–	969
Transfer between reserves	–	–	–	–	(3,877)	–	3,877	–	–	–
Transactions with equity holders of the Group	8,131	652,640	969	–	7,719	–	(26,858)	642,601	(151,302)	491,299
Balance at 30 June 2011	74,553	2,048,914	17,920	40,785	(449,571)	(5,802)	487,834	2,214,633	363,368	2,578,001

The notes on pages 10 to 35 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000
Cash generated from operations		**126,913**	242,897
Income tax paid		**(74,350)**	(56,695)
Net cash generated from operating activities		**52,563**	186,202
Net cash used in investing activities		**(399,913)**	(141,887)
Net cash generated from/(used in) financing activities		**602,539**	(15,257)
Net increase in cash and cash equivalents		**255,189**	29,058
Cash and cash equivalents at 1 January	15	**804,927**	291,037
Effect of foreign exchange rate changes		**(4,353)**	(444)
Cash and cash equivalents at 30 June	15	**1,055,763**	319,651

The notes on pages 10 to 35 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the 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 condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 30 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors (the "Directors") of the Company is included on page 36.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 10 March 2011.

3 CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

4 SEGMENT REPORTING

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

- Low value-added glass products: the operations in this segment produce, market and distribute low value-added glass products such as clear glass.
- High value-added glass products: the operations in this segment produce, market and distribute high value-added glass products such as painted glass, coated glass, ultra clear glass and photovoltaic battery module products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

4 SEGMENT REPORTING (continued)

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

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

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and "depreciation and amortisation" is regarded as including impairment losses on 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 results of an associate, net gain from disposal of controlling equity interests in a subsidiary, net gain from disposal of equity interests in an associate, directors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses, and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have occurred for the six months ended 30 June 2011 and 2010.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2011 and 2010 is set out below.

	Low value-added glass products		High value-added glass products		Total	
	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000	**Six months ended 30 June 2011 RMB'000**	Six months ended 30 June 2010 RMB'000	**Six months ended 30 June 2011 RMB'000**	Six months ended 30 June 2010 RMB'000
Revenue from external customers and reportable segment revenue	**609,637**	742,510	**942,755**	680,033	**1,552,392**	1,422,543
Reportable segment profit (adjusted EBITDA)	**133,001**	192,905	**221,068**	206,771	**354,069**	399,676
Additions to non-current segment assets during the period	**13,408**	246,718	**272,069**	39,917	**285,477**	286,635

	Low value-added glass products		High value-added glass products		Total	
	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000	**At 30 June 2011 RMB'000**	At 31 December 2010 RMB'000
Reportable segment assets	**1,679,490**	2,350,262	**3,830,160**	2,547,662	**5,509,650**	4,897,924
Reportable segment liabilities	**857,842**	1,527,305	**2,687,946**	1,516,679	**3,545,788**	3,043,984

4 SEGMENT REPORTING (continued)

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

	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	**354,069**	399,676
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
Interest income	**3,741**	732
Depreciation and amortisation	**(120,115)**	(107,712)
Finance costs	**(44,105)**	(52,207)
Unallocated head office and corporate expenses	**(7,745)**	(7,741)
Consolidated profit before taxation	**185,845**	315,381

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Assets		
Reportable segment assets	**5,509,650**	4,897,924
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**74,828**	74,410
Unallocated head office and corporate assets	**1,218,600**	701,053
Elimination of receivables between segments, and segments and head office	**(915,261)**	(692,294)
Consolidated total assets	**5,888,817**	4,982,093

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Liabilities		
Reportable segment liabilities	**3,545,788**	3,043,984
Income tax payable	**14,703**	43,487
Deferred tax liabilities	**41,985**	50,262
Unallocated head office and corporate liabilities	**623,601**	593,349
Elimination of payables between segments, and segments and head office	**(915,261)**	(692,294)
Consolidated total liabilities	**3,310,816**	3,038,788

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**51,618**	45,623
Bank charges and other finance costs	**9,334**	14,558
Total borrowing costs	**60,952**	60,181
Less: amounts capitalised	**(6,163)**	(5,476)
Net borrowing costs	**54,789**	54,705
Net foreign exchange gain	**(10,684)**	(2,498)
	44,105	52,207

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Staff costs:		
Salaries, wages and other benefits	**123,055**	97,680
Contributions to defined contribution retirement plans	**15,766**	12,985
Equity-settled share-based payment expenses (see Note 22(e))	**969**	2,002
	139,790	112,667

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Other items:		
Cost of inventories (Note 13)	**1,232,734**	1,038,319
Depreciation and amortisation (Notes 8, 9 and 10)	**120,115**	107,712
Provision/(reversal) of impairment loss on trade and other receivables (Note 14(b))	**1,773**	(876)
Operating lease charges in respect of		
– land	**109**	109
– plant and buildings	**2,016**	2,446
– motor vehicles	**602**	649
Research and development costs (other than amortisation costs)	**1,792**	438
Net loss/(gain) on disposal of property, plant and equipment	**2,604**	(894)
Interest income	**(3,741)**	(734)

6 INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Provision for income tax on the estimated taxable profits for the period		
– The People's Republic of China (the "PRC") Income Tax	**45,566**	54,112
Deferred taxation (Note 20)	**(8,695)**	(3,167)
	36,871	50,945

No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiary of the Group incorporated in Hong Kong Special Administrative Region ("Hong Kong SAR") did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2011 (six months ended 30 June 2010: RMBNil).

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

The subsidiaries of the Group established in the PRC (the "PRC subsidiaries") were subject to PRC Corporate Income Tax rates ranging from 15% to 25% for the six months ended 30 June 2011 (six months ended 30 June 2010: 15% to 25%). Certain PRC subsidiaries are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprises with foreign investment in the PRC, these PRC subsidiaries obtained approval from the respective tax bureau that they are entitled to a 100% relief from PRC Corporate Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any, or if the PRC subsidiary is entitled but has not commenced in enjoying the tax holiday, the tax holiday must commence immediately in 2008 under the new tax law mentioned below.

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB126.0 million (six months ended 30 June 2010: RMB166.2 million) and the weighted average of 1,402,926,000 ordinary shares (six months ended 30 June 2010: 911,862,000 ordinary shares, after adjusting for the share split took place in 2011 (Note 22(b))) in issue during the six months ended 30 June 2011, calculated as follows:

	Six months ended 30 June	
	2011	2010
	'000	'000
Issued ordinary shares at 1 January	**677,900**	416,000
Effect of shares issued on 26 January 2010	**–**	39,931
Effect of share split (Note 22(b))	**677,900**	455,931
Effect of shares issued on 19 May 2011 (Note 22(c))	**47,514**	–
Effect of shares repurchased (Note 22(d))	**(388)**	–
Weighted average number of ordinary shares at 30 June	**1,402,926**	911,862

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB126.0 million and the weighted average of 1,422,804,000 ordinary shares in issue during the six months ended 30 June 2011, calculated as follows:

	Six months ended 30 June 2011 '000
Weighted average number of ordinary shares at 30 June	**1,402,926**
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 22(e))	**19,878**
Weighted average number of ordinary shares (diluted) at 30 June	**1,422,804**

There were no dilutive potential ordinary shares for the six months ended 30 June 2010.

8 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 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	–	–	–	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
Cost:					
At 1 January 2011	**1,219,419**	**2,271,390**	**25,242**	**352,394**	**3,868,445**
Additions	**7,830**	**15,068**	**5,416**	**257,171**	**285,485**
Transfer in/(out)	**213,028**	**243,576**	**–**	**(456,604)**	**–**
Disposals	**–**	**(100,105)**	**(1,528)**	**–**	**(101,633)**
At 30 June 2011	**1,440,277**	**2,429,929**	**29,130**	**152,961**	**4,052,297**
Accumulated depreciation and impairment losses:					
At 1 January 2011	**233,198**	**827,370**	**9,321**	**–**	**1,069,889**
Charge for the period	**19,885**	**88,896**	**1,473**	**–**	**110,254**
Written back on disposals	**–**	**(95,940)**	**(1,117)**	**–**	**(97,057)**
At 30 June 2011	**253,083**	**820,326**	**9,677**	**–**	**1,083,086**
Net book value:					
At 30 June 2011	**1,187,194**	**1,609,603**	**19,453**	**152,961**	**2,969,211**

At 30 June 2011, property certificates of certain properties with an aggregate net book value of RMB574.2 million (31 December 2010: RMB381.1 million) are yet to be obtained.

9 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2010	328,808
Additions	36,831
Additions through acquisition of a subsidiary	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
Cost:	
At 1 January and 30 June 2011	**351,141**
Accumulated amortisation:	
At 1 January 2011	**29,389**
Charge for the period	**3,904**
At 30 June 2011	**33,293**
Net book value:	
At 30 June 2011	**317,848**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 30 June 2011, land use right certificates of certain land use rights with an aggregate carrying value of RMB24.6 million (31 December 2010: RMB32.5 million) are yet to be obtained.

10 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2010, 31 December 2010 and 30 June 2011	**123,739**
Accumulated amortisation and impairment losses:	
At 1 January 2010	53,676
Charge for the year	11,915
At 31 December 2010	**65,591**
Charge for the period	**5,957**
At 30 June 2011	**71,548**
Net book value:	
At 30 June 2011	**52,191**
At 31 December 2010	58,148

11 INTEREST IN AN ASSOCIATE

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Share of net assets	**–**	–

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

Name of associate	Place of establishment and operations	Particulars of registered 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 a subsidiary	Principal activities
Beijing Zhonghai Xingye Safety Glass Company Limited ("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 RMB'000	Liabilities RMB'000	Total equity-deficit RMB'000	Revenue RMB'000	Net (loss)/ profit RMB'000
30 June 2011					
Zhonghai Xingye	**67,472**	**69,501**	**(2,029)**	**14,616**	**(705)**
31 December 2010					
Zhonghai Xingye	65,089	66,413	(1,324)	40,440	1,728

12 NON-CURRENT RECEIVABLES FROM RELATED COMPANIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Amount due from an associate (Note (i))	**13,919**	17,277
Amount due from an affiliate of an equity shareholder of the Company (Note (ii))	**1,587**	2,368
	15,506	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 July 2012 to June 2015.

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

13 INVENTORIES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Raw materials	**170,734**	123,474
Work in progress and finished goods	**302,389**	191,246
Racks, spare parts and consumables	**43,813**	30,978
	516,936	345,698
Less: write-down of inventories	**(3,450)**	(3,518)
	513,486	342,180

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

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Carrying amount of inventories sold	**1,232,802**	1,036,635
(Reversal of write-down)/write-down of inventories	**(68)**	1,684
	1,232,734	1,038,319

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

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivable from:		
– Third parties	**340,125**	133,263
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**18,997**	62,977
– Companies under common significant influence	**147**	147
Bills receivable	**84,542**	69,103
	443,811	265,490
Less: allowance for doubtful debts (Note 14(b))	**(20,346)**	(20,346)
	423,465	245,144
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (i))	**3,960**	4,140
– Non-controlling equity holders of subsidiaries of the Group (Note (ii))	**21,012**	446
– An associate of the Group (Note (iii))	**4,422**	198
– Companies under common significant influence (Note (ii))	**41,656**	48,312
	71,050	53,096
Less: allowance for doubtful debts (Note 14(b))	**(3,074)**	(3,074)
	67,976	50,022
Prepayments, deposits and other receivables	**352,667**	247,060
Less: allowance for doubtful debts (Note 14(b))	**(5,524)**	(3,751)
	347,143	243,309
	838,584	538,475

Notes:

(i) The amounts are unsecured and non-interest bearing. Except for an amount of RMB1.5 million at 30 June 2011 (31 December 2010: RMB1.5 million) which is to be settled within one year, all of the remaining balances have no fixed terms of repayment.

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

(iii) Except for an amount of RMB0.2 million at 30 June 2011 which is unsecured, non-interest bearing and has no fixed terms of repayment, the remaining balance is secured by property, plant and equipment and land use right of the associate, non-interest bearing and is to be settled within one year. The amount at 31 December 2010 was unsecured, non-interest bearing and has no fixed terms of repayment.

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

14 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 month	**191,892**	136,910
More than 1 month but less than 3 months	**114,013**	57,650
More than 3 months but less than 6 months	**66,531**	40,461
More than 6 months	**51,029**	10,123
	423,465	245,144

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

(b) Impairment of trade and other receivables

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

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

	Six months ended 30 June 2011 RMB'000	Year ended 31 December 2010 RMB'000
At 1 January	**27,171**	40,943
Impairment loss recognised/(reversal of impairment loss)	**1,773**	(5,603)
Decrease through disposal of a subsidiary	**–**	(6,557)
Uncollectible amounts written off	**–**	(1,612)
At 30 June/31 December	**28,944**	27,171

At 30 June 2011, the Group's trade and other receivables of RMB28.9 million (31 December 2010: RMB27.2 million) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	**1,055,763**	804,927
Time deposits with banks	**50,400**	23,000
Cash and cash equivalents in the consolidated balance sheet	**1,106,163**	827,927
Less: time deposits with original maturity over 3 months	**(50,400)**	(23,000)
Cash and cash equivalents in the condensed consolidated cash flow statement	**1,055,763**	804,927

At 30 June 2011, cash and cash equivalents of RMB130.6 million (31 December 2010: RMB59.9 million) were pledged to secure bills and future interest payments arising from the unsecured notes issued by the Group.

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

16 TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payable to:		
– Third parties	**429,011**	339,670
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**2,414**	3,895
– Companies under common significant influence	**3,366**	3,681
Bills payable	**237,899**	124,516
	672,690	471,762
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**5,269**	4,829
– Non-controlling equity holders of subsidiaries of the Group and their affiliates (Note (ii))	**–**	14
– Companies under common significant influence (Note (iii))	**53,982**	35,612
	59,251	40,455
Accrued charges and other payables	**883,106**	938,530
Financial liabilities measured at amortised cost	**1,615,047**	1,450,747
Advances received from customers	**137,466**	111,173
	1,752,513	1,561,920

16 TRADE AND OTHER PAYABLES (continued)

Notes:

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

(ii) The amount at 31 December 2010 was unsecured, non-interest bearing and has no fixed terms of repayment.

(iii) The amounts are unsecured. Except for an amount of RMB6.2 million at 30 June 2011 (31 December 2010: RMB6.0 million) which bears interest at 6.12% per annum (31 December 2010: 6.12% 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 trade and other payables are expected to be settled or recognised as revenue within one year.

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	**504,090**	367,246
Due after 1 month but within 6 months	**168,600**	104,516
	672,690	471,762

17 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans	**341,085**	203,706
Loans from third parties	**40,000**	5,000
	381,085	208,706
Add: current portion of long-term bank and other loans	**84,700**	83,854
	465,785	292,560

17 BANK AND OTHER LOANS (continued)

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

At 30 June 2011, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans:		
– Pledged by bank bills	–	3,150
– Secured by property, plant and equipment and land use rights	90,000	20,000
– Unguaranteed and unsecured	251,085	180,556
	341,085	203,706
Loans from third parties:		
– Unguaranteed and unsecured	40,000	5,000
	381,085	208,706

At 30 June 2011, the aggregate carrying values of the secured property, plant and equipment and land use rights were RMB177.8 million (31 December 2010: RMB141.2 million).

(b) Long-term bank and other loans

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Bank loans	371,800	321,800
Loans from third parties	27,018	44,568
Loans from an equity shareholder of the Company	168,161	185,012
	566,979	551,380
Less: current portion of long-term bank and other loans	(84,700)	(83,854)
	482,279	467,526

17 BANK AND OTHER LOANS (continued)

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

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year or on demand	**84,700**	83,854
After 1 year but within 2 years	**200,017**	214,091
After 2 years but within 5 years	**262,262**	233,435
After 5 years	**20,000**	20,000
	566,979	551,380

At 30 June 2011, except for long-term bank loans of RMB241.0 million (31 December 2010: RMB237.0 million) which are secured by property, plant and equipment and land use rights, all of the remaining borrowings are unsecured. At 30 June 2011, the aggregate carrying values of the secured property, plant and equipment and land use rights are RMB449.4 million (31 December 2010: RMB466.0 million).

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

At 30 June 2011, the Group's banking facilities amounted to RMB150.0 million (31 December 2010: RMB150.0 million) were utilised to the extent of RMB150.0 million (31 December 2010: RMB150.0 million).

18 NON-CURRENT AMOUNTS DUE TO A RELATED COMPANY

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Payable for purchase of properties (Note (i))	**17,481**	20,614
Expected consideration to be paid on a written put option over non-controlling interests (Note (ii))	**–**	60,662
	17,481	81,276

Notes:

(i) The amount is unsecured, bears interest at 6.12% per annum (31 December 2010: 6.12% per annum) and is repayable in monthly instalments between July 2012 to December 2014. Further details of the transaction are set out in Note 23(a)(i).

(ii) The amount as at 31 December 2010 represented the present value of the redemption amount of a written put option over 49% equity interests in Dongtai China Glass Special Glass Company Limited ("Dongtai Glass Company") held by Jiangsu Glass Group Company Limited ("Jiangsu Glass Group"), a related party under common significant influence. On 12 May 2011, the Group has acquired the 49% equity interests in Dongtai Glass Company for a consideration of RMB69.1 million (see Note 21(c)).

19 UNSECURED NOTES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Unsecured notes 9.625% 2012 (Note (i))	**390,270**	396,857
Unsecured notes 4.95% 2013 (Note (ii))	**145,800**	144,900
	536,070	541,757

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.

20 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets						Liabilities	
Deferred tax arising from:	**Unused tax losses RMB'000**	**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 2010	32,685	772	5,785	14,318	8,596	62,156	(58,591)	3,565
Credited/(charged) to the consolidated income statement	1,852	(111)	506	8,244	1,763	12,254	2,910	15,164
Decrease though 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**
(Charged)/credited to the consolidated income statement (Note 6)	**(4,591)**	**79**	**485**	**4,445**	**–**	**418**	**8,277**	**8,695**
At 30 June 2011	**29,946**	**740**	**6,776**	**27,007**	**10,359**	**74,828**	**(41,985)**	**32,843**

21 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

(a) On 31 March 2011, Keen Moral Investment Limited ("Keen Moral"), a wholly-owned subsidiary of the Group, acquired an additional 25% equity interests in Weihai Blue Star New Technology Glass Company Limited ("Weihai New Technology") for a consideration of RMB81.1 million.

Upon completion of the above acquisition, the Group's effective interests in Weihai New Technology increased from 53.91% to 78.91%. Consequently, the Group recognised a decrease in non-controlling interests of RMB91.4 million.

(b) On 31 March 2011, Poweridea Limited, a wholly-owned subsidiary of the Group, acquired an additional 11.48% equity interests in Zhongbo Technology Company Limited ("Zhongbo") for a consideration of RMB39.0 million.

Upon completion of the above acquisition, the Group's effective interests in Zhongbo increased from 61.67% to 73.15%. Consequently, the Group recognised a decrease in non-controlling interests of RMB44.4 million.

(c) Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD New Materials Company Limited ("Jiangsu SHD") and 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. At the same time, Keen Moral has written a put option (the "Written Put Option") to Jiangsu Glass Group under which the Group can be required to purchase the 49% equity interests in Dongtai Glass Company for cash upon the occurrence of certain events that are outside the control of either party.

On 28 February 2011, the Company announced that Jiangsu SHD, as a nominee of Keen Moral, would exercise the Buy-back Option to acquire the 49% equity interests in Dongtai Glass Company at a consideration of RMB69.1 million. The above acquisition was completed on 12 May 2011.

In prior years, the Directors of the Company have adopted an accounting policy to account for the above equity transfer agreement as if the Written Put Option had been exercised by the non-controlling equity holder, i.e. the underlying equity interests are deemed to have been acquired by the Group upon the entering of such contract. Accordingly, the 49% equity interests and related profit or loss are presented as equity and profit or loss attributable to equity shareholders of the Company.

Upon exercise of the Buy-back Option and completion of the above acquisition, the carrying amount of the expected consideration on the Written Put Option was transferred to other reserve, where the difference between this amount and the actual consideration paid resulted in the decrease in other reserve of RMB4.5 million.

(d) On 27 June 2011, Keen Moral acquired an additional 17.44% equity interests in China Glass Blue Star (Linyi) Glass Company Limited ("Linyi Blue Star") for a consideration of RMB25.8 million.

Upon completion of the above acquisition, the Group's effective interests in Linyi Blue Star increased from 43.11% to 60.55%. Consequently, the Group recognised a decrease in non-controlling interests of RMB26.2 million.

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$Nil).

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2010, approved and paid during the following interim period, of HK$0.015 per ordinary share, after adjusting for the share split in 2011 (Note 22(b)) (year ended 31 December 2009: HK$Nil per ordinary share)	**17,305**	–

(b) Increase in authorised share capital and share split

By an ordinary resolution passed at the special general meeting held on 1 April 2011, the Company's authorised share capital was increased from HK$70.0 million to HK$180.0 million by creating additional 1,100,000,000 unissued ordinary shares of HK$0.1 each, which when issued, will rank pari passu with the existing ordinary shares of the Company.

By an ordinary resolution passed at the annual general meeting held on 15 April 2011, the Company completed a one-to-one share split on its share capital, i.e. each existing ordinary share of HK$0.1 was split into two ordinary shares of HK$0.05 each. The share split also resulted in a change of the Company's authorised share capital to HK$180.0 million divided into 3,600,000,000 ordinary shares.

(c) Issuance of ordinary shares

On 13 May 2011, First Fortune Enterprises Limited ("First Fortune"), the immediate holding company of the Company, placed 200,000,000 ordinary shares of the Company to independent third parties at a price of HK$4.06 (the "Placing"). On 19 May 2011, First Fortune subscribed for 200,000,000 new ordinary shares issued by the Company (the "Subscription"). Upon completion of the Placing and the Subscription, the proceeds of HK$10.0 million (equivalent to approximately RMB8.4 million) received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, of HK$780.0 million (equivalent to approximately RMB652.6 million) were credited to the Company's share premium account.

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Purchase of own shares

During the six months ended 30 June 2011, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of ordinary shares repurchased	Highest price paid per ordinary share HK$	Lowest price paid per ordinary share HK$	Aggregate price paid HK$'000
June 2011	**5,652,000**	**3.10**	**2.47**	**16,411**

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these ordinary shares of HK$282,600 (equivalent to approximately RMB236,000). The premium paid on the repurchase of the ordinary shares of HK$16.1 million (equivalent to approximately RMB13.4 million) was charged to the retained profits.

(e) Equity-settled share-based transactions

No share options previously granted to directors of the Company and employees of the Group have been forfeited during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

No share options were exercised during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2011.

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 30 June 2011, the outstanding amount bears interest at 6.12% per annum (31 December 2010: 6.12% per annum). For the six months ended 30 June 2011, interest expenses of RMB0.8 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2010: RMB1.0 million).

(ii) Acquisition of non-controlling interests

As mentioned in Note 21(c), on 12 May 2011, Jiangsu SHD, as a nominee of Keen Moral, exercised the Buy-back Option to acquire the 49% equity interests in Dongtai Glass Company from Jiangsu Glass Group at a consideration of RMB69.1 million.

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

(iii) Other transactions

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Sale of glass and glass products to related parties		**–**	32
Purchase of raw materials from related parties		**10,081**	9,054
Labour service expenses		**–**	40
Operating lease expenses		**850**	850
Non-interest bearing advances granted to related parties	(ii)	**6**	2,414
Settlement of non-interest bearing advances granted to related parties	(ii)	**6,662**	676
Non-interest bearing advances received from related parties	(ii)	**2,441**	11
Repayment of non-interest bearing advances received from related parties	(ii)	**–**	3,687

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

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Interest expenses	(i)	**5,515**	5,713
Non-interest bearing advances granted to a related party	(ii)	**–**	273
Settlement of non-interest bearing advances granted to a related party	(iii)	**780**	–
Repayment of loans received from a related party	(iv)	**13,302**	–

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

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Sale of glass and glass products to related parties		**89,795**	161,497
Purchase of raw materials from related parties		**173**	44,713
Labour service expenses		**524**	1,252
Non-interest bearing advances granted to related parties	(ii)	**20,566**	–
Non-interest bearing advances received from related parties	(ii)	**–**	1,304
Repayment of non-interest bearing advances received from related parties	(ii)	**–**	1,388

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with an associate of the Group

		Six months ended 30 June	
		2011	2010
	Note	**RMB'000**	RMB'000
Interest expenses	(i)	**949**	–
Non-interest bearing advances granted to a related party	(ii)	**–**	18
Settlement of non-interest bearing advances granted to a related party	(v)	**83**	101

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Short-term employee benefits	**1,627**	1,333
Contributions to defined contribution retirement plans	**92**	96
Equity compensation benefits	**444**	918
	2,163	2,347

Notes:

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

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

(iii) The advance is unsecured and is to be settled by instalments from December 2011 to June 2013.

(iv) 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 July 2011 to 15 July 2015.

(v) The advance is secured by property, plant and equipment and land use right of the Group's associate and is to be settled by instalments from April 2012 to June 2015.

24 COMMITMENTS

(a) Capital commitments

At 30 June 2011, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**530,866**	74,994
– Authorised but not contracted for	**188,179**	220,000
	719,045	294,994
Commitments in respect of investment in a subsidiary		
– Contracted for	**–**	16,306
– Authorised but not contracted for	**–**	–
	–	16,306
Total commitments		
– Contracted for	**530,866**	91,300
– Authorised but not contracted for	**188,179**	220,000
	719,045	311,300

At 30 June 2011, capital commitments in respect of land and buildings, and machinery and equipment are for expansion and upgrade of certain existing production lines of the Group.

(b) Operating lease commitments

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 year	**4,141**	4,533
After 1 year but within 5 years	**3,616**	3,654
After 5 years	**4,932**	5,040
	12,689	13,227

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

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

(Incorporated in Bermuda with limited liability)

KPMG

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 35 which comprises the consolidated balance sheet of China Glass Holdings Limited as of 30 June 2011 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

30 August 2011

MARKET REVIEW

During the first half of 2011, driven by expanded production capacity, the glass market in the PRC saw a rapidly growing supply. On the other hand, the growth of downstream demand visibly slowed down due to control measures imposed on the real estate and automotive industries. In particular for the real estate industry, the time gap between supply controls towards commercial properties and the large-scale commencing of the construction of social security housing resulted in temporary unequilibrium of supply and demand in the glass market in the first half of 2011. The output-to-sales ratio and the selling price of the glass industry saw consecutive drops. According to statistics from a competent authority in the PRC, output of glass in the PRC for the first half of 2011 amounted to 374.17 million weight cases, representing an increase of 13.1% compared to the corresponding period in the prior year. The output-to-sales ratio was 93.99%, which was the lowest for the past seven years. Affected by the above factors, the price of glass dropped consistently starting from middle of May 2011. In addition, the prices of raw materials, fuel and power remained high, causing a significant rise in the manufacturing cost of the industry. As such, the glass industry as a whole saw apparent downfall of economic efficiency, with the total profit being reduced by more than 50% in the first half of 2011 compared to the corresponding period in the previous year. In brief, the glass market in the first half of 2011 as compared to the corresponding period in the previous year could be described as having escalation in output but weakened demand; higher cost but lower sales price; increased stock and decreased profits.

BUSINESS REVIEW

Overview

The Group currently has 18 glass production lines, including 15 float glass production lines and 3 ultra-clear photovoltaic glass production lines. Total melting capacity amounted to 7,430T/D, representing an increase of 660T from the end of 2010. The increase was mainly attributable to Linyi 2nd Line (producing online TCO glass and online Low-E coated glass, which commenced operation in August 2011 with melting capacity of 500T/D) and Nanjing 3rd Line (producing ultra-clear photovoltaic glass, which will commence operation during the second half of 2011 with melting capacity of 160T/D). As of 30 June 2011, the Group has 15 glass production lines in operation. The operation of the float glass production line in Qinchang, Beijing was still suspended for overhaul and upgrade during the first half of the year.

In addition, the Group also has 1 offline Low-E coated glass production line with an output of 3,000,000 square meters per annum, and 1 amorphous silicon thin-film battery production line of 12MW per annum.

During the first half of 2011, the Group produced a total of 19.60 million weight cases of various types of glass.

During the first half of 2011, the Group adhered to the development strategy of "Two High One Low" (high technological level, high production quality, low costs). Through an increase in the investment of technology, the product mix was adjusted, whist the technology used for the production as well as the product quality was enhanced. In a market of apparent fall in selling prices, through tactics such as expanding the scale of production, stabilizing the level of output, improving the quality and tapping into new markets, the Group maintained the selling price of products at a relatively stable level. Relatively successful results of operations were achieved through the upgrading and innovation of technology, strategic purchasing, reducing energy consumption and waste of fuels, tapping into new sources of income and cost-saving.

Raw materials prices and production costs

During the first half of 2011, international crude oil prices grew steadily, and have risen by as much as 25% by the end of June. Affected by this, the prices of major fuels used by the Group, such as petroleum powder, coal tar and coal grew by approximately 20% compared to the corresponding period in the previous year. At the same time, due to factors such as rising energy and crude salt prices, local electricity shortages and restrictions on output imposed on the industry to secure prices, the cost of soda ash also rose by 30% compared to the corresponding period of last year. The costs for other raw materials also grew by varying degrees.

During the reporting period, the average unit cost of sales for the glass products of the Group increase by 6% compared to the corresponding period of last year. The increase in costs was mainly due to the following reasons: firstly, the cost of raw materials increased; and secondly, the proportion of high value-added products in the Group's total glass output increased, which increased production costs to a certain degree. However, by continuously promoting the strategy of introducing low cost substitute into the energy structure and making structural adjustment, the Group effectively reduced the risks of rising raw materials and fuel prices, and tried to keep the cost of sales increase at a lower rate than industry average.

Production, sales and selling price

During the first half of 2011, the 15 glass production lines under normal operation of the Group maintained sound operating conditions, with safe production activities and stable output quality. During the first half of the year, a total of 19.60 million weight cases of glass of various types were produced, representing an output-to-sales ratio of 91.94%. The average selling price of glass products of the Group for the first half of 2011 was RMB85/weight case, representing a decrease of 1% compared to the corresponding period of the prior year. The China Glass Price Index, compiled by China Glass Network, showed that as of 30 June 2011, the PRC glass industry saw a decrease in average selling price of 8% compared to the same period of last year. The Group's ability to achieve a lower extent of decrease in selling price compared to the rest of the industry could be attributed to its adjustment of product mix with increased proportion of high value-added products.

Profitability analysis

During the first half of 2011, the Group recorded gross profit of RMB319.66 million, a decrease of 17% from the corresponding period of last year, and the gross profit margin was 20.6%. The reason for the decrease in gross profit compared with corresponding period of last year was mainly attributable to the industry-wide increase in costs for raw materials and weak sales amidst a market downturn.

The Group recorded profit of RMB148.97 million for the current period, a decrease of 44% compared to the corresponding period of last year. However, excluding the gain attributable to the disposal of equity interests in a subsidiary and an associate of RMB82.63 million for the same period last year, profit for the first half of the year decreased by 18% as compared to the corresponding period in the previous year. During the first half of 2011, the profit attributable to the equity shareholders of the Company was RMB125.96 million, representing a decrease of 24% from the same period of last year. Excluding the effect on the disposal of equity interests in a subsidiary and an associate in the last year, profit attributable to the equity shareholders of the Company increased by 45% during the period. This was mainly benefitted from the completion of acquisitions of minority interest in some of its high-quality and high return subsidiaries by the Group, which increased the profitability of the assets of the equity shareholders of the Company.

Initial success of the "Two High One Low" strategy

During the first half of 2011, the Group steadily achieved progress in its development according to the designated strategy of "Two High One Low".

Firstly, the improvement and addition of production lines for high value-added products (such as the online Low-E glass production lines at the production base at Dongtai; the online TCO and online Low-E glass production lines at the production base at Linyi) were achieved progressively by fully leveraging on the Group's R&D advantage and technological edge, as well as integrating with market demands and development trend. During the first half of the year, the proportion of clear glass in total output fell significantly, and the proportion of high valued-added products with higher technology, including environmental-friendly coated glass, Low-E glass, Sun-E glass and solar power glass etc., in total turnover of the Group surged to 42%. This contributed to an outperformance in the price trends of the Group's products against the industry average.

Secondly, the Group continued to promote low cost fuel substitute technologies. Since 2008, the Group has been constantly perfecting and applying its "new solid fuel spraying and blowing technology", to which it has intellectual property ownership within the Group. Furthermore, the Group selected premises adjacent to rich, affordable substitute fuel for the new production lines. For example, the production base in Dongtai, Jiangsu, and the one in Linyi, Shandong, which newly entered production this year, utilised locally available and inexpensive coke-oven gas as substitute fuel. These were the main reasons for the Group's significantly lower extent of increase in cost of sales as compared to the rest of the industry in the first half of 2011.

Energy saving and emission reduction

The Group's production bases at Suqian and Dongtai use a new technology to generate electricity with waste heat. The project fulfils the development goals of the PRC government for the reasonable use of energy and promotion of the development of new energy sources. The technology to generate electricity with waste heat has been fully implemented in the production base of Suqian and Dongtai, and generated 15.94 million kWh of electricity during the first half of 2011. The project not only relieved the pressure of local electric power constraints, but also lowered the costs of the Group. All of the Group's production lines are equipped with desulphurisation devices and dust removers, with emissions complying with the government's standards. Moreover, the desulphurisation products are entirely recycled so as to substitute thenardite, effectively satisfying environmental protection standards while reducing costs.

Acquisitions of minority interests in high-quality subsidiaries

In May 2011, upon completion of the placing and subscription of 200 million new shares of the Company, the Company received a net proceeds of approximately HK$790.01 million, of which were spent on acquiring minority stakes in high-quality subsidiaries, and to provide additional working capital. As of to date, the following acquisitions of minority interests were completed:

1. Acquisition of minority interest in Dongtai China Glass Special Glass Company Limited ("Dongtai Zhongbo") (online Low-E glass production base) was completed, for which the same became a wholly-owned subsidiary of the Group;

2. Acquisitions of minority interests in China Glass Blue Star (Linyi) Glass Company Limited ("Linyi Blue Star") (online TCO glass and online Low-E glass production base) were completed. The interests held by the Group and its subsidiaries in Linyi China Glass increased to 76.21%; and

3. Acquisitions of minority interests in Weihai Blue Star New Technology Glass Company Limited ("Weihai New Technology") and Zhongbo Technology Company Limited ("Zhongbo Technology") (online Low-E glass, high value-added coated glass production base) were completed.

The acquisitions of minority interests increased the share of the profit attributable to the equity shareholders of the Company to its total profits.

OUTLOOK

2011 is the first year for the Twelfth Five-Year Plan period of the PRC. The Group sees the glass industry to maintain a steady pace of development as the PRC moves to improve the population's quality of life, construct infrastructure, develop the country's central and western regions, and increase investments into strategic emerging industries.

The Group anticipate that the glass market for the second half of 2011 will drop further and then maintain stable. Details of the analysis are as follows:

Effects of industrial policies and economic development strategies of the PRC

The real estate industry continues to be the main driving force of glass demands. For a period in the future, the PRC will steadily increase its infrastructure investments. Even though the control measures for the real estate market will remain in place, the scope of social security housing construction will be further expanded. The implementation of the range of economic development schemes, including the vigorous promotion of urbanisation developments and accelerated establishment of new socialist farming villages, will drive the development of the real estate industry. Therefore, there remains room for growth for the flat glass industry.

Industrial policies and regulations are positively affecting the glass market. Energy saving and emission reduction have become a fundamental policy of the PRC. The PRC government and its respective ministries have recently republished a series of rules and regulations, such as "Ministry of Industry and Information Technology: On curbing the excessive growth of flat glass production capacity of the notice to guide the healthy development of industry" and "Development Guidance for the Construction Materials Industry for the Twelfth Five-Year Plan". The implementation of these policies will provide a broad outlook for glass products with safety and energy saving features, such as tempered glass, laminated glass, hollow glass, Low-E hollow glass, vacuum glass, TCO glass and Sun-E glass. These steps will positively drive the curbing of over-rapid growth in production capacity, encourage industry consolidation, eliminate producers with dissatisfying capacities and guide the healthy development of the industry.

Concurrently, the rapid development of emerging industries such as solar power and the information industry have become a powerful force behind the glass market's development.

Glass demand forecast

Demand structure: Currently, the real estate industry accounts for 60% of the demand for sheet glass, interior decoration and glass furniture accounts for 12%, automotive industry accounts for 4%, solar power and digital products accounts for 4% and the demand for exported glass accounts for the remaining 20%. The real estate market is still the primary market for sheet glass.

Construction glass:

According to the forecast derived from the relevant data of the real estate sector as published by the National Bureau of Statistics, the total area of commercial properties, social security housing and new rural housing that began construction in 2011 is expected to reach 2 billion square metres, an increase of 23% from 2010. Total demand of glass for the year will maintain a continuous growth. Considering that the most of the social security housing construction projects will commence after middle of second quarter, it is expected that the sector's demand for construction glass will be reflected gradually later in the second half of the year. The increase of such demand will mitigate the sluggish performance of glass industry to a significant extent.

Decorative glass:

As there was a 10% growth in the total area of houses sold in 2010 as compared to 2009, it is expected that demand for internal decoration glass in 2011 will have slight growth as compared to 2010.

Automobile glass:

Based on the current situation, it is expected that the growth of automobile sales will slow down in 2011. It is expected that there will be slight increase as compared to 2010 in demand for automobile glass for the year.

Glass for solar power:

According the forecast prepared by iSuppli, the installation of photovoltaic (PV) solar power units will increase substantially by 39.3% in 2011. It is expected that the demand for solar power glass will maintain a similar continuous growth.

Exported glass:

As the international energy price continues to rise along with labour costs, whilst the new generation of PRC float glass technology has enabled producing of high-quality float glass that can satisfy the international standard, there had been rapid growth in float glass and value-added glass exports from the PRC. According to statistics of the General Administration of Customs of the PRC, the volume of glass exported grew by 18.31% during the first half of the year as compared with the corresponding period of the previous year. According to industry planning and the analysis on exports to international markets, exports volume of glass are expected to have continuous growth in 2011.

In conclusion, combined with the possibility of new global financial crisis and many other uncertainties, the Group prudently estimates that the demand for glass in the second half of 2011 will have slight growth as compared to that in the first half of the year.

Glass supply forecast

According to the Group's statistics, by the end of 2010, there were a total of 241 float glass production lines in the PRC. As of June 2011, there were 13 (new) lines that had commenced production, and more than 20 were being planned and constructed. Moreover, considering that a number of production lines had already ceased production due to operational difficulties (such number is expected to increase further in the second half of the year), productivity in the sector will have difficulties recovering in the short term. On the basis of the aforementioned, the Group expects an increase in supply of approximately 8% in the second half of the year.

Raw materials and fuels supply forecast

At present, due to the inflationary pressures faced by the PRC economy, it is expected that government will continue to impose macro-economic control measures. The moving trends for major materials are expected to be as follows:

Soda ash:

The electricity shortages in the PRC have been relieved, and utilisation rate of soda ash companies were improved. With the addition of the new productive capacity, the price of soda ash in the PRC is expected to move downward steadily.

Heavy oil:

The price for heavy oil in the PRC is closely related to the prices of international crude and fuel oil. With the surge in the prices of international crude and fuel oil, price for heavy oil in the PRC in the second half of 2011 is expected to rise slightly.

Coal:

As the reserves of coal in the PRC increased, whilst the demands from downstream power and steel plants reduced, minor fluctuations in the short term are expected. Whereas following the integrations of coal enterprises and the winter storage season, it is expected the price for coal will continue to rise in winter.

Petroleum powder:

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

Silicon sand and stones:

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

Other risk factors:

The glass industry is a capital-intensive industry. Companies in this industry in the PRC often utilise higher debt leverage to satisfy its demand of capital for development. At the same time, it is a feature of the glass industry that requires production lines not to freely suspend its operation from time to time after its operation commenced. Operation is thus always be ongoing. Apart from the fact that the glass industry has become sensitive to the supplies and demands for its products, it is also highly sensitive to the financial environment. Faced with a difficult financial environment, in the event the debt leverages cannot be extended, companies often rely on price wars to maximise return of funds, so as to avoid having to cease operation. However, such measure can only be a temporary solution. Companies will be drained of cash and forced to shut down production lines if the situation continue. The fluctuation in the industry during the first half of the year is definitely related to this issue. If the financial environment, especially the financing environment, continues to worsen, the glass industry will be faced with potent shocks.

In conclusion, it is expected by the Group that the demand for glass as a whole in the second half of 2011 will increase over the corresponding period in the previous year, with output and sales in the glass market reaching equilibrium as a whole. However, markets for glass products with environmental-friendly, energy saving features such as Low-E glass, TCO glass, ultra-clear glass and coated glass; and for high value-added products with safety features such as hollow glass, tempered glass and vacuum glass, will maintain a rapid pace of growth. Competition in the market for regular float glass will further intensify. It is expected that the price for glass products will see a steady rise after an early drop over the second half of the year.

Faced with market prospects in the second half of the year, the Group will focus on the following activities in accordance with the strategy of "Two High One Low":

1. To enhance continuously its efforts in research and development of technologies, so as to consolidate its advantage in "high technological level" of its product. By capitalising on the research by the Group in online Low-E coated glass, Sun-E glass and TCO glass, emphasis will be placed on improving the quality of work for new and advanced technologies, steady marketing as well as expansion of the production process; tracking on the R&D capability in the development of new types, technologies and devices along market trends. This will in turn ensure the Group's leading technological position on energy saving and new energy product.

2. To achieve "high production quality" through refurbishing equipment, upgrading technologies and optimising techniques. The Group will monitor each of its production lines, and categorise them according to the standard of their equipment. The Group will also develop performance indicators for its various techniques in order to further enhance product quality. At the same time, improvement of production lines will be conducted by way of construction, relocation and suspension for maintenance, thereby ensuring high quality of products from the aspect of infrastructure.

3. To reduce production costs while adhering to the premise of ensuring quality. The Group will continue to research and explore fuel substitutes, as well as further perfecting and promoting the Group's "spraying and blowing technology" already developed, which apply powdered coal in place of heavy oil. The Group will use its best endeavour to undertake technology transfer. Efforts will also be directed to explore the next generation energy saving technologies.

4. To accelerate the consolidation of supply and sales so as to lower operating costs. Firstly, further consolidation on marketing efforts. The Group will complete the integration of market for its four major products, namely Low-E glass, TCO glass, sunshine-controlled coated glass as well as some coloured glass in the second half of 2011, which will increase the Group's market competitiveness. The Group will continue to pursue for integration in supply and lower the purchasing costs.

5. The Group will further construct silicone sand and stone material bases, in order to ensure the safe and low-cost availability of raw materials.

6. To continue acquiring minority interests in high-quality subsidiaries. During the second half of the year, the Group intends to acquire minority interests in Weihai Bluestar Glass Co., Ltd. (Low-E glass production base), Zhongbo Technology Company Ltd. (online Low-E, high-end coated glass production base) and Wuhai Blue Star Glass Co., Ltd. (high-end coated glass production base with low-cost fuel substitute), thereby expanding the profitability of the equity holders' assets.

FINANCIAL REVIEW

For the first six months of 2011, the turnover of the Group increased by 9% to RMB1,552.39 million as compared to RMB1,422.54 million in the first six months of 2010. The increase was attributable to the increase in sales volume. The increase in sales volume was mainly attributable to the commencement of production of the first production line in Linyi, Shandong Province and the second production line in Nanjing in the first half of 2011. The gross profit margin decreased to approximately 20.6% from 27.0% compared to the corresponding period of last year. The decrease in gross profit margin was mainly due to increase in average cost of sales.

The Group's profit for the period amounted to approximately RMB148.97 million, representing a decrease of RMB115.47 million as compared to a profit of RMB264.44 million for the first six months of 2010. The decrease was mainly attributable to the net gain of RMB82.63 million from disposal of equity interests in a subsidiary and an associate from the corresponding period of last year and the decrease in gross profit during the period.

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

As at 30 June 2011, the Group's cash and cash equivalents amounted to RMB1,106.16 million (31 December 2010: RMB827.93 million), of which 79% were denominated in Renminbi ("RMB"), 3% in United States Dollars ("USD") and 18% in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB948.06 million (31 December 2010: RMB760.09 million), of which 81% (31 December 2010: 74%) were denominated in RMB and 19% (31 December 2010: 26%) were denominated in USD, and outstanding unsecured notes amounted to RMB536.07 million (31 December 2010: RMB541.76 million) (of which 27% (31 December 2010: 27%) were denominated in RMB and 73% (31 December 2010: 73%) were denominated in USD). As at 30 June 2011, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 26% (31 December 2010: 28%). As at 30 June 2011, the Group's current ratio (current assets divided by current liabilities) was 1.10 (31 December 2010: 0.90). The Group recorded net current assets amounting to RMB225.23 million as at 30 June 2011 (31 December 2010: net current liabilities of RMB189.39 million). As at 30 June 2011, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.56 (31 December 2010: 0.61).

EXCHANGE RATE RISK AND RELATED HEDGING

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

During the six months ended 30 June 2011, the Group had not adopted any derivatives for hedging purposes.

The Board of Directors is pleased to submit the interim report together with the unaudited interim financial report of the Group for the six months ended 30 June 2011.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2011 (Dividend for the six months ended 30 June 2010: HK$Nil).

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

As at 30 June 2011, 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 (the "Model Code") contained in the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Total number of ordinary shares [(1)]	Percentage of interest in such corporation
Mr. Zhou Cheng	The Company	Beneficial owner	3,750,000 (L)	0.24%
Mr. Zhang Zhaoheng	The Company	Beneficial owner	30,510,000 (L)	1.96%
Mr. Li Ping	The Company	Beneficial owner	1,600,000 (L)	0.10%
Mr. Cui Xiangdong	The Company	Beneficial owner	13,600,000 (L)	0.87%

Notes:

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

Save as disclosed above, as at 30 June 2011, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2011, 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	Total number of ordinary shares [1]	Approximate percentage of shareholding
First Fortune Enterprises Limited	Beneficial owner	272,926,000 (L)	17.54%
Hony International Limited	Interest of a controlled corporation [2]	272,926,000 (L)	17.54%
Mei Long Developments Limited	Beneficial owner	104,750,740 (L)	6.73%
Easylead Management Limited[17]	Interest of a controlled corporation [3]	377,676,740 (L)	24.28%
Right Lane Limited	Interest of a controlled corporation [3] [4]	412,676,740 (L)	26.53%
Mr. Cao Zhijiang	Interest of a controlled corporation [5]	377,676,740 (L)	24.28%
Mr. Liu Jinduo	Interest of a controlled corporation [5]	377,676,740 (L)	24.28%
Mr. Zhang Zuxiang	Interest of a controlled corporation [5]	377,676,740 (L)	24.28%
Legend Holdings Limited [6] [15] [16] [17]	Interest of a controlled corporation [7]	412,676,740 (L)	26.53%
Beijing Lian Chi Zhi Yuan Management Consulting Center	Interest of a controlled corporation [8]	412,676,740 (L)	26.53%
Beijing Lian Chi Zhi Tung Management Consulting Ltd.[9]	Interest of a controlled corporation	412,676,740 (L)	26.53%
Pilkington Italy Limited	Beneficial owner	390,156,318 (L)	25.08%
Pilkington Brothers Limited	Interest of a controlled corporation [10]	390,156,318 (L)	25.08%

Name	Capacity	Total number of ordinary shares [1]	Approximate percentage of shareholding
Pilkington Group Limited	Interest of a controlled corporation [11]	390,156,318 (L)	25.08%
NSG UK Enterprises, Limited	Interest of a controlled corporation [12]	390,156,318 (L)	25.08%
NSG Holding (Europe) Limited	Interest of a controlled corporation [13]	390,156,318 (L)	25.08%
Nippon Sheet Glass Co., Ltd. [18]	Interest of a controlled corporation [14]	390,156,318 (L)	25.08%

Notes:

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

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

(3) Hony International Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Mei Long Developments Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited, Easylead Management Limited and Right Lane Limited are taken to be interested in the shares held by Hony International Limited and Mei Long Developments Limited by virtue of Part XV of the SFO.

(4) Elite World Investments Limited holds 35,000,000 shares of the Company. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited. Cheer Elite Holdings Limited is wholly-owned by Right Lane Limited. Right Lane Limited is taken to be interested in the shares held by Elite World Investments Limited by virtue of Part XV of SFO.

(5) Easylead Management Limited 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.

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

(7) 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.

(8) Beijing Lian Chi Zhi Yuan Management Consulting Center is an equity holder of Legend Holdings Limited. Beijing Lian Chi Zhi Yuan Management Consulting Centre is taken to be interested in these shares by virtue of Part XV of the SFO.

(9) Beijing Lian Chi Zhi Tung Management Consulting Ltd. is a general partnership and an equity holder of Beijing Lian Chi Zhi Yuan Management Consulting Center. Beijing Lian Chi Zhi Tung Management Consulting Ltd. is taken to be interested in these shares by virtue of Part XV of the SFO.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(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 Mei Long Developments Limited, First Fortune Enterprises Limited, Hony International Limited, and Right Lane Limited.

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

(17) Mr. Liu Jinduo is a director of Easylead Management Limited and/or employee of the Legend Group.

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

Save as disclosed above, as at 30 June 2011, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CHARGE ON ASSETS

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

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2011 were set out in Note 24 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2011.

SHARE OPTION SCHEME

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

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

The closing price of the share of the Company at the date of grant was HK$1.75, after adjusting for the share split in 2011. During the six months ended 30 June 2011, no share options have been granted, exercised, lapsed or cancelled under the share option scheme of the Company. Movements of share options granted under the option scheme during the six months ended 30 June 2011 are as follow:

Participant	Date of grant	Exercise price per share HK$	Exercise period from	Exercise period until	No. of shares held as at 1/1/2011 and 30/6/2011	Approximate percentage interest in the Company's issued shares
Directors						
Zhou Cheng	29/2/2008	1.75	28/2/2009	29/5/2015	1,500,000	0.10%
	29/2/2008	1.75	28/2/2010	29/5/2015	1,125,000	0.07%
	29/2/2008	1.75	28/2/2011	29/5/2015	1,125,000	0.07%
Zhang Zhaoheng	29/2/2008	1.75	28/2/2009	29/5/2015	1,500,000	0.10%
	29/2/2008	1.75	28/2/2010	29/5/2015	1,125,000	0.07%
	29/2/2008	1.75	28/2/2011	29/5/2015	1,125,000	0.07%
Li Ping	29/2/2008	1.75	28/2/2009	29/5/2015	640,000	0.04%
	29/2/2008	1.75	28/2/2010	29/5/2015	480,000	0.03%
	29/2/2008	1.75	28/2/2011	29/5/2015	480,000	0.03%
Cui Xiangdong	29/2/2008	1.75	28/2/2009	29/5/2015	640,000	0.04%
	29/2/2008	1.75	28/2/2010	29/5/2015	480,000	0.03%
	29/2/2008	1.75	28/2/2011	29/5/2015	480,000	0.03%
Employees	29/2/2008	1.75	28/2/2009	29/5/2015	11,160,000	0.72%
	29/2/2008	1.75	28/2/2010	29/5/2015	8,370,000	0.54%
	29/2/2008	1.75	28/2/2011	29/5/2015	8,370,000	0.54%
Total					38,600,000	

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

On 9 June 2011, the Board of Directors passed a resolution to authorise the Company to repurchase its shares on the Stock Exchange pursuant to the repurchase mandate granted to the Board at the annual general meeting of the Company held on 15 April 2011 (the "Repurchase Mandate").

During the period between 9 June 2011 and 30 June 2011, the Company repurchased a total of 5,652,000 of its own shares pursuant to the Repurchase Mandate, representing approximately 0.36% of the issued share capital of the Company as of 30 June 2011. The repurchase of the shares were funded from internal resources of the Company. All of shares repurchased pursuant to the Repurchase Mandate were cancelled on 11 July 2011. Upon the cancellation of the repurchased shares, the Company's number of shares in issue decreased from 1,555,799,058 to 1,550,147,058. Details of the repurchase of shares are set out in the various announcements of the Company dated between 9 June 2011 and 30 June 2011 and Note 22(d) to the unaudited interim financial report.

Save as disclosed above, during the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2011, the Group had employed a total of approximately 7,060 employees in the PRC and Hong Kong (31 December 2010: about 6,933 employees). According to the relevant market situation, the Group's employees' remuneration level remains at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contributions to the above schemes were forfeited for the six months ended 30 June 2011. Details of staff costs and pension schemes were set out in Note 5 to the unaudited interim financial report.

MATERIAL ACQUISITIONS AND DISPOSAL

On 25 May 2009, Keen Moral Investment Limited ("Keen Moral") and Jiangsu Suhuada New Materials Company Limited ("Suhuada"), both being wholly-owned subsidiaries of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Jiangsu Glass Group Co., Ltd ("Subo Group") and Dongtai Zhongbo, pursuant to which Keen Moral and Suhuada agreed to transfer a total of 49% equity interest in Dongtai Zongbo to Subo Group. Pursuant to the Equity Transfer Agreement, Subo Group has also granted Keen Moral or its nominee an exclusive and irrevocable option to acquire part of or the whole of the 49% of the equity interest in Dongtai Zhongbo held by Subo Group (the "Option").

On 28 February 2011, Suhuada (as nominee of Keen Moral) exercised the Option to request Subo Group to transfer to it 49% of the equity interest in Dongtai Zhongbo at the purchase price of RMB69.1 million. The transfer of the equity interest pursuant to the Option was completed on 12 May 2011 and Dongtai Zhongbo has become a wholly-owned subsidiary of the Company.

On 31 March 2011, Keen Moral acquired an additional 25% equity interests in Weihai New Technology for a consideration of RMB81.1 million. On the same date, Poweridea Limited, a wholly-owned subsidiary of the Company, acquired an additional 11.48% equity interests in Zhongbo Technology for a consideration of RMB39.0 million.

On 27 June 2011, Keen Moral acquired an additional 17.44% equity interests in Linyi Blue Star for a consideration of RMB25.8 million.

Further details of all of the above transactions were set out in Note 21 to the unaudited interim financial report.

Save as disclosed above, the Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and associated companies for the six months ended 30 June 2011. Save as disclosed in the section headed "Outlook" above, as at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

INCREASE OF THE AUTHORISED SHARE CAPITAL

At the special general meeting of the Company held on 1 April 2011, the Company's shareholders approved the increase of the authorised share capital of the Company from HK$70,000,000 (divided into 700,000,000 ordinary shares of HK$0.10 each) to HK$180,000,000 (divided into 1,800,000,000 ordinary shares) by creating an additional 1,100,000,000 new unissued shares.

SUBDIVISION OF SHARES

At the annual general meeting of the Company held on 15 April 2011, The Company's shareholders approved the subdivision of shares of the Company. On 18 April 2011, each of the issued and unissued share of par value HK$0.10 each in the share capital of the Company were sub-divided into two subdivided shares of par value HK$0.05 each. Following the subdivision of shares, the authorised share capital of the Company is HK$180,000,000 divided into 3,600,000,000 shares of par value HK$0.05 each.

PLACING OF SHARES

On 10 May 2011, the Company entered into a placing agreement (the "Placing Agreement) with First Fortune Enterprises Limited (the "Vendor"), UBS AG, Hong Kong branch, Guoyuan Securities Brokerage (Hong Kong) Limited and Macquarie Capital Securities Limited (collectively the "Placing Agents") under which the Vendor agreed to sell, or procure the sale of, up to 200,000,000 shares currently owned by the Vendor (the "Placing Shares") and the Placing Agents agreed, as agents of the Vendor to use their best efforts to procure purchasers to purchase, the Placing Shares at HK$4.06 per Placing Share (the "Placing Price"). On the same day the Company entered into a subscription agreement with the Vendor under which the Vendor conditionally agreed to subscribe, and the Company agreed to allot and issue to the Vendor, new shares of the Company equivalent to the number of the Placing Shares at the Placing Price.

The placing of the Placing Shares was completed on 13 May 2011 in accordance with the terms and conditions of the Placing Agreement in which an aggregate of 200,000,000 Placing Shares have been successfully placed to not less than six placees at the Placing Price. The subscription of 200,000,000 new shares of the Company by the Vendor was completed on 19 May 2011.

POST BALANCE SHEET EVENTS

There is no material post balance sheet events as at the date of this report.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non-executive Directors. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Zhao Lihua and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2011.

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. Zhao Lihua and Mr. Sik Siu Kwan. The chairman of the remuneration committee is Mr. Zhao John Huan.

INVESTOR RELATIONS AND COMMUNICATIONS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2011.

COMPLIANCE WITH THE MODEL CODE

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

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 30 August 2011