INTERIM REPORT 2012

CHINA GLASS HOLDINGS LIMITED
中國玻璃控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code : 3300)

* For identification purposes only

Contents

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. Chen Shuai
Mr. Ning Min
Ms. Lu Minghong

Independent Non-Executive Directors
Mr. Sik Siu Kwan
Mr. Zhang Baiheng
Mr. Zhao Lihua

SENIOR MANAGEMENT

Mr. Lu Guo
Mr. Ge Yankai
Mr. Yang Hongfu
Mr. Cheng Xin
Mr. Wang Jianxun

COMPANY SECRETARY

Ms. Li Hiu Ling

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Zhao Lihua (appointed as Chairman of remuneration committee on 26 March 2012) *(Chairman of remuneration committee)*
Mr. Sik Siu Kwan
Mr. Zhao John Huan (resigned as Chairman of remuneration committee on 26 March 2012)

NOMINATION COMMITTEE

(established on 27 March 2012)
Mr. Zhou Cheng *(Chairman of nomination committee)*
Mr. Sik Siu Kwan
Mr. Zhang Baiheng

STRATEGY COMMITTEE

(established on 27 March 2012)
Mr. Zhao John Huan *(Chairman of strategy committee)*
Mr. Zhang Zhaoheng
Mr. Zhou Cheng

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.
Canon's Court
22 Victoria Street
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 2012 – unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Turnover	4	**1,193,428**	1,552,392
Cost of sales		**(1,109,724)**	(1,232,734)
Gross profit	4	**83,704**	319,658
Other revenue		**16,714**	48,418
Other net income		**4,525**	5,254
Distribution costs		**(37,357)**	(41,955)
Administrative expenses		**(113,178)**	(101,425)
(Loss)/profit from operations		**(45,592)**	229,950
Finance costs	5	**(61,805)**	(44,105)
(Loss)/profit before taxation	5	**(107,397)**	185,845
Income tax	6	**18,120**	(36,871)
(Loss)/profit for the period		**(89,277)**	148,974
Attributable to:			
Equity shareholders of the Company		**(82,377)**	125,956
Non-controlling interests		**(6,900)**	23,018
(Loss)/profit for the period		**(89,277)**	148,974
(Loss)/earnings per share (RMB)			
Basic	7(a)	**(0.054)**	0.090
Diluted	7(b)	**N/A**	0.089

The notes on pages 11 to 32 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(Loss)/profit for the period	**(89,277)**	148,974
Other comprehensive income for the period (before and after tax):		
Exchange differences on translation into presentation currency	**393**	(5,577)
Total comprehensive income for the period	**(88,884)**	143,397
Attributable to:		
Equity shareholders of the Company	**(81,984)**	120,379
Non-controlling interests	**(6,900)**	23,018
Total comprehensive income for the period	**(88,884)**	143,397

The notes on pages 11 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2012 – unaudited

(Expressed in RMB)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	8	**3,505,350**	3,351,981
Lease prepayments	9	**283,252**	286,664
Intangible assets	10	**61,572**	67,511
Receivables from related companies	11	**4,034**	15,268
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	19	**110,019**	79,274
		3,965,227	3,801,698
Current assets			
Inventories	12	**613,290**	661,996
Trade and other receivables	13	**924,859**	966,211
Prepaid income tax		**21,037**	13,086
Cash and cash equivalents	14	**805,427**	545,821
		2,364,613	2,187,114
Current liabilities			
Trade and other payables	15	**1,928,743**	1,786,269
Bank and other loans	16(a)	**1,098,582**	789,973
Unsecured notes	18	**387,370**	382,851
Income tax payable		**61,460**	54,289
		3,476,155	3,013,382
Net current liabilities		**(1,111,542)**	(826,268)
Total assets less current liabilities		**2,853,685**	2,975,430

The notes on pages 11 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

At 30 June 2012 – unaudited

(Expressed in RMB)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current liabilities			
Bank and other loans	16(b)	**250,208**	274,073
Amount due to a related company	17	**10,818**	14,144
Unsecured notes	18	**147,600**	146,700
Deferred tax liabilities	19	**32,256**	33,136
		440,882	468,053
NET ASSETS		**2,412,803**	2,507,377
CAPITAL AND RESERVES	20		
Share capital		**74,553**	74,553
Reserves		**2,084,563**	2,172,237
Total equity attributable to equity shareholders of the Company		**2,159,116**	2,246,790
Non-controlling interests		**253,687**	260,587
TOTAL EQUITY		**2,412,803**	2,507,377

The notes on pages 11 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012 – 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 20(a)(ii))	–	(17,305)	–	–	–	–	–	(17,305)	–	(17,305)
Issuance of shares	8,367	652,640	–	–	–	–	–	661,007	–	661,007
Purchase of own shares										
– 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	–	–	–	–	11,596	–	–	11,596	(162,043)	(150,447)
Equity-settled share-based transactions (Note 20(b)(i))	–	–	969	–	–	–	–	969	–	969
Transfer between reserves	–	–	–	–	(3,877)	–	3,877	–	–	–
Transactions with equity holders of the Group	8,131	635,335	969	–	7,719	–	(9,553)	642,601	(151,302)	491,299
Balance at 30 June 2011	74,553	2,031,609	17,920	40,785	(449,571)	(5,802)	505,139	2,214,633	363,368	2,578,001

The notes on pages 11 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2012 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme 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 July 2011	74,553	2,031,609	–	17,920	40,785	(449,571)	(5,802)	505,139	2,214,633	363,368	2,578,001
Changes in equity for the six months ended 31 December 2011:											
Profit for the period	–	–	–	–	–	–	–	55,646	55,646	7,126	62,772
Other comprehensive income	–	–	–	–	–	–	(11,492)	–	(11,492)	–	(11,492)
Total comprehensive income	–	–	–	–	–	–	(11,492)	55,646	44,154	7,126	51,280
Shares purchased under the share award scheme (Note 20(b)(ii))	–	–	(13,936)	–	–	–	–	–	(13,936)	–	(13,936)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	2,510	2,510
Effect on equity arising from the acquisitions of non-controlling interests	–	–	–	–	–	1,939	–	–	1,939	(112,417)	(110,478)
Transactions with equity holders of the Group	–	–	(13,936)	–	–	1,939	–	–	(11,997)	(109,907)	(121,904)
Balance at 31 December 2011	74,553	2,031,609	(13,936)	17,920	40,785	(447,632)	(17,294)	560,785	2,246,790	260,587	2,507,377

The notes on pages 11 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2012 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme 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 2012	74,553	2,031,609	(13,936)	17,920	40,785	(447,632)	(17,294)	560,785	2,246,790	260,587	2,507,377
Changes in equity for the six months ended 30 June 2012:											
Loss for the period	–	–	–	–	–	–	–	(82,377)	(82,377)	(6,900)	(89,277)
Other comprehensive income	–	–	–	–	–	–	393	–	393	–	393
Total comprehensive income	–	–	–	–	–	–	393	(82,377)	(81,984)	(6,900)	(88,884)
Transfer between reserves	–	(12,567)	–	12,567	–	–	–	–	–	–	–
Shares purchased under the share award scheme (Note 20(b)(ii))	–	–	(4,091)	–	–	–	–	–	(4,091)	–	(4,091)
Distributions approved in respect of the previous year (Note 20(a)(ii))	–	–	143	(12,567)	–	–	–	–	(12,424)	–	(12,424)
Shares granted under the share award scheme (Note 20(b)(ii))	–	–	–	10,825	–	–	–	–	10,825	–	10,825
Transactions with equity holders of the Group	–	(12,567)	(3,948)	10,825	–	–	–	–	(5,690)	–	(5,690)
Balance at 30 June 2012	74,553	2,019,042	(17,884)	28,745	40,785	(447,632)	(16,901)	478,408	2,159,116	253,687	2,412,803

The notes on pages 11 to 32 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2012 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Cash generated from operations		**344,908**	126,913
The People's Republic of China (the "PRC") income tax paid		**(14,285)**	(74,350)
Net cash generated from operating activities		**330,623**	52,563
Net cash used in investing activities		**(303,392)**	(399,913)
Net cash generated from financing activities		**198,574**	602,539
Net increase in cash and cash equivalents		**225,805**	255,189
Cash and cash equivalents at 1 January	14	**535,821**	804,927
Effect of foreign exchange rate changes		**301**	(4,353)
Cash and cash equivalents at 30 June	14	**761,927**	1,055,763

The notes on pages 11 to 32 form part of this interim financial report.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the 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 2012 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 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 33.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2012.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

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

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

4 SEGMENT REPORTING

The Group manages its businesses by products. In view of the Group's continuous efforts in the implementation of the product differentiation strategy and shifting of its focus towards producing more high-end products such as energy saving and new energy glass products, the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has expanded from two operating segments, namely "low value-added glass products" and "high value-added glass products" as previously reported for the six months ended 30 June 2011, to the following four operating segments for the six months ended 30 June 2012. No operating segments have been aggregated to form the following reportable segments:

- Clear glass products: this segment produces, markets and distributes clear glass products.

- Painted glass products: this segment produces, markets and distributes painted glass products.

- Coated glass products: this segment produces, markets and distributes coated glass products.

- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.

Comparative figures have been adjusted to conform to the current period's presentation.

4 SEGMENT REPORTING (continued)

(i) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2012 and 2011. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

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 2012 and 2011 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	Six months ended 30 June 2012 RMB'000	Six months ended 30 June 2011 RMB'000	**Six months ended 30 June 2012 RMB'000**	Six months ended 30 June 2011 RMB'000	**Six months ended 30 June 2012 RMB'000**	Six months ended 30 June 2011 RMB'000	**Six months ended 30 June 2012 RMB'000**	Six months ended 30 June 2011 RMB'000	**Six months ended 30 June 2012 RMB'000**	Six months ended 30 June 2011 RMB'000
Revenue from external customers and reportable segment revenue	**386,242**	495,201	**353,692**	399,601	**280,848**	517,309	**172,646**	140,281	**1,193,428**	1,552,392
Reportable segment gross (loss)/profit	**(1,389)**	85,591	**14,584**	74,367	**23,100**	123,509	**47,409**	36,191	**83,704**	319,658

5 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**64,140**	51,618
Bank charges and other finance costs	**7,650**	9,334
Total borrowing costs	**71,790**	60,952
Less: amounts capitalised	**(15,102)**	(6,163)
Net borrowing costs	**56,688**	54,789
Net foreign exchange loss/(gain)	**5,117**	(10,684)
	61,805	44,105

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Staff costs:		
Salaries, wages and other benefits	**111,933**	123,055
Contributions to defined contribution retirement plans	**16,284**	15,766
Equity-settled share-based payment expenses in respect of		
– share option scheme (see Note 20(b)(i))	**–**	969
– share award scheme (see Note 20(b)(ii))	**10,825**	–
	139,042	139,790

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Other items:		
Cost of inventories (Note 12)	**1,109,724**	1,232,734
Depreciation and amortisation (Notes 8, 9 and 10)	**121,678**	120,115
Impairment loss on trade and other receivables (Note 13(b))	**–**	1,773
Operating lease charges in respect of		
– land	**96**	109
– plant and buildings	**2,854**	2,016
– motor vehicles	**1,193**	602
Research and development costs (other than capitalised costs and related amortisation)	**2,249**	1,792
Net loss on disposal of property, plant and equipment	**765**	2,604
Interest income	**(6,866)**	(3,741)

6 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Provision for PRC income tax on the estimated taxable profits for the period	**12,294**	45,566
Under-provision of PRC income tax in respect of prior years	**1,211**	–
	13,505	45,566
Deferred taxation (Note 19)	**(31,625)**	(8,695)
	(18,120)	36,871

No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2012 (six months ended 30 June 2011: RMBNil).

The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) 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") are subject to PRC Corporate Income Tax rates ranging from 15% to 25% for the six months ended 30 June 2012 (six months ended 30 June 2011: 15% to 25%). Certain PRC subsidiaries of the Group are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprises with foreign investment in the PRC, these PRC subsidiaries obtained approval from the respective tax bureau that they are entitled to a 100% relief from PRC 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 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the loss attributable to ordinary equity shareholders of the Company of RMB82.4 million (six months ended 30 June 2011: profit of RMB126.0 million) and the weighted average of 1,532,554,000 ordinary shares (six months ended 30 June 2011: 1,402,926,000 ordinary shares) in issue during the six months ended 30 June 2012, calculated as follows:

	Six months ended 30 June	
	2012	2011
	'000	'000
Issued ordinary shares at 1 January	**1,536,511**	677,900
Effect of share split in 2011	**–**	677,900
Effect of shares issued on 19 May 2011	**–**	47,514
Effect of shares repurchased	**–**	(388)
Effect of shares purchased under a share award scheme (Note 20(b)(ii))	**(3,957)**	–
Weighted average number of ordinary shares at 30 June	**1,532,554**	1,402,926

(b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares for the six months ended 30 June 2012.

The calculation of diluted earnings per share for the six months ended 30 June 2011 was 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	19,878
Weighted average number of ordinary shares (diluted) at 30 June	1,422,804

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 2011	1,219,419	2,271,390	25,242	352,394	3,868,445
Additions	7,830	15,068	9,691	868,734	901,323
Transfer in/(out)	253,612	407,839	–	(661,451)	–
Disposals	(150,826)	(312,634)	(2,268)	–	(465,728)
At 31 December 2011	1,330,035	2,381,663	32,665	559,677	4,304,040
Accumulated depreciation and impairment losses:					
At 1 January 2011	233,198	827,370	9,321	–	1,069,889
Charge for the year	43,264	179,622	3,148	–	226,034
Written back on disposals	(79,582)	(263,097)	(1,185)	–	(343,864)
At 31 December 2011	196,880	743,895	11,284	–	952,059
Net book value:					
At 31 December 2011	1,133,155	1,637,768	21,381	559,677	3,351,981
Cost:					
At 1 January 2012	**1,330,035**	**2,381,663**	**32,665**	**559,677**	**4,304,040**
Additions	**5,254**	**12,151**	**1,080**	**250,833**	**269,318**
Transfer in/(out)	**9,490**	**58,821**	**–**	**(68,311)**	**–**
Disposals	**(1,954)**	**(69,795)**	**(787)**	**–**	**(72,536)**
At 30 June 2012	**1,342,825**	**2,382,840**	**32,958**	**742,199**	**4,500,822**
Accumulated depreciation and impairment losses:					
At 1 January 2012	**196,880**	**743,895**	**11,284**	**–**	**952,059**
Charge for the period	**22,165**	**88,486**	**1,676**	**–**	**112,327**
Written back on disposals	**(1,064)**	**(67,470)**	**(380)**	**–**	**(68,914)**
At 30 June 2012	**217,981**	**764,911**	**12,580**	**–**	**995,472**
Net book value:					
At 30 June 2012	**1,124,844**	**1,617,929**	**20,378**	**742,199**	**3,505,350**

At 30 June 2012, property certificates of certain properties with an aggregate net book value of RMB536.6 million (31 December 2011: RMB549.0 million) are yet to be obtained.

9 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2011	351,141
Additions	21,180
Disposals	(53,783)
At 31 December 2011, 1 January 2012 and 30 June 2012	**318,538**
Accumulated amortisation:	
At 1 January 2011	29,389
Charge for the year	7,834
Written back on disposals	(5,349)
At 31 December 2011	**31,874**
Charge for the period	**3,412**
At 30 June 2012	**35,286**
Net book value:	
At 30 June 2012	**283,252**
At 31 December 2011	286,664

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 30 June 2012, land use right certificates of certain land use rights with an aggregate carrying value of RMB8.0 million (31 December 2011: RMB8.1 million) are yet to be obtained.

10 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2011	123,739
Additions through internal development	21,278
At 31 December 2011, 1 January 2012 and 30 June 2012	**145,017**
Accumulated amortisation and impairment losses:	
At 1 January 2011	65,591
Charge for the year	11,915
At 31 December 2011	**77,506**
Charge for the period	**5,939**
At 30 June 2012	**83,445**
Net book value:	
At 30 June 2012	**61,572**
At 31 December 2011	67,511

11 NON-CURRENT RECEIVABLES FROM RELATED COMPANIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Amount due from an associate (Note (i))	**19,188**	18,666
Amount due from an affiliate of an equity shareholder of the Company (Note (ii))	**1,573**	2,330
	20,761	20,996
Less: current portion of non-current receivables from related companies	**(16,727)**	(5,728)
	4,034	15,268

Notes:

(i) At 30 June 2012, the amount is secured by property, plant and equipment and land use right of the associate and non-interest bearing, where the non-current portion of the amount is to be settled by instalments between July 2013 to June 2015.

(ii) At 30 June 2012, the amount is unsecured, non-interest bearing and is to be settled by bi-annual instalments between July 2012 to June 2013.

12 INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Raw materials	**183,423**	204,980
Work in progress and finished goods	**404,722**	421,192
Racks, spare parts and consumables	**46,699**	47,223
	634,844	673,395
Less: write-down of inventories	**(21,554)**	(11,399)
	613,290	661,996

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	
	2012 RMB'000	2011 RMB'000
Carrying amount of inventories sold	**1,099,569**	1,232,802
Write-down/(reversal of write-down) of inventories	**10,155**	(68)
	1,109,724	1,232,734

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

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade receivable from:		
– Third parties	**358,677**	292,470
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**20,411**	20,269
– Companies under common significant influence	**13,683**	11,065
Bills receivable	**109,458**	166,021
	502,229	489,825
Less: allowance for doubtful debts (Note 13(b))	**(20,316)**	(20,316)
	481,913	469,509
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (i))	**1,863**	1,812
– An associate of the Group (Note (ii))	**15,352**	4,403
– Companies under common significant influence (Note (iii))	**43,896**	47,408
	61,111	53,623
Less: allowance for doubtful debts (Note 13(b))	**(3,074)**	(3,074)
	58,037	50,549
Prepayments, deposits and other receivables	**392,319**	453,563
Less: allowance for doubtful debts (Note 13(b))	**(7,410)**	(7,410)
	384,909	446,153
	924,859	966,211

Notes:

(i) The amounts are unsecured and non-interest bearing. Except for an amount of RMB1.6 million at 30 June 2012 (31 December 2011: RMB1.5 million) which is to be settled within one year, all of the remaining balances have no fixed terms of repayment.

(ii) Except for an amount of RMB0.2 million at 30 June 2012 (31 December 2011: RMB0.2 million) 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 an associate, non-interest bearing and is to be settled within one year (see Note 11(i)).

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

13 TRADE AND OTHER RECEIVABLES (continued)

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.

(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 end of the reporting period:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 month	**191,811**	204,786
More than 1 month but less than 3 months	**144,011**	116,264
More than 3 months but less than 6 months	**52,243**	114,045
More than 6 months	**93,848**	34,414
	481,913	469,509

(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 2012 RMB'000	Year ended 31 December 2011 RMB'000
At 1 January	**30,800**	27,171
Impairment loss recognised	**–**	3,629
At 30 June/31 December	**30,800**	30,800

At 30 June 2012, the Group's trade and other receivables of RMB30.8 million (31 December 2011: RMB30.8 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.

13 TRADE AND OTHER RECEIVABLES (continued)

(c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Neither past due nor impaired	**224,550**	202,971
Less than 1 month past due	**89,098**	175,645
More than 1 month but less than 3 months past due	**61,233**	34,767
More than 3 months but less than 6 months past due	**18,073**	22,460
More than 6 months past due	**88,959**	33,666
	257,363	266,538
	481,913	469,509

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash at bank and in hand	**761,927**	535,821
Time deposits with banks	**43,500**	10,000
Cash and cash equivalents in the consolidated statement of financial position	**805,427**	545,821
Less: time deposits with original maturity over 3 months	**(43,500)**	(10,000)
Cash and cash equivalents in the condensed consolidated cash flow statement	**761,927**	535,821

At 30 June 2012, cash and cash equivalents of RMB161.5 million (31 December 2011: RMB96.0 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.

15 TRADE AND OTHER PAYABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payable to:		
– Third parties	**550,813**	597,012
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**2,737**	3,217
Bills payable	**360,000**	147,450
	914,100	748,229
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**5,934**	6,621
– An affiliate of a non-controlling equity holder of a subsidiary of the Group (Note (ii))	**14,320**	–
– Companies under common significant influence (Note (iii))	**43,549**	43,188
	63,803	49,809
Accrued charges and other payables	**849,895**	872,756
Financial liabilities measured at amortised cost	**1,827,798**	1,670,794
Advances received from customers	**100,945**	115,475
	1,928,743	1,786,269

Notes:

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

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

(iii) The amounts are unsecured. Except for an amount of RMB6.7 million at 30 June 2012 (31 December 2011: RMB6.5 million) which bears interest at 6.12% per annum (31 December 2011: 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 or are repayable on demand.

15 TRADE AND OTHER PAYABLES (continued)

Included in trade and other payables are trade and bills payables with the following ageing analysis as of the end of the reporting period:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 1 month or on demand	**585,300**	633,979
Due after 1 month but within 6 months	**328,800**	114,250
	914,100	748,229

16 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bank loans	**898,120**	568,614
Loans from third parties	**31,000**	21,000
	929,120	589,614
Add: current portion of long-term bank and other loans	**169,462**	200,359
	1,098,582	789,973

At 30 June 2012, 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 2012 RMB'000	At 31 December 2011 RMB'000
Bank loans:		
– Pledged by bank bills	**35,095**	51,250
– Secured by the Group's property, plant and equipment and land use rights	**153,000**	110,000
– Unguaranteed and unsecured	**710,025**	407,364
	898,120	568,614
Loans from third parties:		
– Unguaranteed and unsecured	**31,000**	21,000
	929,120	589,614

At 30 June 2012, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB364.8 million (31 December 2011: RMB214.3 million).

16 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Bank loans	**254,800**	299,800
Loans from an equity shareholder of the Company	**137,852**	147,614
Loans from third parties	**27,018**	27,018
	419,670	474,432
Less: current portion of long-term bank and other loans	**(169,462)**	(200,359)
	250,208	274,073

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year or on demand	**169,462**	200,359
After 1 year but within 2 years	**109,044**	118,343
After 2 years but within 5 years	**137,664**	135,730
After 5 years	**3,500**	20,000
	419,670	474,432

At 30 June 2012, except for long-term bank loans of RMB158.1 million (31 December 2011: RMB184.8 million) which are secured by the Group's property, plant and equipment and land use rights, all of the remaining borrowings are unsecured. At 30 June 2012, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB414.8 million (31 December 2011: RMB434.1 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 2012, the Group's banking facilities amounted to RMB195.0 million (31 December 2011: RMB150.0 million) were utilised to the extent of RMB146.0 million (31 December 2011: RMB130.0 million).

17 NON-CURRENT AMOUNT DUE TO A RELATED COMPANY

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Payable for purchase of properties (Note (i))	**17,480**	20,607
Less: current portion of non-current amount due to a related company	**(6,662)**	(6,463)
	10,818	14,144

Note:

(i) The amount is unsecured and bears interest at 6.12% per annum (31 December 2011: 6.12% per annum), where the non-current portion of the amount is to be settled by monthly instalments between July 2013 to December 2014. Further details of the transaction are set out in Note 21(a)(i).

18 UNSECURED NOTES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Unsecured notes 9.625% due in 2012 (Note (i))	**387,370**	382,851
Unsecured notes 4.95% due in 2013 (Note (ii))	**147,600**	146,700
	534,970	529,551
Less: current portion of unsecured notes	**(387,370)**	(382,851)
	147,600	146,700

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 are jointly and severally guaranteed by certain subsidiaries of the Group, and have been fully settled on 12 July 2012.

(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.

19 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period/year are as follows:

Deferred tax arising from:	Assets						Liabilities	
	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 2011	34,537	661	6,291	22,562	10,359	74,410	(50,262)	24,148
Credited/(charged) to the consolidated income statement	5,514	2,188	1,258	(85)	(4,011)	4,864	17,126	21,990
At 31 December 2011	**40,051**	**2,849**	**7,549**	**22,477**	**6,348**	**79,274**	**(33,136)**	**46,138**
Credited/(charged) to the consolidated income statement (Note 6)	**33,526**	**2,540**	**–**	**(5,321)**	**–**	**30,745**	**880**	**31,625**
At 30 June 2012	**73,577**	**5,389**	**7,549**	**17,156**	**6,348**	**110,019**	**(32,256)**	**77,763**

20 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS

(a) Distributions/Dividends

(i) Dividends payable to equity shareholders of the Company 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 2012 (six months ended 30 June 2011: HK$Nil).

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Final distribution/dividend in respect of the previous financial year, approved during the following interim period, of HK$0.01 per ordinary share (six months ended 30 June 2011: HK$0.015 per ordinary share)	**12,567**	17,305

20 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(b) Equity-settled share-based transactions

(i) Share option scheme

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 2012 (six months ended 30 June 2011: Nil).

No share options were exercised during the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

(ii) Share award scheme

On 12 December 2011 (the "Adoption Date"), the Directors of the Company adopted a share award scheme (the "Share Award Scheme") as a mean of rewarding and retaining employees of the Group and to attract suitable personnel for further development with the Group. A trust has been set up for the purpose of administering the Share Award Scheme.

Details of the shares held under the Share Award Scheme are set out below:

	Six months ended 30 June 2012			Year ended 31 December 2011		
	Average purchase price HK$	**No. of shares**	**Value RMB'000**	Average purchase price HK$	No. of shares	Value RMB'000
At 1 January	**1.26**	**13,636,000**	**13,936**	–	–	–
Shares purchased during the period /year	**1.25**	**4,024,000**	**4,091**	1.26	13,636,000	13,936
At 30 June/ 31 December	**1.26**	**17,660,000**	**18,027**	1.26	13,636,000	13,936

On 16 February 2012, 17,660,000 ordinary shares held under the Share Award Scheme were awarded to certain Directors and employees of the Group with a fair value per share of HK$1.67 (equivalent to approximately RMB1.36 per share). The fair value of the awarded shares is determined by reference to the closing price of the Company's ordinary shares on 16 February 2012. All of the awarded shares will be vested on 13 December 2012.

21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2012.

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group Company Limited ("Jiangsu Glass Group") under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 30 June 2012, the outstanding amount bears interest at 6.12% per annum (31 December 2011: 6.12% per annum). For the six months ended 30 June 2012, interest expenses of RMB0.6 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2011: RMB0.8 million).

(ii) Acquisition of non-controlling interests

On 12 May 2011, Jiangsu SHD New Materials Company Limited, as a nominee of Keen Moral Investment Limited, exercised the exclusive and irrevocable option to acquire the 49% equity interests in Dongtai China Glass Special Glass Company Limited from Jiangsu Glass Group at a consideration of RMB69.1 million.

(iii) Other transactions

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Sale of glass and glass products to a related party		**7,465**	–
Purchase of raw materials from related parties		**7,786**	10,081
Labour service expenses		**1,183**	–
Operating lease expenses		**850**	850
Net decrease in non-interest bearing advances granted to related parties	(ii)	**2,329**	6,656
Net (decrease)/increase in non-interest bearing advances received from related parties	(ii)	**(768)**	2,441

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

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
Interest expenses	(i)	**4,886**	5,515
Net decrease in non-interest bearing advances granted to a related party	(iii)	**780**	780
Net decrease in loans received from a related party	(iv)	**12,642**	13,302

21 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Sale of glass and glass products to related parties		**122**	89,795
Purchase of raw materials from a related party		**–**	173
Purchase of equipment from a related party		**14,320**	–
Labour service expenses		**–**	524
Net increase in non-interest bearing advances granted to a related party	(ii)	**–**	20,566

(d) Transactions with an associate of the Group

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Net decrease in non-interest bearing advances granted to a related party	(v)	**–**	83

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Short-term employee benefits	**1,967**	1,627
Contributions to defined contribution retirement plans	**134**	92
Equity compensation benefits		
– share option scheme	**–**	444
– share award scheme	**5,481**	–
	7,582	2,163

Notes:

(i) Interest expenses represented interest charges on the 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 2011 to 2013.

(iv) The loans are unsecured, bear interest ranging from 4.66% to 7.73% per annum and are repayable in instalments from 2010 to 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 2010 to 2015.

22 COMMITMENTS

(a) Capital commitments

At 30 June 2012, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**356,449**	451,285
– Authorised but not contracted for	**28,129**	18,242
	384,578	469,527

At 30 June 2012, capital commitments in respect of land and buildings, and machinery and equipment are for the expansion and upgrade of the production lines of the Group.

(b) Operating lease commitments

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Within 1 year	**6,751**	5,411
After 1 year but within 5 years	**12,969**	13,148
After 5 years	**9,828**	11,714
	29,548	30,273

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

23 COMPARATIVE FIGURES

As a result of a revision made to the presentation of reportable segments as detailed in Note 4, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time for the six months ended 30 June 2011.

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 3 to 32 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2012 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 2012 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 2012

Management Discussion and Analysis

MARKET REVIEW

In 2012, due to weak global economic recovery, the economy growth of China has slowed down. Meanwhile, as the Chinese government maintained its strict control policies on real estate and its stringent credit policies, the business environment of glass market continued to deteriorate. According to the statistics from the Glass Information Website, in the first half of 2012, 7 new float glass production lines were established in the country; 73 production lines suspended production or performed overhaul across the industry; and 198 production lines were in operation. During the first half of the year, the sheet glass production capacity decreased remarkably as compared to the same period last year.

In the first half of 2012, the price in glass market dropped initially, followed by bounced back and maintained relatively stable thereafter. In the first quarter, the industry continued the weak market condition from last year by running in a low level. As it is also an off season of the glass industry at the same time, the whole industry recorded a loss. In the second quarter, driven by commencement of traditional seasonal peak in the construction industry, the downward market trend was slightly improved; the glass price gradually bounced back, especially in the southern China market. Notwithstanding this, the declining tendency of the whole glass market was difficult to change in the first half of the year.

BUSINESS REVIEW

Overview

Currently, the Group has 17 glass production lines, of which 14 were float glass production lines and 3 were patterned glass production lines for solar power ultra-clear photovoltaic glass. The daily melting capacity amounted to 7,630 tonnes. As of 30 June 2012, the Group had 11 glass production lines in operation. One float glass production line in Beijing, one float glass production line in Suqian, one patterned glass production line in Nanjing and one production line in Weihai were under technical transformation or being suspended for overhaul. One patterned glass production line in Nanjing and one new float glass production line in Wuhai have not commenced production yet.

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

Facing the adverse conditions of the industry, and against the background of intensified and disorderly competition as a result of weak demand and excess production capacity, the Group has carefully taken corresponding measures to address the difficult market condition from the Group's perspective, and analyzed its advantages and disadvantages, market demand and industry trend. In particular, in addition to traditional expansion of sources of income and cost saving, it has improved business conditions by the following efforts:

1. sustaining its strategic plan of "Two-High-One-Low" (high technology, high quality and low cost), continuing to proceed with refining and evolving its technology, strengthening its control over product structure, and promoting and replicating low-cost fuel replacement technology in various production bases;

2. strategically adjusting the time for production line upgrade and overhaul by taking advantage of market downturn to conduct the overhaul and technology upgrade in advance for certain production lines which are approaching overhaul period, so as to lay foundations for rapid improvement of performance of the Group when the market recovers subsequently.

Prices in raw materials and production costs

In the first half of 2012, the relatively weak economy led to inadequate demand for main raw materials and fuels required for glass production, and thus resulted in the decline of their prices. Impacted by the drop in global oil price and inadequate domestic demand, the fuel price in China went down since the second quarter. Coal price has decreased since the beginning of the year, and the price of soda ash has continued the downward trend from the end of last year. The prices of petroleum powder and silicon sand generally remained at the low level. As the prices of raw materials and fuels decreased, the cost pressure on the Group in respect of the operations has been eased.

Under such circumstances, the Group, by taking advantage of raw material market downturn, made more efforts on the construction of its own raw material bases, and also increased strategic purchase of bulk raw materials and fuels to establish its reserves, in order to further reduce its purchase cost in a long run.

Production, sales and selling price

In the first half of 2012, our production lines in operation maintained sound operating conditions with good production safety and stable quality. For the first half of the year, as a result of the overhaul of several lines, the Group produced a total of 17.52 million weight cases of glass of different types, representing a slight decrease from the same period last year. In the first half of the year, the average sales prices of the Group's glass products were RMB67 per weight cases, representing a decrease of 21% compared to the corresponding period of the prior year. Although the Group has consistently applied the "Two-High-One-Low" strategy to increase the proportion of high value-added products, the average selling price of our products dropped significantly from the same period of last year, subject to the industry cycle and control policies imposed on real estate.

Profit analysis

Due to rigorous industry conditions, although the Group endeavored to explore and expand the markets, applied new technology to modify product structure, and used more low-cost fuel replacement technology, it was not able to offset the impact of industry decline on its performance. In addition, during the first half of the year, the Group focused on the overhaul and upgrade of production lines when the market went into downturn, which directly affected the revenue of the Group. Therefore, despite the fact that the market had bounced back in certain extent in the second quarter, it was unable to overturn the effect of the industry down period during the first half of the year.

For the first half of 2012, the Group recorded a revenue of RMB1,193 million, representing a decrease of 23% from the same period of last year. Net loss for the period amounted to RMB89 million for the first half year.

In the first half of 2012, fierce competition of ordinary clear glass products continued, as a result of which the sector made no material contribution to the gross profit of the Group in the first half of the year. Therefore the Group has adjusted the ordinary clear glass products production plan and arranged for production in low-cost production base in order to reduce loss attributable to such segment. On the other hand, sales volume of painted and coated glass products for the first half of 2012 increased compared to the same period last year, but gross profit of such segment declined due to decrease in average selling price. In particular, the traditional coated glass market in which the company had obvious advantage, was also impacted by the price competition amongst the entire industry in the first half of the year, which directly affected the overall performance of the Group during such period. Salesvolume of energy saving and new energy glass products increased in the first half of 2012 compared to the same period of last year, as a result of which they became the most important source of gross profit for the first half year of 2012. In this sector, gross profit of energy saving products such as Low-E glass have obvious increase, but with the downturn of the photovoltaic polysilicon industry, the profit contribution from solar power ultra-clear photovoltaic glass products reduced significantly.

Continue to consistently implementing the development strategy of "Two-High-One-Low"

Since the introduction of the strategy of "Two-High-One-Low" by the Group in 2010, the Group has been proactively setting its layout according to such strategy, by strengthening the efforts on technology transformation and independent research and development and improving product structure, in order to enhance its anti-crisis capability.

For the first half of 2012, the online transparent conducting oxide ("TCO") glass coating technology, which the Group has independently developed and has full patent, was recognised as the national science and technology achievement of the PRC. Such recognition by the industry association evidenced that the Group's online TCO glass technology had met the advanced level same as international products of the same kind, which has further strengthened the leading position of the Group in high-tech areas such as the energy saving and new energy in China.

Although the prices of raw materials and fuels dropped during the first half of the year, the long-term increasing trend of raw materials and fuels cost has not been changed due to the reduction of resources. Therefore, the Group will continue to emphasis on increasing the proportion of alternative low-cost fuels, and will continue its research on the technology of improving burning efficiency of fuels.

Energy saving and emission reduction

Our projects of waste heat power generation in the production bases at Suqian and Dongtai have operated smoothly, and the desulphurisation, equipment at Dongtai has been put into trial run and satisfied environmental standards, which evident the implementation of energy saving and environmental measures. The production bases in Linyi and Dongtai, by applying the self-developed technology of the Group, used coke-oven gas, which was a pollutant as fuels to produce high value-added and energy-saving products, through which such production bases become the local leading enterprises of "making good use of the waste" in an energy saving and environment-friendly manner.

OUTLOOK AND TRADING PROSPECTS

The second half of 2012 is the traditional peak season for glass products demand. In addition, as the country has gradually increased the requirements for energy saving and construction safety, demand in energy-saving glass, safety glass and new energy glass products will grow rapidly as supported by the government policies.

The Group expects that the demand in the glass market for the second half of 2012 will be greater than that of the first half year. However, due to the weak demand in the first half of the year, the total demand for glass for the whole year will not be higher than that of last year. During the second half of 2012, the glass price is expected to increase mildly and the glass industry will be gradually improved.

Forecast of market demand for glass products

The Group expects that Chinese government will commit to stablize its economy growth. Although the government will continue its control policies on the properties in the near future, it is estimated that the new construction area of housing properties will be increased slowly according to the data released after May this year. Meanwhile, the security housing construction will be accelerated in the second half of this year. As the peak season is coming, the demand for glass products in the property market will be greater than that of the first half year. In addition, the demand for glass products for automobiles, renovation and decoration for constructions and glass furniture markets will also increase as compared to the first half year.

In the energy saving and new energy sectors, demand for Low-E glass will increase due to the policies in relation to energy saving. TCO glass sector is stable with relatively steady prices and demand. Solar power ultra-clear glass sector is not positive in the second half of the year subject to the general crisis of photovoltaic polysilicon industry.

As for the glass export market, according to the Information Center of China Building Materials Industry, the export of sheet glass for the first half of 2012 decreased by 1.5% as compared to the same period of last year, and in the second half year it will be flat with or slightly increased over the last year.

In a conclusion of above, the market demand for functional glass of environmental protection and energy saving effects including Low-E glass, TCO glass, coated glass and deep processing glass products, will maintain steady growth, while the competition of ordinary float glass will be more intense. However, if glass futures are launched in the future market of China in the second half of the year on schedule, the prices of ordinary clear glass will likely tend to be stable.

Forecast of price movement of raw materials and fuels

It is expected that the prices in main raw materials and fuels will be relatively stable and fluctuate in a narrow range for the second half of 2012. In particular:

Domestic fuel oil: the price is expected to fluctuate mildly at the low level in the second half year;

Soda ash: as the demand for soda ash will be improved due to the coming peak season in glass market in the second half of the year, the price of soda ash will be steady and slightly rising, but will likely to decline at the end of the fourth quarter. It is expected that the general price will remain at the low level in the second half of the year;

Coal: with greater downstream demand, production reduction of coal mines and purchase of coal for winter reserve started from September, the price will be increased slightly while maintaining stable in the second half of the year;

Petroleum powder and silicon sand: the price will remain similar as that for the first half of the year.

Major work plans of the Group for the second half of the year

1. To facilitate the establishment of united and innovative marketing system:

   by leveraging on our existing industry deployment in China and taking advantages of the great number of production lines, reasonable arrangement and complete product varieties, the Group plans to establish the united and standardised market system group-wide, scale and innovative marketing strategy, so as to resist the industry trough.

2. To proactively promote standardized and normalized manufacturing and operating management system:

   the Group plans to, by way of improving and establishing uniform, standardized and normalized manufacturing and operating management system, introduce and promote new technology and new products, to further improve the operation standard of the Group. It will also help the Group as a whole to advance and improve our production, logistics, after-sales services, thus increasing its overall competitiveness.

3. To improve product structure of the Group to increase the proportion of high value-added products:

   against the background of excess capacity of ordinary glass and the increased demand for high-tech glass in China, the Group will continue to take its advantage in respect of coated glass to increase the proportion of energy saving and new energy products while promoting standardized and normalized manufacturing and operating management system.

4. To intensify its efforts on the research and development of new technologies and new products to improve the overall competitiveness of the Group:

   by leveraging on our outstanding technical team and research and development resources, the Group will continue to maintain its edges of high technology, and will intensify its efforts on the development and application of new technologies to increase its benefits and foster new growth points for the Group.

5. To proactively use innovative instruments to hedge industry risks:

   by taking the opportunity arising from domestic market, including the possible launch of glass futures products, and leveraging on our economics of scale in the industry, the Group will proactively use various innovative instruments to hedge the risks of fluctuations of industry cycle in the short term, so as to generate greater value for shareholders.

FINANCIAL REVIEW

For the first six months of 2012, the turnover of the Group decreased by 23% to RMB1.193 billion as compared to RMB1.552 billion in the first six months of 2011. The decrease in turnover was attributable to the decrease in the selling price of the Group which was affected by the significant decrease in the glass market price. Accordingly, the gross profit margin decreased to 7.0% from 20.6% as compared to the corresponding period of last year.

The Group's loss for the period amounted to approximately RMB89 million, representing a decrease of profit by RMB238 million as compared to a profit of RMB149 million for the first six months of 2011. The decrease was mainly attributable to the decrease in gross profit during the period.

The Group's loss attributable to equity shareholders of the Company for the period amounted to approximately RMB82 million, representing a decrease of profit by RMB208 million as compared to a profit attributable to shareholders of RMB126 million for the first six months of 2011. The decrease was mainly attributable to the decrease in gross profit during the period.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2012, the Group's cash and cash equivalents amounted to RMB805 million (31 December 2011: RMB546 million), of which 90% (31 December 2011: 86%) were denominated in Renminbi ("RMB"), 4% (31 December 2011: 11%) in United States Dollars ("USD") and 6% (31 December 2011: 3%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB1.349 billion (31 December 2011: RMB1.064 billion), of which 88% (31 December 2011: 84%) were denominated in RMB and 12% (31 December 2011: 16%) were denominated in USD, and outstanding unsecured notes amounted to RMB535 million (31 December 2011: RMB530 million), of which 28% (31 December 2011: 28%) were denominated in RMB and 72% (31 December 2011: 72%) were denominated in USD. As at 30 June 2012, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 30% (31 December 2011: 27%). As at 30 June 2012, the Group's current ratio (current assets divided by current liabilities) was 0.68 (31 December 2011: 0.73). The Group recorded net current liabilities amounting to RMB1,112 million as at 30 June 2012 (31 December 2011: RMB826 million). As at 30 June 2012, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.62 (31 December 2011: 0.58).

At 30 June 2012, the Group's short-term bank and other loans were RMB1.099 billion (31 December 2011:RMB790 million), the Group's long-term bank and other loans were RMB250 million (31 December 2011:RMB274 million), among which RMB109 million (31 December 2011:RMB118 million) will be due after one year but within two years, RMB137 million (31 December 2011:RMB136 million) will be due after two years but within five years and RMB4 million (31 December 2011:RMB20 million) will be due after five years.

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 or depreciation 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 2012, the Group had not adopted any derivatives for hedging purposes.

REDEMPTION OF THE OUTSTANDING US DOLLAR NOTES

On 12 July 2007, the Group issued unsecured notes of 9.625% per annum with total principal amount of US$100,000,000. On 31 July 2009, the Group redeemed the unsecured notes with total principle amount of US$39,110,000. The outstanding unsecured notes matured on 12 July 2012, and the Group redeemed all outstanding unsecured notes on the same day.

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 2012.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2012, 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) (6)	Percentage of interest in such corporation
Mr. Zhou Cheng	The Company	Beneficial owner	3,750,000 (L) (2)	0.24%
Mr. Zhang Zhaoheng	The Company	Beneficial owner	30,510,000 (L) (3)	1.97%
Mr. Li Ping	The Company	Beneficial owner	1,600,000 (L) (4)	0.10%
Mr. Cui Xiangdong	The Company	Beneficial owner	13,600,000 (L) (5)	0.88%

Notes:

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

(2) Mr. Zhou Cheng was interested in share options to subscribe for 3,750,000 shares of the Company.

(3) Mr. Zhang Zhaoheng was interested in 26,760,000 shares of the Company and share options to subscribe for 3,750,000 shares of the Company.

(4) Mr. Li Ping was interested in share options to subscribe for 1,600,000 shares of the Company.

(5) Mr. Cui Xiangdong was interested in 12,000,000 shares of the Company and share options to subscribe for 1,600,000 shares of the Company.

(6) For further details of the share options granted to the Directors pursuant to the share option scheme adopted by the Company, please refer to the section headed "Share Option Scheme".

Save as disclosed above, as at 30 June 2012, 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 2012, 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)	17.61%
Hony International Limited	Interest of a controlled corporation [(2)]	272,926,000 (L)	17.61%
Mei Long Developments Limited	Beneficial owner	104,750,740 (L)	6.76%
Easylead Management Limited	Interest of a controlled corporation [(3)]	377,676,740 (L)	24.36%
Right Lane Limited	Interest of a controlled corporation [(3)] [(4)]	412,676,740 (L)	26.62%
Mr. Cao Zhijiang	Interest of a controlled corporation [(5)]	377,676,740 (L)	24.36%
Mr. Liu Jinduo	Interest of a controlled corporation [(5)]	377,676,740 (L)	24.36%
Mr. Zhang Zuxiang	Interest of a controlled corporation [(5)]	377,676,740 (L)	24.36%
Legend Holdings Limited [(6)]	Interest of a controlled corporation [(7)]	412,676,740 (L)	26.62%
Pilkington Group Limited	Beneficial owner	390,156,318 (L)	25.17%
NSG UK Enterprises, Limited	Interest of a controlled corporation [(8)]	390,156,318 (L)	25.17%
NSG Holding (Europe) Limited	Interest of a controlled corporation [(9)]	390,156,318 (L)	25.17%
Nippon Sheet Glass Co., Ltd.	Interest of a controlled corporation [(10)]	390,156,318 (L)	25.17%
Public Mutual Berhad (As Fund Manager for PBAEF, PBCAEF, PBCAUEF, PBCPEF, PBEPEF, PBF, PCSF, PFA30F, PFEDF, PFES, PFETIF, PRSEC & PSCF)	Beneficial owner	92,654,000 (L)	5.98%

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 the shares held by Easylead Management Limited 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 the shares held by Right Lane Limited by virtue of Part XV of SFO.

(8) Pilkington Group Limited is a direct wholly-owned subsidiary of NSG UK Enterprises, Limited. NSG UK Enterprises, Limited is taken to be interested in the shares held by Pilkington Group Limited by virtue of Part XV of SFO.

(9) 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 the shares held by NSG UK Enterprises, Limited by virtue of Part XV of SFO.

(10) 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 the shares held by Nippon Sheet Glass Co., Ltd by virtue of Part XV of SFO.

Save as disclosed above, so far as the Directors are aware, as at 30 June 2012, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CHARGE ON ASSETS

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

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2012 were set out in Note 22 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2012.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 30 May 2005 in order to provide 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 shares of the Company at the date of grant was HK$3.50 (which was equivalent to HK$1.75 after the share subdivision in 2011). Movements of share options granted under the option scheme during the six months ended 30 June 2012 are as follow:

Participant	Date of grant	Exercise price per share (Note) HK$	Exercise period from	Exercise period until	No. of shares to be issued upon exercise of the options 1/1/2012 and 30/06/2012	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	

Note: The Company has underwent a subdivision of shares in April 2011 where each of the existing issued and unissued shares of par value of HK$0.10 each in the share capital of the Company has been subdivided into two subdivided shares of par value of HK$0.05 each. As a result of the subdivision, the exercise price per share for the option has been adjusted to HK$1.75.

No options were granted by the Group and no options granted were lapsed or cancelled for the six months ended 30 June 2012. Details of the share options granted were set out in Note 20(b)(i) to the unaudited interim financial report.

SHARE AWARD SCHEME

The Board has approved the adoption of the share award scheme on 12 December 2011 (the "Adoption Date"). The share award scheme will operate in parallel with the Company's share option scheme adopted on 30 May 2005.

(a) Who may join

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the share award scheme (the "Selected Employee(s)"). Selected Employees can be any employee of the Group or Directors of the Company. If any grant of awarded shares is proposed to be made to Director (including an independent non-executive Director) of the Company, such grant must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee. In addition, where any grant of awarded shares is proposed to be made to any Director or any other person who is a connected person within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

(b) The purpose of the share award scheme

The purposes of the share award scheme are to recognise the contributions by Selected Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(c) Operation of the share award scheme

Bank of Communications Trustee Limited has been appointed as the trustee of the share award scheme (the "Trustee"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such shares are vested with the relevant Selected Employees in accordance with the scheme rules.

(d) Life of the share award scheme

The share award scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board.

From the Adoption Date up to 30 June 2012, based on the Company's instruction, 17,660,000 shares were purchased by the trustee of the scheme on the market for the purpose of the share award scheme, representing approximately 1.14% of the issued share capital of the Company as at 30 June 2012 and the aggregate price paid by the Company were HK$22,231,066. On 16 February 2012, 17,660,000 shares held under the share award scheme were awarded to the Selected Employees of the Group at nil consideration.

Further details of the awards granted under the share award scheme are disclosed in Note 20(b)(ii) to the unaudited interim financial report.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, other than the shares of the Company purchased by the trustee of the share award scheme as disclosed in Note 20(b)(ii) to the unaudited interim financial report.

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 2012, the Group had employed a total of approximately 6,220 employees in the PRC and Hong Kong (31 December 2011: about 6,584 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 2012. Details of staff costs and pension schemes were set out in Note 5 to the unaudited interim financial report.

MATERIAL ACQUISITIONS AND DISPOSAL

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 2012. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no other material events after the reporting period as at the date of this report.

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive Director, namely Mr. Zhao John Huan and two independent non-executive Directors, namely Mr. Sik Siu Kwan and Mr. Zhao Lihua. The chairman of the audit committee is Mr. Sik Siu Kwan. 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 2012.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprised of one non-executive Director, namely Mr. Zhao John Huan, and two independent non-executive Directors, namely Mr. Sik Siu Kwan and Mr.Zhao Lihua. The chairman of the remuneration committee is Mr. Zhao Lihua. The principal responsibilities of remuneration committee include making recommendations for approval by the Board with respect to matters relating to the remuneration of Directors and senior management, and establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

On 27 March 2012, the Board established a nomination committee in accordance with the amendments of the Code on Corporate Governance Practices which became effective as of 1 April 2012, which comprised of one non-executive Director, namely Mr. Zhou Cheng and two independent non-executive Directors, namely Mr. Sik Siu Kwan and Mr. Zhang Baiheng. The chairman of the nomination committee is Mr. Zhou Cheng. The principal responsibilities of nomination committee include examinating the structure, size and composition of the Board, identifying suitable individual qualified to become board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by nomination committee and agree any appointment of its members and recommend appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

STRATEGY COMMITTEE

On 27 March 2012, the Board established a strategy committee, which comprised of one executive Director, namely Mr. Zhang Zhaoheng and two non-executive Directors, namely Mr. Zhao John Huan and Mr. Zhou Cheng. The chairman of the strategy committee is Mr. Zhao John Huan. The strategy committee is mainly responsible for reviewing the mid-term and long-term strategies of the Company pursuant to its defined terms of reference.

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 applicable code provisions of 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 2012.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted the Model Code For Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2012.

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 30 August 2012