CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

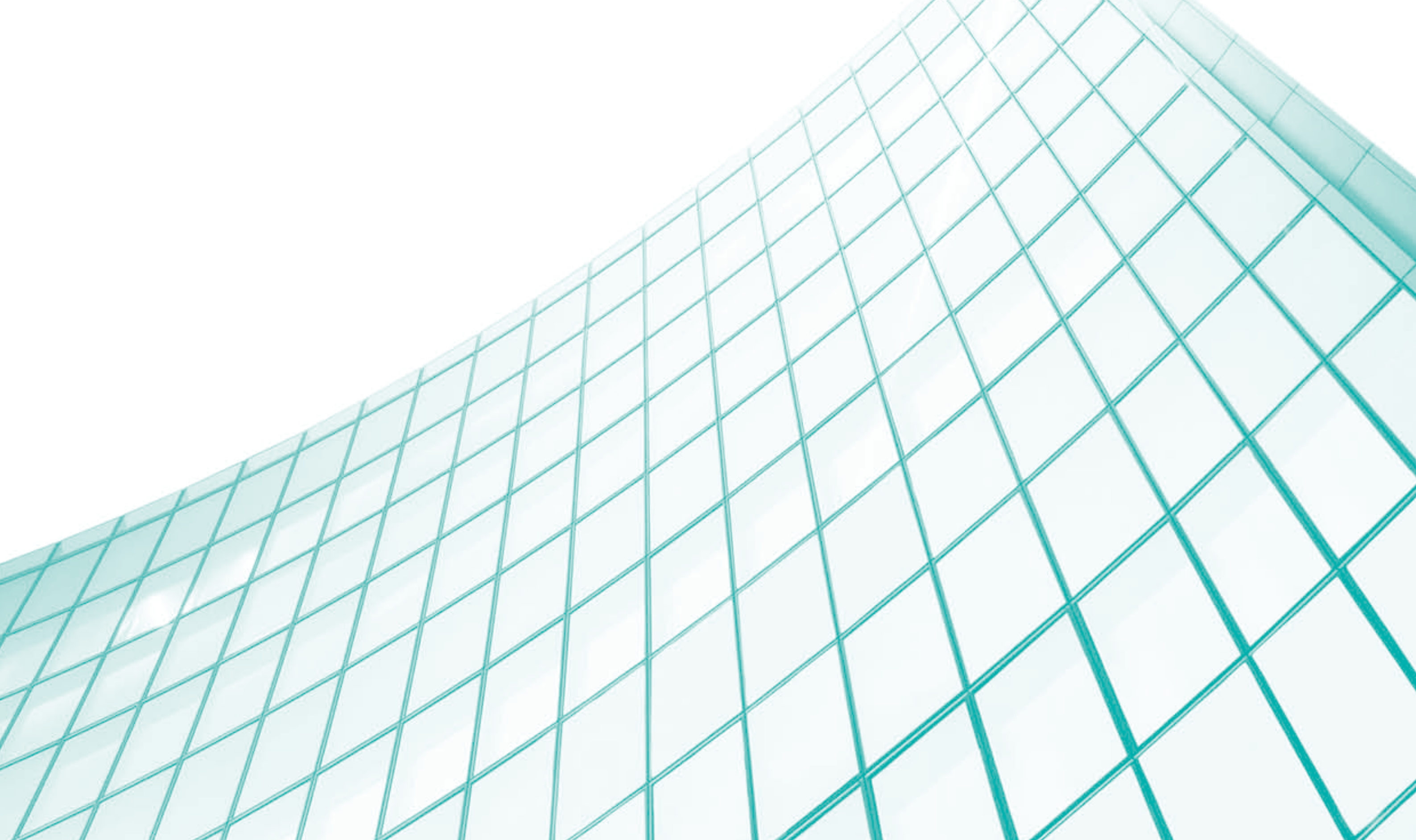
(Incorporated in Bermuda with limited liability)

(Stock Code : 3300)

* For identification purposes only

Annual Report 2012

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 (resigned on 17 October 2012)

Independent Non-Executive Directors
Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Ni Wei (appointed on 27 December 2012)
Mr. Chen Huachen (appointed on 27 December 2012)
Mr. Sik Siu Kwan (resigned on 11 October 2012)

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. Chen Huachen (appointed as member and Chairman of audit committee on 27 December 2012) *(Chairman of audit committee)*
Mr. Sik Siu Kwan (resigned as member and Chairman of audit committee on 11 October 2012)
Mr. Zhao John Huan
Mr. Zhao Lihua (appointed and resigned as Chairman of audit committee on 11 October 2012 and 27 December 2012 respectively)
Mr. Zhang Baiheng (appointed as member of audit committee on 11 October 2012)

REMUNERATION COMMITTEE

Mr. Zhao Lihua (appointed as Chairman of remuneration committee on 26 March 2012) *(Chairman of remuneration committee)*
Mr. Sik Siu Kwan (resigned as member of remuneration committee on 11 October 2012)
Mr. Zhao John Huan (resigned as Chairman of remuneration committee on 26 March 2012)
Mr. Zhang Baiheng (appointed as member of remuneration committee on 11 October 2012)

NOMINATION COMMITTEE

(established on 27 March 2012)
Mr. Zhou Cheng *(Chairman of nomination committee)*
Mr. Sik Siu Kwan (resigned as member of nomination committee on 11 October 2012)
Mr. Zhang Baiheng
Mr. Zhao Lihua (appointed as member of nomination committee on 11 October 2012)

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Hankou
Bank of China
Bank of Communications
China Merchants Bank
Bank of Jiangsu
Industrial and Commercial Bank of China
China Minsheng Banking Corp. Ltd.
Shanghai Pudong Development Bank
China Citic Bank

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Brunswick Group Ltd.

STOCK CODE

Hong Kong Stock Exchange 3300

Financial Highlights

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2012 are extracted from the audited financial statements of this report and the Company's 2008, 2009, 2010 and 2011 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**2,550,175**	2,946,048	3,154,796	2,078,408	2,289,941
Cost of sales	**(2,340,121)**	(2,504,040)	(2,293,413)	(1,613,726)	(2,078,045)
Gross profit	**210,054**	442,008	861,383	464,682	211,896
Other revenue	**55,655**	76,129	33,024	19,009	19,398
Other net (loss)/income	**(3,196)**	180,599	8,107	955	(5,164)
Distribution costs	**(90,191)**	(98,077)	(77,486)	(62,183)	(82,879)
Administrative expenses	**(254,570)**	(250,804)	(205,989)	(179,726)	(219,588)
Other expenses	**–**	–	–	–	(60,061)
(Loss)/profit from operations	**(82,248)**	349,855	619,039	242,737	(136,398)
Share of profit/(loss) of associates	**70**	–	–	(20,893)	(41,999)
Net gain from disposal of controlling equity interests in a subsidiary	**–**	–	4,608	–	–
Net gain from disposal of equity interests in an associate	**–**	–	78,025	–	–
Finance (costs)/income	**(106,793)**	(68,357)	(94,275)	34,344	(66,001)
(Loss)/profit before taxation	**(188,971)**	281,498	607,397	256,188	(244,398)
Income tax	**3,633**	(69,752)	(100,637)	(38,772)	26,990
(Loss)/profit for the year	**(185,338)**	211,746	506,760	217,416	(217,408)

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Total assets	**5,718,123**	5,988,812	4,982,093	3,834,060	3,554,990
Total liabilities	**(3,397,382)**	(3,481,435)	(3,038,788)	(2,596,573)	(2,554,289)
Net assets	**2,320,741**	2,507,377	1,943,305	1,237,487	1,000,701

Chairman's Statement

Dear Shareholders,

In 2012, the impact of the European debt crisis hindered the progress of the recovery of the world's economy, thus leading to a slowdown in the global economy. Meanwhile, the glass industry in China was also affected by the PRC government's stringent adjustment and control of the property market. Hence demand for glass slackened and the competition were getting severer. Despite all that, in 2012, the suspension of production and overhaul of production line that generally occurred in the industry were more than those of last year and, during the year, glass supply showed a negative growth for the first time since 2000. Although the entire industry began to gradually recover in the third quarter, for the entire year the glass industry remained at the trough.

The stern market conditions and the low product price had great influence on the Group's business. In addition, the Group took advantage of the industry slump to overhaul and upgrade those production lines that were almost due for overhaul ahead of schedule. That, to a certain extent, also affected the Group's production output for the financial year 2012, thus contributing to the Group's loss recorded in 2012. Yet, the Group's progress in the research and development of the new technology was distinct. In the year 2012, the online transparent conducting oxide coated ("TCO") glass technology researched and developed by the Group officially passed the authentication of the expert group of National Glass Association; the online low-emission coated ("Low-E") glass product in the Dongtai production base commenced mass production; the titanium series easy-clean coated glass product in the Weihai base achieved a seamless dovetail of production; by digesting and absorbing the single-silver Low-E coated technology applied on the offline Low-E glass production line, the offline double-silver Low-E glass technology was developed by the Group. These various technologies were in response to the development trend of the glass industry and have developed great potential for the Group's future robust development.

Looking ahead to 2013, in pace with the world economy's progressive recovery, and the movement of the new urbanization construction and the promotion of energy saving for the construction industry in China, the demand in the glass industry is poised to increase gradually. And on the supply side, due to the production suspension, the increase in overhaul of glass production line and the reduction of newly added production lines, the growth in supply of glass is going to slowdown. Hence, it is anticipated that the glass market in 2013 is poised to come out of the trough of 2012 and get on the road of further recovery.

The Group shall respond to the market situation by continuing, with persistence, the development strategy of "Two-High-One-Low" (high technology, high quality and low cost). We will enhance the management and promotion of products that deploy solar control coated glass, and the online and offline Low-E coated glass technologies, and continue to maintain our leading edge in the technology, increase the weight of green products that falls into the energy-saving and new-energy categories, thus strengthening our products' competitiveness and enhancing the Company's operating effectiveness.

Furthermore, we will proactively pay close attention to the development situation of the glass industry and respond to the PRC government's call for promoting the healthy development of the sizeable flat glass manufacturing groups so as to well position ourselves in the preparation for the consolidation of the industry, and to achieve natural growth as well as implement a merger and acquisition restructuring strategy. Recently, the Group and six other well known glass manufacturing enterprises have been selected by the China Building Materials Federation and the China Architectural and Industrial Glass Association in their recommendation list of enterprise groups of the flat glass industry, which will be given key support and nursery. That will provide a good opportunity for the Group's development and strong growth.

In anticipation of the improving international economic environment in 2013 and the continuing development of the domestic economy in China, we will persistently carry out our established strategy with strenuous effort and unremitting enterprise so as to extricate the Group from the operating predicament that happened in 2012 and improve the Company's operation.

Finally, I would like to represent the Board to deliver our heartfelt appreciation to the Company's shareholders and our loyal and hardworking staff. Also, I would like to represent the Group to give our sincere gratitude to our customers, suppliers and other partners for their confidence and trust in the Group.

Zhou Cheng
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2012, the glass industry in China was affected by both the government's continuing control and adjustment of the real estate market and the digestion of the overgrown production capacity inherited from the previous years, thus resulting in fierce market competition and a general fall in prices of the glass products.

Based on the statistics of Glass Information Website, in 2012, the nation had 21 newly added glass production lines, while newly added production capacity increased by 83 million weight cases, representing a year-on-year increase of 10%, and on average 70 glass production lines had suspended production or experienced overhaul during the year. According to the data from National Statistics Bureau, in 2012, the total production volume of flat glass in the country was 714 million weight cases, representing a decrease of 3.2% compared with last year. This was the first negative year-on-year growth since 2000.

Slower growth in the automotive industry also reduced the demand of glass. Although the demand of energy-saving glass surged in the year, products like Low-E glass did not hit a major growth spurt due to factors such as the property market slump, fewer new property construction projects and nationwide legislation not being widely promoted.

Affected by the market slowdown, the market price of glass products in 2012 stabilized after a fall, which shows a gradual recovery and a bottom out trend. Although there was some fluctuation in the price of glass, the overall price level during the year remained low. In the year 2012, the manufacture cost of glass production was mildly lowered due to the fall in the price of the main raw materials and fuel. Yet, China's policy of energy-saving, emission reduction, and environmental conservation were progressively escalated, the industry began to face significant pressure on its profitability.

BUSINESS REVIEW

Overview

At the end of 2012, the Group had 17 glass production lines, comprising 14 float glass production lines and 3 patterned glass production lines for solar power ultra-clear photovoltaic glass, while the daily melting capacity amounted to 7,630 tonnes. At the end of 2012, the Group had 11 production lines in operation. Operations of the float-glass production line in Beijing, the float glass production line in Suqian, and the 3 patterned glass production lines in Nanjing were suspended for overhaul or technical transformation, while the operation of a float glass production line in Wuhai was suspended for relocation construction. Moreover, the operation of one of the float-glass production lines in Weihai was suspended for half a year for overhaul and technical transformation, but resumed operation in 2012.

In addition, the Group owned one offline Low-E glass production line, with production capacity of 3 million square meters per annum, and one amorphous silicon thin-film battery production line with production capacity of 12MW per annum. Both production lines were in normal production in 2012. At the same time, there was another amorphous silicon thin-film battery production line with production capacity of 15MW per annum under construction.

Prices in raw materials and production costs

As both the local and global economies were experiencing a slowdown, the demand for bulk raw materials remained weak. The price of raw materials and fuel used in glass manufacture remained at low level with minor fluctuation, however the cost of labour generally increased.

In 2012, as the soda ash industry was affected by excess supply and lack of demand from the downstream industry, prices remained low during the year. The price of fuel oil, petroleum coke, and coal used in glass manufacture decreased slightly compared with the prior year.

As the silica raw material used in glass manufacture was negatively affected by the slump of the glass market, demand for the raw material eased, hence resulting in a slight downward adjustment of its price as compared with the prior year.

Furthermore, the Group continued to promote the use of low-cost alternative fuel, and put manufacture cost under control. Hence, the average cost of glass products sold in 2012 decreased by 12% compared with that of the prior year.

Production, sales, and selling price

In 2012, the Group produced an aggregate amount of 35.52 million weight cases of glass, representing a decrease of 9.44% compared with the same period of last year. The main reasons for a decrease in output were the relocation, overhaul, and technical transformation of some production lines, which caused a temporary suspension in production. In 2012, the aggregate sales of all types of glass were 37.55 million weight cases, which equals to an output-to-sales ratio of 105.7%.

Affected by the slowdown in market demand and the increasingly fierce competition, the price of glass declined significantly in 2012. Meanwhile, seizing the opportunity of the market downturn, the Group upgraded the production lines with new technology on an experimental basis, which slightly increase the proportion of the normal glass production in its product mix. In 2012, the average selling price of the Group's products dropped significantly, resulting in a decrease in profitability, which was the main contributor to the Group's loss in the year.

Implementation of the strategic plans

The glass industry continued to slowdown in 2012. Although there was a slight bounce-back in the second half of 2012, the economy remained in the doldrums throughout the year, putting immense pressure on the Group's operation. Facing such adversity, the Group continued its strategic plan of "Two-High-One-Low" and adopted the following measures to actively manage the uncertainties and challenges of the market:

1. To continuously enhance the progress of research and development of new products and industrialization: the successful completion of expert group's authentication of TCO glass, the stability and sustainable production of Low-E glass and titanium easy-clean coated glass, and the self-researched and self-manufactured offline double-silver Low-E glass. Meanwhile, during the industry's trough, existing production lines were enhanced with production upgrade, product upgrade and relocation construction. At the beginning of 2013, the Group successfully completed projects such as the relocation construction of the 800 tons production line in Wuhai and the production of ultra-thick glass in Dongtai.

2. To increase high quality products production: strengthen production management; improve product quality; reduce cost; increase effectiveness. In 2012, the Group committed itself in implementing standardized production, enhancing the stability and productivity of its production lines to forge a strong foundation for future technologies for achieving the same production efficiency on different production lines.

3. Low-cost strategy: In 2012, the Group continued its three-year strategic plan of using low-cost alternative fuel. At the same time, in consideration of the tightening of regulation on environmental protection and energy conservation by the government, the Group increased its efforts in this aspect and added waste heat power generation systems to its existing production lines. The waste heat power generation systems would fully utilize the heat from the production lines, which would significantly reduce energy loss and production cost. In addition, the Group also increased its efficiency with a lower number of staff through upgrading the production lines and techniques, and increased its overall labour productivity.

Whilst enhancing internal management control, the Group conducted thorough analysis on market demand, competitive products and future trends by integrating with the respective characteristics of each regional location of different production lines, the Group would also produce value-added and differentiated products to meet market demand, increase product competitiveness, and strengthen the Group's leading position in the coated glass market. Using all these as our building blocks, we proactively gave an impetus to integrating our marketing efforts and optimizing our marketing model.

OUTLOOK AND TRADE PROSPECTS

The effects of the adjustment in the structure of the property market will gradually surface as the nation makes progress in its urbanization process, and as the construction of the social security housing projects continued its progress. To this end, we expect that the demand of glass is poised to gradually recover in 2013. At the same time, some of the new and overhauled production lines are expected to be entered into production, thereby leading to an increase of supply. As a whole, it is anticipated that the glass industry in 2013 shall step out of the trough experienced in 2012 and achieve an equilibrium in supply and demand.

In addition, since glass futures were approved by The China Securities Regulatory Commission for trading, the trading of glass futures has been active in year 2012. Although the number of manufacturing enterprises in the glass industry participating in such activity is limited, the traded glass futures have obviously affected the prices of glass, especially that of the normal white glass. It is expected that the glass futures would effectively play an important role in determining the market price; gradually iron out glass products' business cycles; alleviate the severity of the price fluctuation of normal white glass product. And all these factors would contribute to the stable development of the glass market in 2013.

The impacts of international and domestic macroeconomic development

In 2013, we expect the global economy will remain in its post-crisis adjustment period: economic growth will be relatively weak but signs of the recovering trend will become apparent. It is therefore anticipated that China's economy will begin to stabilize with more positive factors, the drive to grow will be stronger, manifesting positive signs of a resurging trend.

Related national policies and property policies

The Central Economic Work Conference of China proposed to actively and steadily promote urbanization, and strived to improve the quality of urbanization. Urbanization has the potential to expand domestic demand, which will effectively stimulate the demand for glass. At the same time, the country has also clearly stated the necessities of changing the urban and rural construction model and the pattern of development of the construction industry, raising the efficiency of resource usage, achieving the goals of energy saving and emission reduction, and building a resource-saving and environmental-friendly society. The most effective way of enery-saving construction is the use of energy-saving glass, which means the markets for Low-E glass, sunlight easy clean coated ("Sun-E") glass, as well as all kinds of hollow, laminated, ultra-white glass that feature safe, energy-saving, and envrionmental-friendly glass will have very bright prospects. In addition, new-energy products, especially energy-saving products that integrate with construction, will become increasingly important, thus providing a safety net for the development policy of solar products such as TCO glass.

Management Discussion and Analysis (continued)

Furthermore, the PRC's government begin to actively support the glass industry with a focus on nurturing sizeable enterprise groups in order to expedite industry consolidation. In this respect, the Group has been formally included in the first batch of the industry association's recommended list of sizeable enterprise groups qualified for such scheme.

The Group has all along endeavored to become China's leading manufacturer of high value-added glass that features energy-saving, new-energy, etc., which is consistent with China's guided direction of macroeconomic policies and economic development, and thus suggesting wide spectrum of future development opportunities for the Group.

Glass market demand forecast

In 2013, as urbanization continues to develop and the social security housing projects continued with their construction, we anticipate that the overall performance of the property industry will be better than 2012.

The automotive industry in 2013 will be better than that in 2012, and the demand for automobiles is expected to reach 20.8 million for the whole of the year 2013, with a growth rate of around 7%.

Export markets will not have apparent adjustment or stimulation effects on the glass industry in 2013.

Moreover, we expect that there will be growth in the demand for energy-saving and new-energy products as requirements on energy-saving and environment conservation are being strengthened.

Supply of raw materials and fuel forecast

In 2013, we will continue to face uncertainties in the global and local economies. Nevertheless, starting from the end of 2012, the world economy showed signs of bottoming out and recovering. In 2012, as industries of raw materials and fuel that were used in glass manufacturing such as soda ash and steel indicated continued losses, their primary goals were to stop or cover those losses. Taking the above factors into consideration and the expected domestic inflation, we expect the prices of the major raw materials and fuel will show a gradual increase in 2013.

THE MAIN WORK PLANS FOR 2013

We will continue to follow the strategy of "Two-High-One-Low" as our development direction, to actively integrate the opportunities arising from the national policy, and to exploit the benefits that the industry recovery in a business cycle can bring about, and to expeditiously promote the development of the Group.

We will seize the opportunities of those critical policies of the country that affected the industry, such as urbanization policy, green building campaign, and the industry reform. By combining the Group's strategic plans with the increase in research and the proactive adjustment and optimization of the product structure, we can make good use of the production and sales of the high value-added and high quality glass products, such as the online Low-E and offline Low-E glass. And that will further increase the proportion of high value-added products.

We will continue to promote standardized and lean production, apply tighter controls on product quality and process standards, and enhance the overall quality of the Group's products and market competitiveness, and to lay a foundation for promoting a high-efficiency industry that the future high and new technology can bring about.

We will continue to promote the use of low-cost alternative fuel technology, enhance the research and development of increasing combustion efficiency, and complete the construction of the waste heat power generation systems as planned.

We will conduct thorough research about market changes and product characteristics; actively and steadily deepen the adjustments of market integration, and the marketing systems and models. We will forge a leading position and price advantage of the Group in the coated glass market, take a lead of the market trend and enhance our initiation and control in the market, at the same time, to coordinate and plan for the integration of the procurement of all kinds of raw materials and fuels.

We will conduct in-depth research on the development of derivatives in the market, and select the right opportunity to hedge risks according to the operation need of the Group.

We will combine our market research with the existing industry layout and the direction of the industry's future development, and will persist in the strategies of self growing and continuous mergers and acquisitions. We will also actively look out for target companies that are outstanding, with competitive advantages, and consistent with the Group's long-term goals.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 13% from RMB2.946 billion for the year ended 31 December 2011 to RMB2.550 billion for the year ended 31 December 2012. This was mainly attributable to a decrease of 19% in the annual average selling price compared to the last year due to a significant decrease in the market price of glass this year.

Cost of sales

The Group's cost of sales decreased by approximately 7% from RMB2.504 billion for the year ended 31 December 2011 to RMB2.340 billion for the year ended 31 December 2012. This was mainly attributable to the decrease in the prices of major raw materials and fuel such as soda ash and petroleum powder and the Group's strategy in adopting low-cost fuel technology as a substitution.

Gross profit

The Group's gross profit decreased by approximately 52% from RMB442 million for the year ended 31 December 2011 to RMB210 million for the year ended 31 December 2012. This was mainly attributable to the decrease in gross profit margin. Gross profit margin decreased from 15% in 2011 to 8.2% in 2012, which was mainly due to the decrease in the average selling price for reasons as stated above.

Other net (loss)/income

The Group's other net (loss)/income decreased from an income of RMB181 million for the year ended 31 December 2011 to a loss of RMB3 million for the year ended 31 December 2012. The net income in the year 2011 was primarily attributable to the expropriation of the land use right owned by Wuhai Blue Star Glass Co., Ltd., a subsidiary of the Company, by the local government of Wuhai in 2011, which resulted in a gain of approximately RMB168 million. There was no similar income for the year 2012.

Distribution costs

The Group's distribution costs decreased by approximately 8% from RMB98 million for the year ended 31 December 2011 to RMB90 million for the year ended 31 December 2012. This was mainly attributable to the decrease in the Group's export charges resulted from the decrease of export sales volume and unit export charges.

Administrative expenses

The Group's administrative expenses increased by approximately 2% from RMB251 million for the year ended 31 December 2011 to RMB255 million for the year ended 31 December 2012. This was mainly due to the increase of staff costs for administrative functions from RMB99 million in year 2011 to RMB104 million in year 2012.

Finance costs

The Group's finance costs increased from RMB68 million for the year ended 31 December 2011 to RMB107 million for the year ended 31 December 2012. This was mainly attributable to the decrease of exchange gains of the Group resulting from the appreciation of RMB.

Current assets

The Group's current assets decreased by approximately 24% from RMB2.187 billion as at 31 December 2011 to RMB1.671 billion as at 31 December 2012. The decrease was mainly attributable to the decrease in current assets such as inventories and decrease in cash and cash equivalents.

Current liabilities

The Group's current liabilities increased by approximately 3% from RMB3.013 billion as at 31 December 2011 to RMB3.110 billion as at 31 December 2012. The increase was mainly attributable to the increase of short-term bank and other loans by RMB438 million as compared with 2011, as well as unsecured notes of RMB149 million becoming due in 2013 which was transferred to current liabilities this year.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 39% from RMB468 million as at 31 December 2011 to RMB287 million as at 31 December 2012. This was mainly attributable to unsecured notes of RMB149 million becoming due in 2013 which was transferred from non-current liabilities to current liabilities this year.

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

As at 31 December 2012, the Group's cash and cash equivalents were RMB324 million (31 December 2011: RMB546 million), of which 94% (31 December 2011: 86%) were denominated in RMB, 3% (31 December 2011: 11%) were denominated in United States dollars ("USD") and 3% (31 December 2011: 3%) were denominated in Hong Kong dollars ("HK$"). Outstanding bank and other loans were RMB1.476 billion (31 December 2011: RMB1.064 billion), of which 89% (31 December 2011: 84%)were denominated in RMB and 11% (31 December 2011: 16%) were denominated in USD. Outstanding unsecured notes amounted to RMB149 million (31 December 2011: RMB530 million), all of which were denominated in RMB (31 December 2011: 28% in RMB and 72% in USD).

As at 31 December 2012, the gearing ratio (total interest-bearing debts divided by total assets) was 29% (31 December 2011: 27%). As at 31 December 2012, the Group's current ratio (current assets divided by current liabilities) was 0.54 (31 December 2011: 0.73).The Group recorded net current liabilities amounting to RMB1.439 billion as at 31 December 2012 (31 December 2011: RMB826 million). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.59 (31 December 2011: 0.58).

Details of the Group's bank and other loans and unsecured notes are set out in Notes 24 and 26 to the financial statements.

Material acquisitions or disposals

On 19 December 2012, the Group acquired 0.42% equity interests in Weihai Blue Star Glass Company Limited ("Weihai Blue Star") for a consideration of RMB2.9 million. Upon completion of the above acquisition, the Group's effective interest in Weihai Blue Star increased from 89.97% to 90.42%.

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 year ended 31 December 2012. Save as disclosed in the section headed "The Main Work Plans for 2013" above, as at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

Human resources and employees' remuneration

As at 31 December 2012, the Group had employed approximately a total of 5,963 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 is maintained at a competitive level and is adjusted in accordance with the employees' performance.

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

Charge on assets

Details of the Group's charge on assets are set out in Notes 22 and 24 to the financial statements.

Capital commitments

Details of the Group's capital commitments as at 31 December 2012 are set out in Note 32 to the financial statements.

Contingent liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

Exchange rate risk and related hedging

The Group's transactions and monetary assets were primarily denominated in RMB, HK$, USD and Euros ("EUR"). Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB will be closely related to the development of the PRC economy. Our assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the year ended 31 December 2012, the Group did not adopt any derivatives for hedging purposes.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 December 2012 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	5%
– five largest suppliers combined	22%
Sales	
– the largest customer	9%
– five largest customers combined	16%

During the year ended 31 December 2012, no Director or any associates of a Director or any substantial shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) of the Company has any interest in any of the Group's five largest customers and suppliers.

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 USD100,000,000. On 31 July 2009, the Group redeemed the notes with total principal amount of USD39,110,000. The outstanding unsecured notes in a principal amount of USD60,890,000 matured on 12 July 2012, and the Group redeemed all outstanding notes on the same day according to their terms and conditions.

Report of the Directors

The Board of Directors (the "Board") submit herewith their annual report together with the audited financial statements of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The loss of the Group for the year ended 31 December 2012 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the financial statements on pages 38 to 120.

The Board does not recommend any final dividend for the year ended 31 December 2012 (31 December 2011: the Company made a distribution of an amount of HK$15,501,470.58 (representing HK$0.01 per share) out of the contributed surplus account of the Company).

RESERVES

Details of the distributable reserves of the Company as at 31 December 2012 are set out in Note 29(e) to the financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in Note 29(a) to the financial statements.

DONATIONS

The Group had not made any donation during the year ended 31 December 2012 (2011: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year ended 31 December 2012 are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2012 are set out in Note 29(c) to the financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

Mr. Zhou Cheng *(Chairman)*
Mr. Zhao John Huan
Mr. Chen Shuai
Mr. Ning Min
Ms. Lu Minghong (resigned on 17 October 2012)

Independent Non-Executive Directors

Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Ni Wei (appointed on 27 December 2012)
Mr. Chen Huachen (appointed on 27 December 2012)
Mr. Sik Siu Kwan (resigned on 11 October 2012)

CONTINUING CONNECTED TRANSACTIONS

The Group had not entered into any non-exempted continuing connected transactions for the year ended 31 December 2012 which are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") (the "Listing Rules").

The material related party transactions are set out in Note 31 to the financial statements. All the related party transactions did not fall within the scope of non-exempted connected transactions under Chapter 14A of the Listing Rules which are required to comply with the reporting, annual review, announcement or independent shareholders' approval requirements.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2012, none of the Directors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to which the Company, any of its holding company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save and except for the share award scheme disclosed in Note 27(b) to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

CONTRACT OF SIGNIFICANCE

No contracts of significance of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2012.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31 December 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) (7)	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/ Interest of a controlled corporation	34,094,000 (L) (3)	2.20%
Mr. Li Ping	The Company	Beneficial owner	2,372,000 (L) (4)	0.15%
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	14,674,000 (L) (5)	0.95%

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 HK$0.05 each in the share capital of the Company (the "Shares").

(3) It included Mr. Zhang Zhaoheng's interests in 26,760,000 Shares, share options to subscribe for 3,750,000 Shares, and 3,584,000 Shares acquired by Logic Build Holdings Limited, which Mr. Zhang has 100% direct interest, under the share award scheme.

(4) It included Mr. Li Ping's interests in share options to subscribe for 1,600,000 Shares, and 772,000 Shares acquired under the share award scheme.

(5) It included Mr. Cui Xiangdong's interests in 12,000,000 Shares, share options to subscribe for 1,600,000 Shares, and 1,074,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the share award scheme.

(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".

(7) For further details of the share award scheme adopted by the Company, please refer to the section headed "Share Award Scheme".

Save as disclosed above, as at 31 December 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 Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 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:

Name of shareholder	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%

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. 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 NSG Holding (Europe) Limited by virtue of Part XV of SFO.

Save as disclosed above, as at 31 December 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.

SHARE OPTION SCHEME

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

(a) Who may join

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

(b) The purpose of the share option scheme

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

(c) Subscription price

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

(d) Grant of option

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

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

(e) Maximum number of Shares and entitlement of each Qualified Participant

The maximum number of Shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the listing date, which is 36,000,000 (representing 2.3% of the issued share capital as at the date of this report).

Unless approved by the shareholders in general meeting in the manner prescribed in the Listing Rules, the Board of Directors shall not grant options to any Qualified Participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant upon the exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

(f) Timing for exercise of options

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

(g) Life of the share option scheme

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

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

The closing price of the share of the Company at the date of grant was HK$3.50 (before adjustment pursuant to the subdivision of shares in 2011). Movement of share options granted under the option scheme during the year ended 31 December 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 at 1/1/2012 and 31/12/2012	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 undergone a subdivision of shares in April 2011 where each of the existing issued and unissued shares of par value of HK$0.10 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 during the year ended 31 December 2012. Details of the share options granted were set out in Note 27(a) to the financial statements.

SHARE AWARD SCHEME

The Board has approved the adoption of the share award scheme of the Company 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 31 December 2012, based on the Company's instructions, the Trustee of the scheme purchased 17,660,000 Shares on the market pursuant to the share award scheme for a total consideration of HK$22,231,066, representing approximately 1.14% of the issued share capital of the Company as at 31 December 2012. All of the 17,660,000 Shares held under the share award scheme were awarded to the Selected Employees at nil consideration on 16 February 2012, and fully vested to the Selected Employees of the Group on 12 December 2012.

Details of the share award scheme are set out in Note 27(b) to the financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive directors

Mr. Zhang Zhaoheng (張昭珩), aged 53, is an executive Director and the Chief Executive Officer of the Company. He joined the Group in March 2007. Mr. Zhang is a senior economist with a postgraduate qualification and he is the vice president of China Marketing Association and vice chairman of China Building Glass and Industrial Glass Association. Mr. Zhang joined Weihai Blue Star Glass Co., Ltd. in October 1976 and has previously served as chairman of Weihai Blue Star Glass Co., Ltd., Weihai Blue Star New Technology Glass Co., Ltd., Zhongbo Technology Co., Ltd., Shaanxi Bluestar Glass Limited, Wuhai Blue Star Glass Co., Ltd., Zhongbo Bluestar (Linyi) Glass Co., Ltd. etc, and as director of Jiangsu SHD New Materials Co., Ltd. and Dongtai China Glass Special Glass Co., Ltd. etc. He has 35 years of extensive experience in building material industry and corporate management.

Mr. Li Ping (李平), aged 51, is an executive Director and senior vice president of the Company, and general manager each of Jiangsu SHD New Materials Company Limited, Dongtai China Glass Special Glass Company Limited and Suqian Huayi Coated Glass Limited, all being indirect wholly-owned subsidiaries of the Company. He graduated in 1982 from Zhejiang University with a bachelor degree in Engineering major in materials, and a master degree in Business Administration. He is a senior engineer at postgraduate level. Mr. Li joined the Group in February 1982 and has formerly worked as deputy head of Jiangsu Glass Factory, deputy general manager and general manager of Jiangsu Glass Group Company Limited. He has over 30 years of experience in the building materials industry and enterprise management.

Mr. Cui Xiangdong (崔向東), aged 53, is an executive Director and senior vice president of the Company. He joined the Group in March 2007. Mr. Cui is an accountant and a senior economist with a university qualification. Mr. Cui joined Weihai Blue Star Glass Co., Ltd. in October 1977 and has previously served as director of Weihai Blue Star Glass Co., Ltd., Weihai Blue Star New Technology Glass Co., Ltd., Zhongbo Technology Co., Ltd., Shaanxi Bluestar Glass Limited, Wuhai Blue Star Glass Co., Ltd. etc. He has 34 years of extensive experience in building material industry, corporate management and marketing.

Non-Executive Directors

Mr. Zhou Cheng (周誠), aged 56, is a non-executive Director and the Chairman of the Company. Mr. Zhou has been an executive Director and Chief Executive Officer of the Company since the listing of the Company in 2005 until 19 October 2010 and 14 September 2007 respectively. Mr. Zhou is the Chairman of the Company since September 2007. He is a senior engineer and graduated from Nanjing University of Technology in 1980, majoring in inorganic chemistry. Mr. Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and chairman and general manager of Jiangsu Glass Group Company Limited. Mr. Zhou is currently the venture partner of Hony Capital Limited, an affiliate member company of Legend Holdings Limited, which is an indirect substantial shareholder of the Company.

Mr. Zhao John Huan (趙令歡), aged 50, is a non-executive Director. He joined the Group in January 2005. Mr. Zhao graduated from the Physics Department at Nanjing University, and obtained master degrees in Electronic Engineering and Physics from Northern Illinois University in the United States, and a master degree in Business Administration from the Kellogg School of Management of Northwestern University. Mr. Zhao joined Legend Holdings Limited, a substantial shareholder of the Company, in January 2003 and founded Hony Capital Limited. Prior to launching Hony Capital Limited, Mr. Zhao held a number of senior management positions and directorships at several prestigious multinational companies. Mr. Zhao is currently a managing vice president and a member of the executive committee of Legend Holdings Limited and a president of Hony Capital Ltd.

Mr. Chen Shuai (陳帥), aged 39, is a non-executive Director. He joined the Group in January 2009. Mr. Chen graduated from the Beijing Forestry University with a bachelor degree and he received a master degree in Business Administration from China Europe International Business School. Mr. Chen is currently a managing director of Hony Capital Limited, an affiliate member company of Legend Holdings Limited, which is an indirect substantial shareholder of the Company. He has extensive experience in financial, banking, merger and acquisition investment in China.

Mr. Ning Min (寧旻), aged 43, is a non-executive Director. He joined the Group on 30 June 2011. He is currently the secretary of the board of directors, a senior vice-president and a member of the executive committee of Legend Holdings Limited, an indirect substantial shareholder of the Company. Mr. Ning graduated and obtained a bachelor's degree in economics from Beijing City College in 1991 and an EMBA postgraduate degree from Renmin University of China in 2001. Since his joining Legend Holdings Limited in July 1991, Mr. Ning held positions in various departments including administration, training and finance departments, and has accumulated rich experience in corporate operation, finance and capital management.

Ms. Lu Minghong (陸銘紅), aged 42, is a non-executive Director. She joined the Group on 12 December 2011. She has been the human resources director of the China region of NSG (Shanghai) Ltd., a wholly-owned subsidiary of Nippon Sheet Glass Co., Ltd., an indirect substantial shareholder of the Company. Ms. Lu obtained a bachelor degree in arts from Nanjing Normal University in 1993. From 2000 to 2003, Ms. Lu was a human resources manager of GE Medical System (China) Co., Ltd.. From 2003 to 2005, she was a human resources manager of Ingersoll-Rand (Wuxi) Road Machinery Co., Ltd.. From 2005 to 2009, she was a human resources manager of the Asia region of International Paper Company. From her previous employments in human resources sectors of various multinational companies, Ms. Lu has gained valuable experience in group organization and enhancing staff professional developments. Ms. Lu has been resigned as a non-executive director of the Company on 17 October 2012.

Independent Non-Executive Directors

Mr. Zhang Baiheng (張佰恒), aged 51, is an independent non-executive Director. He joined the Group in January 2005. Mr. Zhang is a university graduate. He was a pilot and district chief in the Sixth Flight Institute of the People's Liberation Army of China (中國人民解放軍第六飛行學院) from 1979 to 1981. From 1985 to 1996, he was a staff officer at the Training Department of the People's Liberation Army Air Force Academy of China (中國人民解放軍空軍學院訓練部). Mr. Zhang has extensive experience in the building material industry. From 1996 to 2002, he was the deputy director of the China Building Material Industry Association (中國建築材料工業協會) and the deputy secretary of the China Architectural and Industrial Glass Association (中國建築玻璃工業玻璃協會). From 2002 to 2005, he was the secretary of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會). From 2005 onwards, he has been the deputy secretary of the China Building Material Industry Association (中國建築材料工業協會) and the secretary of the China Architectural Glass and Industrial Glass Association (中國建築玻璃與工業玻璃協會).

Mr. Zhao Lihua (趙立華), aged 70, is an independent non-executive Director. He joined the Group on 30 June 2011. Mr. Zhao is currently a professor and a tutor of doctorate candidates of Hunan University. He was graduated from Hunan University in 1965 with a bachelor's degree majoring in physics. He was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and was promoted to a professor in the same university in 1987. He was a visiting professor of University of Hanover in Germany in 1989 and the vice president of Hunan University from March 1992 to March 2000. He served as the chairman of the board of Hebei Huda Technology & Education Development Co., Ltd. from March 2000 to October 2002. He served as the chief supervisor of Sinosafe General Insurance Co. Ltd. from July 2003 to June 2011.

Mr. Ni Wei (倪瑋), aged 54, has been appointed as an independent non-executive Director on 27 December 2012. Mr. Ni graduated from the Department of Chinese Language and Literature of Xiamen University in 1982, and in the same year he was assigned to the head office of the Motor Communication Group of Ministry of Transport. Mr. Ni was transferred to the China Communications and Transportation Association of the National Development and Reform Commission ("NDRC") in 1993, and in 2001 he served as deputy secretary general of the China Communication and Transportation Association and was primarily responsible for the association's major projects and publication work. Mr. Ni also served in various other positions, including service as deputy secretary general of the China Information Association of NDRC in 2005. In addition, Mr. Ni founded the China Logistics Investment and Financing Union and the China Logistics City Alliance during the period from 2010 to 2012, and also served as deputy chairman and secretary general of the two associations. Mr. Ni has received various awards, including the first Chinese Economic Press Innovation award in 2007, and the China Express Delivery Industry Outstanding Achievement award in 2009.

Mr. Chen Huachen (陳華晨), aged 34, has been appointed as an independent non-executive Director on 27 December 2012. Mr. Chen is a Chartered Financial Analyst. Mr. Chen graduated from the Capital University of Economics and Business in 2001 with a bachelor's degree in Accounting, and graduated from the Faculty of Business of the Hong Kong Polytechnic University in 2006 with a master's degree in Accounting. Mr. Chen also holds an MBA degree awarded by Columbia Business School in 2009. Mr. Chen was a senior staff member at the Department of Public Offering Supervision of the China Securities Regulatory Commission from 2003 to 2007. After graduating from Columbia University, Mr. Chen returned to China and worked for UBS Securities Co. Limited as a director in the Greater China Investment Banking Division from 2009 to 2011. Mr. Chen worked for Qiming Ventures Partners as a partner from 2011 to 2012. Mr. Chen has ample experience in the capital market and financial related matters.

Mr. Sik Siu Kwan (薛兆坤), aged 45, is an independent non-executive Director. He joined the Group in May 2006. Mr. Sik has more than 20 years of experience in investment banking and finance. He has held senior positions with a number of major international investment banks, responsible for investment bank business development and regional business operations. He graduated from Oxford University with first class honours in his Bachelor's degree in engineering and master degree. He is also a member of The Institute of Chartered Accountants in England and Wales. Mr. Sik resigned as an independent non-executive director of the Company on 11 October 2012.

Senior Management

Mr. Lu Guo (呂國), aged 50, is a vice president of the Company, Mr. Lu is a senior engineer. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material, majoring in glass. Mr. Lu joined the Group in August 1984 and has worked as head of a branch factory of Jiangsu Glass Factory, an assistant to the general manager and a deputy general manager of Jiangsu Glass Group. He has over 22 years of experience in the PRC glass industry.

Mr. Ge Yankai (葛言凱), aged 52, is a vice president of the Company and a director of Weihai Blue Star, a director and general manager of Blue Star New Technology Company. He joined the Group in March 2007. Mr. Ge is a senior engineer. He graduated with an engineering bachelor degree from Shandong University of Technology, majoring in electrical automation, in 1982. Mr. Ge joined Blue Star Glass in 1982 and has previously served as deputy general manager Shandong Blue Star Glass Group, director and deputy general manager of Blue Star Co., director and general manager of Blue Star New Technology Company. He has 32 years of extensive experience in the glass industry in the PRC.

Mr. Yang Hongfu (楊洪富), aged 51, is a vice president of the Company and a director of Dongtai Zhongbo. He joined the Group in January 2005. Mr. Yang is a senior economist and a university graduate. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, vice chairman of Jiangsu SHD New Materials Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision Jiangsu Nantong Yaorong Glass Co., Ltd.

Mr. Cheng Xin (程昕), aged 40, is a vice president of the Company and a director of Weihai Blue Star. He joined the Group in March 2007. Mr. Cheng is a registered security analyst, an economist and a master of business administration, he graduated from China Europe International Business School. Mr. Cheng has previously worked as manager of Investment Advisory Department of Haitong Securities Co., Ltd., deputy general manager of Junxin Venture Capital Investment Company. He has 19 years of extensive experience in the investment scope.

Mr. Wang Jianxun (汪建勛), aged 55, is a chief technology officer of the Company and director of Hangzhou Blue Star. He joined the Group in March 2007. Mr. Wang graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor degree in engineering. He is a professor grade senior engineer. Mr. Wang has previously worked as engineer, deputy chief engineer, senior engineer, professor grade senior engineer in Qinhuangdao Glass Design Research Institute; professor grade senior engineer in Zhejiang University; director and general manager of Hangzhou Blue Star New Materials Company. Mr. Wang has over 32 years of extensive experience in the research and development and application on the glass engineering project design. He was also awarded several National S&T Advance Awards.

Company Secretary

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

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

During the year ended 31 December 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 27(b) to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, during the year ended 31 December 2012, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

Save as disclosed in "Material acquisitions or disposals" in the Management Discussion and Analysis of this report, the Group had not made any material acquisitions or disposals during the year ended 31 December 2012.

NON-ADJUSTING EVENTS 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.

UNSECURED NOTES

Details of the unsecured notes are set out in Note 26 to the financial statements.

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.

AUDITORS

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

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 26 March 2013

Corporate Governance Report

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules was amended and revised as the Corporate Governance Code (the "Revised Code") which became effective on 1 April 2012. For the year under review, the Company has complied with the applicable code provisions of the CG Code and the Revised Code as and when they were/are in force, except for the deviations set out below:

(i) The Revised Code A.2.7 requires the chairman of the board to at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the year 2012, all major decisions of the Company were made by the entire Board with attendance of all Directors, and there were no special circumstances requiring independent discussions with non-executive Directors in the absence of the executive Directors. Therefore, no such meeting with the non-executive Directors was held. Notwithstanding that, the Company has internal policies and arrangements to allow all Directors (including the non-executive Directors) to express their views and raise their concerns in relation to the business of the Company with the Chairman.

(ii) The Revise Code A.6.3 requires that every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so. The Revised Code A.6.7 further requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. During the year 2012, Mr. Zhao John Huan, a non-executive director, has not attended the board meetings and annual general meeting of the Company, due to personal reasons and work commitments. Despite his absence, Mr. Zhao has designated his alternate Director, Mr. Chen Shuai to attend each of the board meeting and the annual general meeting on his behalf, for the purpose of expressing his view and casting his vote in board meetings. In each instance, Mr. Chen has discussed with Mr. Zhao any matters arising from the meetings. Meanwhile, Mr. Zhao also spent considerable time on performing his duties as a committee member and/or the chairman of various board committees, including actively participating in and giving professional advice in various board committee meetings. In the light of the arrangement in place, the Board considers that Mr Zhao has given sufficient time and attention to the affairs of the Company despite his absence from the meetings.

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 financial year ended 31 December 2012.

THE BOARD OF DIRECTORS

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

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

The Board has delegated the day-to-day responsibility to the executive management under the instruction and supervision of Chief Executive Officer. Board minutes are kept by the company secretary of the Company, which are sent to the Directors for records and are open for inspection by the Directors.

The Company has arranged for appropriate directors and officers liability insurance in respect of legal action against Directors.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Chairman and Chief Executive Officer ("CEO")

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

Board Composition

The Board currently comprises a total of 11 Directors, being three executive Directors, four non-executive Directors and four independent non-executive Directors. The number of independent non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 21 to 24 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

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

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

Election of Directors

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

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

Appointments, Re-election and Removal

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

Pursuant to the bye-law 99, at each annual general meeting, not less than one-third of the Directors shall retire from office by rotation.

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

All non-executive Directors have contracts with the Company for a specified period of not more than three years, which is subject to retirement and rotation at the annual general meeting of the Company in accordance with the Company's bye laws and the Revised Code.

Responsibilities of Directors

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

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

Supply of and Access to Information

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

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

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

With effect from 1 April 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to provide necessary information to the Board and each Director to enable them to discharge their duties.

Directors' Training

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Group's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The company secretary also provides Directors with updates on latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged inhouse trainings for Directors in the form of seminar and reading materials since the Revised Code became effective from 1 April 2012. A summary of training received by Directors since 1 April 2012 up to 31 December 2012 according to the records provided by the Directors is as follows:

Directors	**Type of trainings**
Executive Directors	
Mr. Zhang Zhaoheng	A, B
Mr. Li Ping	A, B
Mr. Cui Xiangdong	A, B
Non-Executive Directors	
Mr. Zhou Cheng	A, B
Mr. Zhao John Huan	A, B
Mr. Chen Shuai	A, B
Mr. Ning Min	A, B
Ms. Lu Minghong *(resigned on 17 October 2012)*	B
Independent Non-Executive Directors	
Mr. Zhang Baiheng	A, B
Mr. Zhao Lihua	A, B
Mr. Ni Wei *(appointed on 27 December 2012)*	A, B
Mr. Chen Huachen *(appointed on 27 December 2012)*	A, B
Mr. Sik Siu Kwan *(resigned on 11 October 2012)*	A, B

A: attending seminars and/or conferences and/or forums relating to corporate governance, director's duties and responsibilities, investor relations and media relations etc.

B: reading newspapers, journals and updates relating to the economy, general business, glass industry development, director's duties and responsibilities, legal and regulatory matters and corporate governance etc.

Corporate Governance Report (continued)

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee, nomination committee, remuneration committee and strategy committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on the Stock Exchange website and the Company's website.

Audit Committee

Members:

Independent Non-executive Director	Mr. Chen Huachen *(Chairman)*
	Mr. Zhao Lihua
	Mr. Zhang Baiheng
Non-executive Director	Mr. Zhao John Huan

The Company has set up an audit committee to establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The members of the audit committee possess deep management experience in the accounting profession and commercial sectors.

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

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

The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2012. In addition, the audit committee also met twice to approve the changes of committee chairman and members.

Nomination Committee

Members:

Non-executive Director	Mr. Zhou Cheng *(Chairman)*
Independent Non-executive Director	Mr. Zhang Baiheng
	Mr. Zhao Lihua

The nomination committee was established on 27 March 2012, in accordance with the Revised Code which became effective as of 1 April 2012. 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. During the year, the nomination committee met twice to elect committee chairman and recommend the appointments of two independent non-executive Directors to the Board for approval.

Remuneration Committee

Members:

Independent Non-executive Director	Mr. Zhao Lihua *(Chairman)*
	Mr. Zhang Baiheng
Non-executive Director	Mr. Zhao John Huan

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration packages of all executive Directors and make recommendations to the Board of the remuneration of non-executive Directors, by reference to the Company's goals and objectives. During the year, the remuneration committee met once to review and approve the recommendation of the performance-based remuneration of eligible executive Directors and senior management of the Group, and grant of shares to Selected Employees under the share award scheme.

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance. No Director is involved in deciding his own remuneration. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2012 are disclosed in notes 8 and 31(f) to the financial statements.

Strategy Committee

Members:

Non-executive Director	Mr. Zhao John Huan *(Chairman)*
	Mr. Zhou Cheng
Executive Director	Mr. Zhang Zhaoheng

The strategy committee was established on 27 March 2012. 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. The strategy committee meets regularly as when necessary.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of Directors	Number of meetings attended in person/Eligible to attend for the year 31 December 2012				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Zhang Zhaoheng	3[1]/4	–	–	–	1/1
Mr. Li Ping	4/4	–	–	–	1/1
Mr. Cui Xiangdong	4/4	–	–	–	1/1
Non-Executive Directors					
Mr. Zhou Cheng	4/4	–	–	2/2	1/1
Mr. Zhao John Huan	0[2]/4	4/4	1/1	–	0[3]/1
Mr. Chen Shuai	4/4	4/4	–	–	1/1
Mr. Ning Min	2[4]/4	–	–	–	1/1
Ms. Lu Minghong[5]	2/2	–	–	–	0[6]/1
Independent Non-Executive Directors					
Mr. Zhang Baiheng[7]	4/4	2/2	1/1	2/2	1/1
Mr. Zhao Lihua[8]	4/4	3[9]/4	1/1	1/1	1/1
Mr. Ni Wei[10]	0/0	–	–	–	–
Mr. Chen Huachen[11]	0/0	0/0	–	–	–
Mr. Sik Siu Kwan[12]	2/2	2/2	0/0	1/1	1/1

1 The other meeting not attended in person was attended by his alternate director, Mr. Cui Xiangdong
2,3 All of the meetings were attended by his alternate director, Mr. Chen Shuai
4,6 The other meetings not attended in person were attended by his/her alternate director, Mr. Zhou Cheng
5 Resigned on 17 October 2012
7 Appointed as a member each of audit committee and remuneration committee on 11 October 2012
8 Appointed as a member of nomination committee on 11 October 2012
9 The other meeting not attended in person was attended by his alternate director, Mr. Sik Siu Kwan
10,11 Appointed on 27 December 2012
12 Resigned on 11 October 2012

Delegation by the Board

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

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

ACCOUNTABILITY AND AUDIT

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

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

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

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

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group endeavors to set up an internal control system with a well defined management structure with limits of authority, which is designed for the achievement of business objectives, to safeguard assets against unauthorized use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Board has conducted a review on the effectiveness of the Group's internal control system during 2012 with a view to improve its internal control system.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the company secretary has confirmed that she has taken no less than 15 hours of relevant professional training. The biography of the company secretary is set out on page 25 of this report.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

AUDITORS' REMUNERATION

The Company engaged the auditors to review and audit the financial statements of the Company included in the interim and annual reports, respectively, for RMB7,000,000 (which is payable by the Company). Save as disclosed above, the Company did not engage KPMG for any other non-audit services during the year ended 31 December 2012.

SHAREHOLDERS' RIGHTS

Convening Special General Meeting ("SGM") and Putting Forward Proposals at Shareholders' Meetings

Shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written request to convene a SGM (stating the objects of the meeting and signed by the shareholders concerned) at the registered office of the Company for the attention of the company secretary. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM for a day not more than 28 days after the date on which the notice convening the SGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the company secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

Proposing a person for election as Director

Pursuant to Bye-law 103 of the bye-law of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company, i.e. Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, at least seven days before the date of the general meeting.

The period for lodgment of the notices required under the bye-law of the Company will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board through the Company's Company Secretary Department at Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (email: tramy.li@chinaglassholdings.com).

COMMUNICATIONS WITH SHAREHOLDERS

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

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and external auditors attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds analysts conferences at least twice a year following the release of interim and full year results announcements at which the Executive Directors or senior management of the Group are available to answer questions regarding the performance of the Group. Our Company's website which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 120, which comprise the consolidated and the Company's statements of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

26 March 2013

Consolidated Income Statement

For the year ended 31 December 2012
(Expressed in Renminbi ("RMB"))

	Note	**2012 RMB'000**	2011 RMB'000
Turnover	4	**2,550,175**	2,946,048
Cost of sales		**(2,340,121)**	(2,504,040)
Gross profit	4	**210,054**	442,008
Other revenue	5	**55,655**	76,129
Other net (loss)/income	5	**(3,196)**	180,599
Distribution costs		**(90,191)**	(98,077)
Administrative expenses		**(254,570)**	(250,804)
(Loss)/profit from operations		**(82,248)**	349,855
Share of profit of an associate		**70**	–
Finance costs	6(a)	**(106,793)**	(68,357)
(Loss)/profit before taxation	6	**(188,971)**	281,498
Income tax	7	**3,633**	(69,752)
(Loss)/profit for the year		**(185,338)**	211,746
Attributable to:			
Equity shareholders of the Company		**(173,587)**	181,602
Non-controlling interests		**(11,751)**	30,144
(Loss)/profit for the year		**(185,338)**	211,746
(Loss)/earnings per share (RMB)			
Basic	11(a)	**(0.113)**	0.123
Diluted	11(b)	**N/A**	0.122

The notes on pages 47 to 120 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in RMB)

	2012 RMB'000	2011 RMB'000
(Loss)/profit for the year	**(185,338)**	211,746
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**(5,696)**	(17,069)
Total comprehensive income for the year	**(191,034)**	194,677
Attributable to:		
Equity shareholders of the Company	**(179,283)**	164,533
Non-controlling interests	**(11,751)**	30,144
Total comprehensive income for the year	**(191,034)**	194,677

The notes on pages 47 to 120 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2012

(Expressed in RMB)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	12(a)	**3,600,602**	3,351,981
Lease prepayments	15	**279,531**	286,664
Intangible assets	16	**53,505**	67,511
Interest in an associate	17	**70**	–
Receivables from related companies	19	**4,473**	15,268
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	28(b)	**107,676**	79,274
		4,046,857	3,801,698
Current assets			
Inventories	20	**433,663**	661,996
Trade and other receivables	21(a)	**895,684**	966,211
Prepaid income tax	28(a)	**17,654**	13,086
Cash and cash equivalents	22(a)	**324,265**	545,821
		1,671,266	2,187,114
Current liabilities			
Trade and other payables	23(a)	**1,676,108**	1,786,269
Bank and other loans	24(a)	**1,227,817**	789,973
Unsecured notes	26(a)	**148,500**	382,851
Income tax payable	28(a)	**57,851**	54,289
		3,110,276	3,013,382
Net current liabilities		**(1,439,010)**	(826,268)
Total assets less current liabilities		**2,607,847**	2,975,430

The notes on pages 47 to 120 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2012

(Expressed in RMB)

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank and other loans	24(b)	**248,005**	274,073
Amounts due to a related company	25	**7,380**	14,144
Unsecured notes	26(a)	**–**	146,700
Deferred tax liabilities	28(b)	**31,721**	33,136
		287,106	468,053
NET ASSETS		**2,320,741**	2,507,377
CAPITAL AND RESERVES	29		
Share capital		**74,553**	74,553
Reserves		**2,000,421**	2,172,237
Total equity attributable to equity shareholders of the Company		**2,074,974**	2,246,790
Non-controlling interests		**245,767**	260,587
TOTAL EQUITY		**2,320,741**	2,507,377

Approved and authorised for issue by the board of directors on 26 March 2013.

Zhang Zhaoheng
Director

Cui Xiangdong
Director

The notes on pages 47 to 120 form part of these financial statements.

Statement of Financial Position

At 31 December 2012

(Expressed in RMB)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	12(b)	**234**	472
Investments in subsidiaries	13	**873,653**	858,567
Loans to subsidiaries	14	**90,665**	70,000
		964,552	929,039
Current assets			
Other receivables	21(b)	**887,809**	1,243,707
Cash and cash equivalents	22(b)	**21,903**	135,651
		909,712	1,379,358
Current liabilities			
Other payables	23(b)	**42,977**	61,118
Unsecured notes	26(b)	**–**	382,851
		42,977	443,969
Net current assets		**866,735**	935,389
NET ASSETS		**1,831,287**	1,864,428
CAPITAL AND RESERVES	29		
Share capital		**74,553**	74,553
Reserves		**1,756,734**	1,789,875
TOTAL EQUITY		**1,831,287**	1,864,428

Approved and authorised for issue by the board of directors on 26 March 2013.

Zhang Zhaoheng
Director

Cui Xiangdong
Director

The notes on pages 47 to 120 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Statutory reserves RMB'000 (Note 29(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 29(d)(v))	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 2011:											
Profit for the year	–	–	–	–	–	–	–	181,602	181,602	30,144	211,746
Other comprehensive income	–	–	–	–	–	–	(17,069)	–	(17,069)	–	(17,069)
Total comprehensive income for the year	–	–	–	–	–	–	(17,069)	181,602	164,533	30,144	194,677
Dividends approved in respect of the previous year (Note 29(b)(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)
Shares purchased under the share award scheme (Note 27(b))	–	–	(13,936)	–	–	–	–	–	(13,936)	–	(13,936)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	13,251	13,251
Effect on equity arising from the acquisitions of non-controlling interests	–	–	–	–	–	13,535	–	–	13,535	(274,460)	(260,925)
Equity-settled share-based transactions (Note 27(a))	–	–	–	969	–	–	–	–	969	–	969
Transfer between reserves	–	–	–	–	–	(3,877)	–	3,877	–	–	–
	8,131	635,335	(13,936)	969	–	9,658	–	(9,553)	630,604	(261,209)	369,395
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 47 to 120 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2012

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Statutory reserves RMB'000 (Note 29(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 29(d)(v))	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 2012:											
Loss for the year	-	-	-	-	-	-	-	(173,587)	(173,587)	(11,751)	(185,338)
Other comprehensive income	-	-	-	-	-	-	(5,696)	-	(5,696)	-	(5,696)
Total comprehensive income for the year	-	-	-	-	-	-	(5,696)	(173,587)	(179,283)	(11,751)	(191,034)
Transfer between reserves	-	(12,567)	-	12,567	-	-	-	-	-	-	-
Distributions approved in respect of the previous year (Note 29(b)(ii))	-	-	-	(12,567)	-	-	-	-	(12,567)	-	(12,567)
Shares purchased under the share award scheme (Note 27(b))	-	-	(4,091)	-	-	-	-	-	(4,091)	-	(4,091)
Shares granted under the share award scheme (Note 27(b))	-	-	-	23,959	-	-	-	-	23,959	-	23,959
Shares vested under the share award scheme (Note 27(b))	-	-	18,027	(23,959)	-	-	-	5,932	-	-	-
Effect on equity arising from the acquisitions of non-controlling interests (Note 30)	-	-	-	-	-	166	-	-	166	(3,069)	(2,903)
	-	(12,567)	13,936	-	-	166	-	5,932	7,467	(3,069)	4,398
Balance at 31 December 2012	74,553	2,019,042	-	17,920	40,785	(447,466)	(22,990)	393,130	2,074,974	245,767	2,320,741

The notes on pages 47 to 120 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

(Expressed in RMB)

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
(Loss)/profit before taxation		**(188,971)**	281,498
Adjustments for:			
Depreciation and amortisation	6(c)	**248,153**	245,783
Net loss/(gain) on disposal of property, plant and equipment and land use rights	5	**7,940**	(172,242)
Interest income	5	**(16,023)**	(8,191)
Interest expenses and other borrowing costs	6(a)	**108,816**	103,302
Share of profit of an associate		**(70)**	–
Equity-settled share-based payment expenses	6(b)	**23,959**	969
Changes in working capital:			
Decrease/(increase) in inventories		**228,333**	(319,816)
Decrease in non-current receivables from related companies		**10,795**	5,867
Decrease/(increase) in trade and other receivables		**25,656**	(265,795)
(Decrease)/increase in trade and other payables		**(46,652)**	227,341
Cash generated from operations		**401,936**	98,716
The People's Republic of China (the "PRC") Income Tax paid	28(a)	**(27,190)**	(94,026)
Net cash generated from operating activities		**374,746**	4,690
Investing activities			
Payments for the purchase of property, plant and equipment		**(492,101)**	(1,069,269)
Payments for land use right premiums		**(6,463)**	(27,215)
Proceeds from disposal of property, plant and equipment and land use rights		**46,312**	270,731
Payments for the development of intangible assets		**–**	(21,278)
Decrease in time deposits	22(a)	**2,250**	13,000
Interest received		**16,023**	6,530
Net cash used in investing activities		**(433,979)**	(827,501)

The notes on pages 47 to 120 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2012
(Expressed in RMB)

	Note	2012 RMB'000	2011 RMB'000
Financing activities			
Proceeds from new bank and other loans		**1,396,711**	805,534
Repayment of bank and other loans		**(987,970)**	(489,791)
Repayment of unsecured notes	26(a)	**(385,391)**	–
Proceeds from issuance of new shares		**–**	679,408
Payments of transaction costs on issuance of new shares		**–**	(18,401)
Payments for repurchase of shares		**–**	(13,666)
Payments for purchase of shares under share award scheme	27(b)	**(4,091)**	(13,936)
Contributions from non-controlling interests		**–**	13,251
Payments for acquisitions of non-controlling interests in subsidiaries		**(13,771)**	(263,662)
Distributions/dividends paid to the equity shareholders of the Company	29(b)(ii)	**(12,567)**	(17,305)
Dividends paid to non-controlling interests		**(59)**	(2,238)
Other finance costs paid		**(152,798)**	(116,335)
Net cash (used in)/generated from financing activities		**(159,936)**	562,859
Net decrease in cash and cash equivalents		**(219,169)**	(259,952)
Cash and cash equivalents at 1 January	22(a)	**535,821**	804,927
Effect of foreign exchange rate changes		**(137)**	(9,154)
Cash and cash equivalents at 31 December	22(a)	**316,515**	535,821

The notes on pages 47 to 120 form part of these financial statements.

1 CORPORATE INFORMATION

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

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued several 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 financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, 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.

(d) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company. Contractual obligations towards these equity holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(q).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(i)), unless the investment is classified as held-for-sale.

(e) Associate

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill (continued)

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

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (other than goodwill)

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

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

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

	Estimated useful lives
Intellectual properties	7 years

Both the period and method of amortisation are reviewed annually.

(i) Lease prepayments

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

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and other receivables

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

(l) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

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

– for investments in subsidiaries and an associate (including that recognised using the equity method (see Note 2(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(l)(ii).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;
– lease prepayments;
– intangible assets; and
– goodwill.

If such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

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

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

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

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

(n) Cash and cash equivalents

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

(o) Interest-bearing borrowings

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

(p) Employee benefits

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Share-based payments

– Share options granted to employees

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

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

– Shares granted to employees under the share award scheme

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from equity.

For shares granted under the share award scheme, the fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is based on the closing price of the Company's shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest with a corresponding adjustment to the capital reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Share-based payments (continued)

– Shares granted to employees under the share award scheme (continued)

When the awarded shares are transferred to the awardees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to "Shares held under share award scheme", and the grant date fair value of the awarded shares vested are debited to the capital reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

(iii) Termination benefits

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

(q) Trade and other payables

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

(r) Income tax

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

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

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

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

  – the same taxable entity; or

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

(s) Provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

(u) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Borrowing costs

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

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

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(iv) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(v) The entity is controlled or jointly controlled by a person identified in (a).

(vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Segment reporting

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

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

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 18, 27 and 33 contain information about the assumptions and their risk factors relating to goodwill impairment, and fair value of share options, shares granted under share award scheme and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

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

(b) Impairment of long-lived assets

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

(c) Depreciation and amortisation

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

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

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

The Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 December 2012 and 2011. Details of concentrations of credit risk are set out in Note 33(a).

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which the information 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 four operating segments. 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.

4 TURNOVER AND SEGMENT REPORTING (continued)

(b) 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 years ended 31 December 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 years ended 31 December 2012 and 2011 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers and reportable segment revenue	**945,694**	970,463	**727,790**	762,855	**585,328**	884,534	**291,363**	328,196	**2,550,175**	2,946,048
Reportable segment gross profit	**58,689**	97,741	**45,817**	77,817	**55,676**	194,098	**49,872**	72,352	**210,054**	442,008

4 TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (including Hong Kong) (place of domicile)	**2,005,318**	2,198,242	**3,933,708**	3,706,156
Middle East	**255,392**	317,739	**–**	–
South Korea	**55,203**	78,958	**–**	–
Brazil	**20,475**	44,371	**–**	–
Columbia	**17,136**	9,149	**–**	–
Taiwan	**8,866**	7,078	**–**	–
Nigeria	**6,807**	8,349	**–**	–
Malaysia	**6,767**	14,165	**–**	–
Other countries	**174,211**	267,997	**–**	–
	544,857	747,806	**–**	–
	2,550,175	2,946,048	**3,933,708**	3,706,156

5 OTHER REVENUE AND NET (LOSS)/INCOME

	2012 RMB'000	2011 RMB'000
Other revenue		
Interest income	**16,023**	8,191
Government grants	**18,733**	59,397
Others	**20,899**	8,541
	55,655	76,129
Other net (loss)/income		
Net gain from sale of raw and scrap materials	**4,744**	8,357
Net (loss)/gain on disposal of property, plant and equipment and land use rights	**(7,940)**	172,242
	(3,196)	180,599

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2012 RMB'000	2011 RMB'000
Interest on bank advances and other borrowings	**117,357**	109,355
Bank charges and other finance costs	**20,020**	15,304
Total borrowing costs	**137,377**	124,659
Less: amounts capitalised into property, plant and equipment*	**(28,561)**	(21,357)
Net borrowing costs	**108,816**	103,302
Net foreign exchange gain	**(2,023)**	(34,945)
	106,793	68,357

* The borrowing costs have been capitalised at 6.39% per annum for the year ended 31 December 2012 (2011: 6.28% per annum).

6 (LOSS)/PROFIT BEFORE TAXATION (continued)

(b) Staff costs#:

	2012 RMB'000	2011 RMB'000
Salaries, wages and other benefits	**239,645**	264,699
Contributions to defined contribution retirement plans	**31,639**	31,637
Equity-settled share-based payment expenses in respect of:		
– share option scheme (see Note 27(a))	**–**	969
– share award scheme (see Note 27(b))	**23,959**	–
	295,243	297,305

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates ranging from 14% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of HK$25,000. Contributions to the MPF Scheme vest immediately.

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

6 (LOSS)/PROFIT BEFORE TAXATION (continued)

(c) Other items:

	2012 RMB'000	2011 RMB'000
Cost of inventories # (Note 20)	**2,340,121**	2,504,040
Auditors' remuneration – audit services	**7,000**	7,000
Depreciation and amortisation # (Notes 12, 15 and 16)	**248,153**	245,783
Impairment losses on trade and other receivables (see Note 21(a)(ii))	**4,552**	3,629
Operating lease charges in respect of		
– land	**168**	254
– plant and buildings	**7,989**	5,270
– motor vehicles	**2,586**	1,371
Research and development costs (other than capitalised costs and related amortisation)	**6,218**	6,187

Cost of inventories includes RMB386.7 million (2011: RMB393.9 million) for the year ended 31 December 2012, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2012 RMB'000	2011 RMB'000
Current taxation – PRC income tax (Note 28(a))		
– Provision for the year	**24,438**	91,545
– Under-provision in respect of prior years	**1,746**	197
	26,184	91,742
Deferred taxation (Note 28(b))		
– Origination and reversal of temporary differences	**(46,156)**	(21,990)
– Write-down of deferred tax assets	**16,339**	–
	(29,817)	(21,990)
	(3,633)	69,752

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

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

	2012 **RMB'000**	2011 RMB'000
(Loss)/profit before taxation	**(188,971)**	281,498
Expected tax on (loss)/profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	**(34,774)**	78,303
Tax effect of non-deductible expenses	**7,698**	2,813
Tax effect of unused tax losses not recognised (Note 28(c))	**5,783**	7,000
Tax credits (Notes (iv), (v), (vi) and (vii))	**(425)**	(18,561)
Tax effect of write-down of deferred tax assets (Note (viii))	**16,339**	–
Under-provision in respect of prior years	**1,746**	197
Income tax	**(3,633)**	69,752

Notes:

(i) 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 year ended 31 December 2012 (2011: RMBNil).

(ii) 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.

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2011: 25%).

(iv) Certain subsidiaries of the Group established in the PRC are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprise with foreign investment in the PRC, these subsidiaries obtained approval from the respective tax bureaux 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 subsidiary is entitled but has not commenced in enjoying the tax holiday, the tax holiday must commence immediately in 2008 under the new tax law mentioned in Note 7(b)(v) below.

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

(vi) One of the subsidiaries of the Group established in the PRC obtained an approval from the tax bureau that it is entitled to tax benefits applicable to entity under the Second Phase of the Western Region Development Plan of the PRC, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% (2011: 15%).

(vii) One of the subsidiaries of the Group established in the PRC obtained an approval from the tax bureau to be taxed as an enterprise with advanced and new technologies in 2011, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the years from 2011 to 2013.

(viii) The Group wrote down previously recognised tax losses of RMB16.3 million in 2012, as these unused tax losses either expired in 2012 or their expected utilisation have decreased due to changes were made to the estimates of the future operating results of certain subsidiaries of the Group.

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2012						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Zhang Zhaoheng	–	711	–	33	744	4,862	5,606
Mr. Li Ping	–	398	171	25	594	1,047	1,641
Mr. Cui Xiangdong	–	532	–	33	565	1,457	2,022
Non-executive directors							
Mr. Zhou Cheng	1	–	–	63	64	–	64
Mr. Zhao John Huan	1	–	–	–	1	–	1
Mr. Chen Shuai	1	–	–	–	1	–	1
Mr. Ning Min	1	–	–	–	1	–	1
Ms. Lu Minghong (resigned on 17 October 2012)	1	–	–	–	1	–	1
Independent non-executive directors							
Mr. Zhang Baiheng	146	–	–	–	146	–	146
Mr. Zhao Lihua	146	–	–	–	146	–	146
Mr. Ni Wei (appointed on 27 December 2012)	–	–	–	–	–	–	–
Mr. Chen Huachen (appointed on 27 December 2012)	–	–	–	–	–	–	–
Mr. Sik Siu Kwan (resigned on 11 October 2012)	114	–	–	–	114	–	114
	411	1,641	171	154	2,377	7,366	9,743

8 DIRECTORS' REMUNERATION (continued)

	2011						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Zhang Zhaoheng	–	711	–	30	741	94	835
Mr. Li Ping	–	398	530	22	950	40	990
Mr. Cui Xiangdong	–	532	776	30	1,338	40	1,378
Non-executive directors							
Mr. Zhou Cheng	1	–	3,762	64	3,827	94	3,921
Mr. Zhao John Huan	1	–	–	–	1	–	1
Mr. Chen Shuai	1	–	–	–	1	–	1
Mr. Ning Min (appointed on 30 June 2011)	1	–	–	–	1	–	1
Ms. Lu Minghong (appointed on 12 December 2011)	–	–	–	–	–	–	–
Mr. Liu Jinduo (resigned on 30 June 2011)	–	–	–	–	–	–	–
Mr. Eddie Chai (resigned on 27 October 2011)	1	–	–	–	1	–	1
Independent non-executive directors							
Mr. Sik Siu Kwan	83	–	–	–	83	–	83
Mr. Zhang Baiheng	83	–	–	–	83	–	83
Mr. Zhao Lihua (appointed on 30 June 2011)	42	–	–	–	42	–	42
Mr. Song Jun (resigned on 30 June 2011)	42	–	–	–	42	–	42
	255	1,641	5,068	146	7,110	268	7,378

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

Note (i): These represent the estimated value of share options granted and awarded shares granted to the directors under the Company's share option scheme and share award scheme, respectively. The value of these share options and awarded shares is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(ii). The details of these benefits in kind, including the principal terms and number of share options granted and awarded shares granted, are disclosed under the section "Share option scheme" and "Share award scheme" in the Report of the Directors, and Note 27(a) and Note 27 (b), respectively.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2011: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2011: two) individuals is as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	697	797
Discretionary bonuses	445	1,278
Share-based payments	3,367	70
Retirement scheme contributions	42	46
	4,551	2,191

The emoluments of the employees who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2012	2011
(In Hong Kong dollar ("HK$"))		
1,000,001 – 1,500,000	–	2
2,500,001 – 3,000,000	2	–

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

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

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of RMB41.9 million (2011: a loss of RMB40.7 million) which has been dealt with in the financial statements of the Company (see Note 29(a)).

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year ended 31 December 2012 is based on the loss attributable to ordinary equity shareholders of the Company of RMB173.6 million (2011: profit attributable to ordinary equity shareholders of the Company of RMB181.6 million) and the weighted average of 1,533,485,000 ordinary shares (2011: 1,476,817,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	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	**–**	124,384
Effect of shares repurchased in 2011	**–**	(3,042)
Effect of shares purchased and vested under a share award scheme (Notes 27(b) and 29(c)(iii))	**(3,026)**	(325)
Weighted average number of ordinary shares at 31 December	**1,533,485**	1,476,817

(b) Diluted earnings per share

There are no dilutive potential ordinary shares during the year ended 31 December 2012.

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary equity shareholders of the Company of RMB181.6 million and the weighted average of 1,489,450,000 ordinary shares in issue during the year ended 31 December 2011, calculated as follows:

	2011
	'000
Weighted average number of ordinary shares at 31 December	1,476,817
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 27(a))	12,633
Weighted average number of ordinary shares (diluted) at 31 December	1,489,450

12 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 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	**9,822**	**20,706**	**2,058**	**452,571**	**485,157**
Transfer in/(out)	**200,439**	**450,962**	**–**	**(651,401)**	**–**
Disposals	**(1,954)**	**(75,674)**	**(1,103)**	**–**	**(78,731)**
At 31 December 2012	**1,538,342**	**2,777,657**	**33,620**	**360,847**	**4,710,466**
Accumulated depreciation and impairment losses:					
At 1 January 2012	**196,880**	**743,895**	**11,284**	**–**	**952,059**
Charge for the year	**41,523**	**182,122**	**3,369**	**–**	**227,014**
Written back on disposals	**(1,064)**	**(67,643)**	**(502)**	**–**	**(69,209)**
At 31 December 2012	**237,339**	**858,374**	**14,151**	**–**	**1,109,864**
Net book value:					
At 31 December 2012	**1,301,003**	**1,919,283**	**19,469**	**360,847**	**3,600,602**

At 31 December 2012, property certificates of certain properties with an aggregate net book value of RMB710.5 million (31 December 2011: RMB549.0 million) are yet to be obtained.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2011 and 31 December 2011	2,173	2,654	4,827
Accumulated depreciation:			
At 1 January 2011	2,145	1,710	3,855
Charge for the year	28	472	500
At 31 December 2011	2,173	2,182	4,355
Net book value:			
At 31 December 2011	–	472	472
Cost:			
At 1 January 2012	**2,173**	**2,654**	**4,827**
Additions	**10**	**–**	**10**
At 31 December 2012	**2,183**	**2,654**	**4,837**
Accumulated depreciation:			
At 1 January 2012	**2,173**	**2,182**	**4,355**
Charge for the year	**1**	**247**	**248**
At 31 December 2012	**2,174**	**2,429**	**4,603**
Net book value:			
At 31 December 2012	**9**	**225**	**234**

13 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012 **RMB'000**	2011 RMB'000
Unlisted shares, at cost	**873,653**	858,567

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

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Baoji China Glass Mining Company Limited* 寶雞中玻礦業有限公司	The PRC	Registered and paid-up capital of RMB3,000,000	82.21%	–	83%	Mining, production and sale of minerals to group companies
Beijing Qinchang Glass Company Limited* 北京秦昌玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* 東台中玻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
Fangchenggang Zhongbo New Energy Technology Development Company Limited* 防城港中玻新能源科技發展有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Hangzhou Blue Star New Materials Technology Company Limited* 杭州藍星新材料技術有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	88.08%	–	90%	Development of glass production technology
Hanzhong Blue Star Silicon Sand Company Limited* 漢中藍星硅砂有限公司	The PRC	Registered and paid-up capital of RMB2,400,000	89.24%	–	90.10%	Processing and sale of silicon sand to group companies
Huada (HK) International Company Limited	Hong Kong	Issued and paid-up capital of HK$10,000	100%	–	100%	Trading of glass and glass products and provision of financing to group companies

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Jiangsu SHD New Materials Company Limited ("Jiangsu SHD")* 江蘇蘇華達新材料有限公司	The PRC	Registered and paid-up capital of RMB136,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
JV Investments Limited	The Cayman Islands	Issued and paid-up capital of United States dollar ("USD")90,313	100%	100%	–	Investment holding
Liaocheng Weitong New Energy Technology Company Limited* 聊城市威通新能源科技有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Manzhouli Zhuri New Energy Technology Development Company Limited* 滿洲里逐日新能源科技發展有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Nanjing Yuanhong Special Glass Company Limited* 南京遠鴻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB80,000,000	73.07%	–	80.95%	Production, marketing and distribution of glass and glass products
Shaanxi Blue Star Glass Company Limited* 陝西藍星玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	99.05%	–	100%	Production, marketing and distribution of glass and glass products
Suqian Huasheng Management Consulting Company Limited* 宿遷華盛投資顧問有限公司	The PRC	Registered and paid-up capital of RMB100,000	100%	–	100%	Provision of management services to group companies
Suqian Huayi Coated Glass Company Limited* 宿遷華毅鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Glass Company Limited ("Weihai Blue Star") * (Note 30) 威海藍星玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB107,700,000	90.42%	–	91.09%	Production, marketing and distribution of glass and glass products

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Weihai Blue Star Import & Export Company Limited* 威海藍星進出口有限公司	The PRC	Registered and paid-up capital of RMB5,000,000	90.42%	–	100%	Trading of glass and glass products
Weihai Blue Star New Technology Glass Company Limited* 威海藍星新技術玻璃有限公司	The PRC	Registered and paid-up capital of USD12,000,000	91.46%	–	98.50%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Technology Industrial Park Company Limited* 威海藍星科技工業園有限公司	The PRC	Registered and paid-up capital of RMB25,680,000	90.42%	–	100%	Investment holding
Weihai China Glass Contract Energy Management Company Limited* 威海中玻合同能源管理有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Development of photovoltaic system, marketing and distribution of photovoltaic battery module products
Weihai China Glass Solar Company Limited* 威海中玻光電有限公司	The PRC	Registered and paid-up capital of USD14,920,000	60.58%	–	67.00%	Production, marketing and distribution of photovoltaic battery module products
Weihai China Glass Solar Construction Company Limited* 威海中玻光電工程有限公司	The PRC	Registered and paid-up capital of RMB2,000,000	60.58%	–	100%	Installation of photovoltaic battery module products
Wuhai Blue Star Glass Company Limited* 烏海藍星玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	94.20%	–	99.76%	Production, marketing and distribution of glass and glass products
Wuhai Blue Star Transportation Company Limited* 烏海藍星運输有限公司	The PRC	Registered and paid-up capital of RMB2,000,000	92.44%	–	100%	Provision of transportation services to group companies
Wuhai Haibo Trading Company Limited* 烏海市海波經貿有限責任公司	The PRC	Registered and paid-up capital of RMB2,570,000	80.47%	–	85.42%	Trading of glass and glass products
Xianyang Blue Star Coated Glass Company Limited* 咸陽藍星鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB90,000,000	88.28%	–	88.89%	Production, marketing and distribution of glass and glass products

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Xilin Gol Leaque Yuyang New Energy Company Limited* 錫林郭勒盟昱陽新能源有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Yanbian Zhongbo New Energy Company Limited* 延邊中玻新能源有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Zhongbo Blue Star (Linyi) Glass Company Limited* 中玻藍星（臨沂）玻璃有限公司	The PRC	Registered capital of RMB206,800,000 and paid-up capital of RMB200,000,000	77.23%	–	81.40%	Production, marketing and distribution of glass and glass products
Zhongbo Technology Company Limited* 中玻科技有限公司	The PRC	Registered and paid-up capital of RMB194,860,000	82.76%	–	88.16%	Production, marketing and distribution of glass and glass products

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

14 LOANS TO SUBSIDIARIES

	The Company	
	2012	2011
	RMB'000	RMB'000
Loans to subsidiaries (Note (i))	**90,665**	388,955
Less: current portion of loans to a subsidiary (Note 21(b))	**–**	(318,955)
	90,665	70,000

Note:

(i) The amounts at 31 December 2012 are unsecured, bear interest at 9.625% per annum and are repayable between 1 January 2015 to 31 December 2016. The amounts at 31 December 2011 were unsecured, and except for the amounts of RMB319.0 million which were non-interest bearing and repayable on 30 June 2012, the remaining balance bore interest at 9.625% per annum and was repayable on 31 December 2016.

15 LEASE PREPAYMENTS

	The Group RMB'000
Cost:	
At 1 January 2011	351,141
Additions	21,180
Disposals	(53,783)
At 31 December 2011	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
Net book value:	
At 31 December 2011	286,664
Cost:	
At 1 January 2012 and 31 December 2012	**318,538**
Accumulated amortisation:	
At 1 January 2012	**31,874**
Charge for the year	**7,133**
At 31 December 2012	**39,007**
Net book value:	
At 31 December 2012	**279,531**

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 31 December 2012, land use right certificates of certain land use rights with an aggregate carrying value of RMB7.8 million (31 December 2011: RMB8.1 million) are yet to be obtained.

16 INTANGIBLE ASSETS

	The Group 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 31 December 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 year	**14,006**
At 31 December 2012	**91,512**
Net book value:	
At 31 December 2012	**53,505**
At 31 December 2011	67,511

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

17 INTEREST IN AN ASSOCIATE

	The Group	
	2012	2011
	RMB'000	RMB'000
Share of net assets	**70**	–

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")* 北京中海興業安全玻璃有限公司	The PRC	Registered and paid-up capital of RMB12,000,000	27.13%	–	30.00%	Production, marketing and distribution of glass and glass products

* The English translation of the name is for reference only and the official name of this entity is in Chinese.

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/ (total equity-deficit) RMB'000	Revenue RMB'000	Net profit/ (loss) RMB'000
31 December 2012					
Zhonghai Xingye	**77,943**	**77,710**	**233**	**39,944**	**2,123**
31 December 2011					
Zhonghai Xingye	72,910	74,800	(1,890)	33,700	(566)

18 GOODWILL

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

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

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

19 NON-CURRENT RECEIVABLES FROM RELATED COMPANIES

	The Group	
	2012	2011
	RMB'000	RMB'000
Amount due from an associate (Note (i))	**9,210**	18,666
Amount due from an affiliate of an equity shareholder of the Company (Note (ii))	**735**	2,330
	9,945	20,996
Less: current portion of non-current receivables from related companies (see Note 21(a))	**(5,472)**	(5,728)
	4,473	15,268

Notes:

(i) At 31 December 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 January 2014 and June 2015.

(ii) At 31 December 2012, the amount is unsecured, non-interest bearing and is to be settled on 30 June 2013.

20 INVENTORIES

	The Group	
	2012	2011
	RMB'000	RMB'000
Raw materials	**176,950**	204,980
Work in progress and finished goods	**248,617**	421,192
Racks, spare parts and consumables	**38,003**	47,223
	463,570	673,395
Less: write-down of inventories	**(29,907)**	(11,399)
	433,663	661,996

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

	The Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount of inventories sold	**2,321,613**	2,496,159
Write-down of inventories	**18,508**	7,881
	2,340,121	2,504,040

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

21 TRADE AND OTHER RECEIVABLES

(a) The Group

	2012 RMB'000	2011 RMB'000
Trade receivables from:		
– Third parties	**260,651**	292,470
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**19,148**	20,269
– Companies under common significant influence	**7,514**	11,065
Bills receivables	**237,613**	166,021
	524,926	489,825
Less: allowance for doubtful debts (Note 21(a)(ii))	**(24,892)**	(20,316)
	500,034	469,509
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (aa))	**1,023**	1,812
– An associate of the Group (Note (bb))	**4,935**	4,403
– Companies under common significant influence (Note (cc))	**8,224**	47,408
	14,182	53,623
Less: allowance for doubtful debts (Note 21(a)(ii))	**(3,051)**	(3,074)
	11,131	50,549
Prepayments, deposits and other receivables	**391,928**	453,563
Less: allowance for doubtful debts (Note 21(a)(ii))	**(7,409)**	(7,410)
	384,519	446,153
	895,684	966,211

Notes:

(aa) The amounts are unsecured and non-interest bearing. Except for an amount of RMB0.7 million at 31 December 2012 (31 December 2011: RMB1.5 million) which is to be settled within one year (see Note 19(ii)), all of the remaining balances have no fixed terms of repayment.

(bb) Except for an amount of RMB0.2 million at 31 December 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 the Group's associate, non-interest bearing and is to be settled within one year (see Note 19(i)).

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

21 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (continued)

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

(i) Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

	2012 **RMB'000**	2011 RMB'000
Within 1 month	**148,495**	204,786
More than 1 month but less than 3 months	**97,225**	116,264
More than 3 months but less than 6 months	**110,487**	114,045
Over 6 months	**143,827**	34,414
	500,034	469,509

Further details on the Group's credit policy are set out in Note 33(a).

(ii) Impairment of trade and other receivables

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

The movements in the allowance for doubtful debts during the year are as follows:

	2012 **RMB'000**	2011 RMB'000
At 1 January	**30,800**	27,171
Impairment losses recognised	**4,552**	3,629
At 31 December	**35,352**	30,800

At 31 December 2012, the Group's trade and other receivables of RMB35.4 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.

21 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (continued)

(iii) 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:

	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	**237,613**	168,521
Less than 1 month past due	**75,310**	204,591
More than 1 month but less than 3 months past due	**19,314**	38,747
More than 3 months but less than 6 months past due	**82,056**	23,236
More than 6 months past due	**85,741**	34,414
	262,421	300,988
	500,034	469,509

Receivables that were neither past due nor impaired relate to bills receivables from the issuing banks and 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.

(b) The Company

	2012 RMB'000	2011 RMB'000
Amounts due from equity shareholders of the Company (Note (aa))	**24**	24
Amounts due from subsidiaries (Note (aa))	**871,115**	578,010
Loans to subsidiaries (Note (bb))	**15,085**	342,116
Current portion of loans to a subsidiary (Note 14)	**–**	318,955
Prepayments, deposits and other receivables	**1,585**	4,602
	887,809	1,243,707

Notes:

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

(bb) The amount at 31 December 2012 is unsecured, bears interest at 9.625% per annum and is repayable within one year. The amounts at 31 December 2011 were unsecured, bore interest ranging from 6.70% to 9.625% per annum and have been repaid in 2012, except for the amounts of RMB20.7 million which have been extended to be repayable between 1 January 2015 to 31 December 2016.

All of the receivables are expected to be recovered or recognised as expenses within one year.

22 CASH AND CASH EQUIVALENTS

(a) The Group

	2012 RMB'000	2011 RMB'000
Cash at bank and on hand	**316,515**	535,821
Time deposits with banks	**7,750**	10,000
Cash and cash equivalents in the consolidated statement of financial position	**324,265**	545,821
Less: time deposits with original maturity over 3 months	**(7,750)**	(10,000)
Cash and cash equivalents in the consolidated cash flow statement	**316,515**	535,821

At 31 December 2012, cash and cash equivalents of RMB142.5 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.

(b) The Company

	2012 RMB'000	2011 RMB'000
Cash at bank and on hand	**21,903**	135,651

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

23 TRADE AND OTHER PAYABLES

(a) The Group

	2012 RMB'000	2011 RMB'000
Trade payables to:		
– Third parties	**520,635**	597,012
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**3,177**	3,217
Bills payables	**233,225**	147,450
	757,587	748,229
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**3,621**	6,621
– An affiliate of a non-controlling equity holder of a subsidiary of the Group (Note (ii))	**15,540**	–
– Companies under common significant influence (Note (iii))	**16,383**	43,188
	35,544	49,809
Accrued charges and other payables	**780,211**	872,756
Financial liabilities measured at amortised cost	**1,573,342**	1,670,794
Advances received from customers	**102,766**	115,475
	1,676,108	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 RMB6.8 million at 31 December 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 (see Note 25), 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.

23 TRADE AND OTHER PAYABLES (continued)

(a) The Group (continued)

Included in trade and other payables are trade and bills payables with the following ageing analysis (based on the maturity date) as of the end of the reporting period:

	2012 RMB'000	2011 RMB'000
Due within 1 month or on demand	**570,067**	633,979
Due after 1 month but within 6 months	**187,520**	114,250
	757,587	748,229

(b) The Company

	2012 RMB'000	2011 RMB'000
Amounts due to subsidiaries (Note (i))	**42,323**	42,587
Accrued charges and other payables	**654**	18,531
	42,977	61,118

Note:

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

All of the payables are expected to be settled within one year or are repayable on demand.

24 BANK AND OTHER LOANS

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

	2012 RMB'000	2011 RMB'000
Bank loans	**1,062,033**	568,614
Loans from a third party	**1,000**	21,000
	1,063,033	589,614
Add: current portion of long-term bank and other loans (Note 24(b))	**164,784**	200,359
	1,227,817	789,973

24 BANK AND OTHER LOANS (continued)

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

At 31 December 2012, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2012 RMB'000	2011 RMB'000
Bank loans:		
– Pledged by bank bills	**101,910**	51,250
– Secured by the Group's property, plant and equipment and land use rights	**153,000**	110,000
– Unguaranteed and unsecured	**807,123**	407,364
	1,062,033	568,614
Loans from a third party:		
– Unguaranteed and unsecured	**1,000**	21,000
	1,063,033	589,614

At 31 December 2012, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB324.2 million (31 December 2011: RMB214.3 million).

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

	2012 RMB'000	2011 RMB'000
Bank loans	**268,900**	299,800
Loans from an equity shareholder of the Company	**116,871**	147,614
Loans from third parties	**27,018**	27,018
	412,789	474,432
Less: current portion of long-term bank and other loans (Note 24(a))	**(164,784)**	(200,359)
	248,005	274,073

24 BANK AND OTHER LOANS (continued)

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

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

	2012 RMB'000	2011 RMB'000
Within 1 year or on demand	**164,784**	200,359
After 1 year but within 2 years	**123,883**	118,343
After 2 years but within 5 years	**124,122**	135,730
After 5 years	**–**	20,000
	412,789	474,432

At 31 December 2012, except for long-term bank loans of RMB219.4 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 31 December 2012, the aggregate carrying value of the secured property, plant and equipment and land use rights are RMB848.9 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 31 December 2012, the Group's banking facilities amounted to RMB195.0 million (31 December 2011: RMB150.0 million) were utilised to the extent of RMB130.0 million (31 December 2011: RMB130.0 million).

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 33(b). At 31 December 2012, none of the covenants relating to the bank and other loans had been breached (31 December 2011: RMBNil).

25 NON-CURRENT AMOUNTS DUE TO A RELATED COMPANY

	The Group	
	2012	2011
	RMB'000	RMB'000
Payable for purchase of properties (Note (i))	**14,144**	20,607
Less: current portion of non-current amount due to a related company (see Note 23(a)(iii))	**(6,764)**	(6,463)
	7,380	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 January 2014 to December 2014. Further details of the transaction are set out in Note 31(a)(i).

26 UNSECURED NOTES

(a) The Group

	2012	2011
	RMB'000	RMB'000
Unsecured notes 9.625% due in 2012 (Note (i))	**–**	382,851
Unsecured notes 4.95% due in 2013 (Note (ii))	**148,500**	146,700
	148,500	529,551
Less: current portion of unsecured notes	**(148,500)**	(382,851)
	–	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 bore interest at 9.625% per annum, and interest was 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 were 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.

26 UNSECURED NOTES (continued)

(b) The Company

	2012 RMB'000	2011 RMB'000
Unsecured notes 9.625% due in 2012 (Note 26(a)(i))	–	382,851
Less: current portion of unsecured notes	–	(382,851)
	–	–

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

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

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 29 February 2008	4,280,000	One year from the date of grant	7.25 years
– on 29 February 2008	3,210,000	Two years from the date of grant	7.25 years
– on 29 February 2008	3,210,000	Three years from the date of grant	7.25 years
Options granted to employees:			
– on 29 February 2008	11,720,000	One year from the date of grant	7.25 years
– on 29 February 2008	8,790,000	Two years from the date of grant	7.25 years
– on 29 February 2008	8,790,000	Three years from the date of grant	7.25 years
Total share options granted	40,000,000		

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

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

	2012		2011	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$1.75**	**38,600**	HK$3.50	19,300
Effect of share split in 2011		**–**		19,300
Outstanding at the end of the year	**HK$1.75**	**38,600**	HK$1.75	38,600
Exercisable at the end of the year	**HK$1.75**	**38,600**	HK$1.75	38,600

The options outstanding at 31 December 2012 had an exercise price of HK$1.75 (31 December 2011: HK$1.75) and a weighted average remaining contractual life of 2.42 years (31 December 2011: 3.42 years).

(iii) Fair value of share options and assumptions

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

(Expressed in RMB unless otherwise indicated)

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

(iii) Fair value of share options and assumptions (continued)

Fair value of share options and assumptions

Fair value at measurement date	HK$0.4370 to HK$0.6433
Share price	HK$1.75
Exercise price	HK$1.75
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	48.18%
Option life (expressed as weighted average life used in the modelling under the Black-Scholes model)	3.10 years
Expected dividends	1.75%
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong)	1.39% to 2.22%

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

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

(b) 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.

Pursuant to the Share Award Scheme, the trust may purchase shares of the Company from the Stock Exchange with cash contributed by the Group, and to hold such shares until they are vested.

The directors of the Company may, from time to time, at its discretion select any employee of the Group for participation in the Share Award Scheme and grant such number of awarded shares to any selected employee of the Group at nil consideration. The directors of the Company are entitled to impose any conditions (including a period of continued service within the Group after the award) with respect to the vesting of the awarded shares. In addition, the selected employee shall not transfer or dispose of more than 50% of the awarded shares during the period of one year after the date of vesting of such awarded shares.

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Share award scheme (continued)

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the directors of the Company.

(i) *Details of the shares held under the Share Award Scheme are set out below:*

	2012			2011		
	Average purchase price HK$	No. of shares held	Value RMB'000	Average purchase price HK$	No. of shares held	Value RMB'000
At 1 January	1.26	13,636,000	13,936	–	–	–
Shares purchased during the year	1.25	4,024,000	4,091	1.26	13,636,000	13,936
Shares vested during the year		(17,660,000)	(18,027)		–	–
At 31 December		–	–	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 have been vested on 12 December 2012.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements in current taxation in the consolidated statement of financial position are as follows:

	The Group	
	2012 RMB'000	2011 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	41,203	43,487
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	24,438	91,545
Under-provision in respect of prior years (Note 7(a))	1,746	197
Income tax paid	(27,190)	(94,026)
Balance of income tax payable (net of prepaid income tax) at 31 December	40,197	41,203

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write-down of inventories RMB'000	Impairment losses on trade and other receivables RMB'000	Depreciation expenses in excess of related tax allowances, and government grants and related depreciation RMB'000	Impairment losses on property, plant and equipment and intangible assets RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2011	34,537	661	6,291	22,562	10,359	74,410	(50,262)	24,148
Credited/(charged) to the consolidated income statement (Note 7(a))	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 7(a))	**26,837**	**4,566**	**1,119**	**(4,120)**	**–**	**28,402**	**1,415**	**29,817**
At 31 December 2012	**66,888**	**7,415**	**8,668**	**18,357**	**6,348**	**107,676**	**(31,721)**	**75,955**

(ii) The Company

There were no significant unrecognised deferred tax assets and liabilities at 31 December 2012 and 2011.

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of unused tax losses arising from certain subsidiaries of the Group of RMB192.8 million (31 December 2011: RMB129.8 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB40.6 million which will not expire under relevant tax legislation, the unused tax losses at 31 December 2012 will expire on or before 31 December 2017.

(d) Deferred tax liabilities not recognised

At 31 December 2012, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB599.0 million (31 December 2011: RMB604.1 million). Deferred tax liabilities of RMB59.9 million (31 December 2011: RMB60.4 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Exchange reserve RMB'000 (Note 29(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	66,422	1,396,274	–	16,951	(91,715)	(16,649)	1,371,283
Changes in equity for 2011:							
Loss for the year	–	–	–	–	–	(40,661)	(40,661)
Other comprehensive income	–	–	–	–	(83,263)	–	(83,263)
Total comprehensive income for the year	–	–	–	–	(83,263)	(40,661)	(123,924)
Dividends approved in respect of the previous year (Note 29(b)(ii))	–	(17,305)	–	–	–	–	(17,305)
Issuance of shares	8,367	652,640	–	–	–	–	661,007
Purchase of own shares							
– par value paid	(236)	–	–	–	–	–	(236)
– premium paid	–	–	–	–	–	(13,430)	(13,430)
Shares purchased under the share award scheme (Note 27(b))	–	–	(13,936)	–	–	–	(13,936)
Equity-settled share-based transactions (Note 27(a))	–	–	–	969	–	–	969
	8,131	635,335	(13,936)	969	–	(13,430)	617,069
At 31 December 2011	74,553	2,031,609	(13,936)	17,920	(174,978)	(70,740)	1,864,428

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Exchange reserve RMB'000 (Note 29(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	**74,553**	**2,031,609**	**(13,936)**	**17,920**	**(174,978)**	**(70,740)**	**1,864,428**
Changes in equity for 2012:							
Loss for the year	–	–	–	–	–	**(41,918)**	**(41,918)**
Other comprehensive income	–	–	–	–	**1,476**	–	**1,476**
Total comprehensive income for the year	–	–	–	–	**1,476**	**(41,918)**	**(40,442)**
Transfer between reserves	–	**(12,567)**	–	**12,567**	–	–	–
Distributions approved in respect of the previous year (Note 29(b)(ii))	–	–	–	**(12,567)**	–	–	**(12,567)**
Shares purchased under the share award scheme (Note 27(b))	–	–	**(4,091)**	–	–	–	**(4,091)**
Shares granted under the share award scheme (Note 27(b))	–	–	–	**23,959**	–	–	**23,959**
Shares vested under the share award scheme (Note 27(b))	–	–	**18,027**	**(23,959)**	–	**5,932**	–
	–	**(12,567)**	**13,936**	–	–	**5,932**	**7,301**
At 31 December 2012	**74,553**	**2,019,042**	–	**17,920**	**(173,502)**	**(106,726)**	**1,831,287**

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(b) Dividends/distributions

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

	2012 RMB'000	2011 RMB'000
Final dividend/distribution proposed after the end of the reporting period of HK$Nil per ordinary share (2011: HK$0.01 per ordinary share)	–	12,567

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

	2012 RMB'000	2011 RMB'000
Final distribution/dividend in respect of the previous financial year, approved and paid during the year, of HK$0.01 per ordinary share (2011: HK$0.015 per ordinary share)	12,567	17,305

(c) Share capital

(i) Authorised and issued share capital

	2012		2011	
	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:				
At 1 January	3,600,000,000	180,000	700,000,000	70,000
Increase in authorised share capital	–	–	1,100,000,000	110,000
Share split	–	–	1,800,000,000	–
At 31 December	3,600,000,000	180,000	3,600,000,000	180,000

	2012		2011	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	1,550,147,058	74,553	677,899,529	66,422
Share split	–	–	677,899,529	–
Shares issued in 2011	–	–	200,000,000	8,367
Shares repurchased	–	–	(5,652,000)	(236)
At 31 December	1,550,147,058	74,553	1,550,147,058	74,553

(Expressed in RMB unless otherwise indicated)

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(c) Share capital (continued)

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2012 Number	2011 Number
28 February 2009 to 29 May 2015	HK$1.75	**15,440,000**	15,440,000
28 February 2010 to 29 May 2015	HK$1.75	**11,580,000**	11,580,000
28 February 2011 to 29 May 2015	HK$1.75	**11,580,000**	11,580,000
		38,600,000	38,600,000

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 27(a) to these financial statements.

(iii) At 31 December 2012, no ordinary shares are held by the Company under the Share Award Scheme (31 December 2011: 13,636,000 ordinary shares) (see Note 27(b)).

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Shares held under share award scheme

The shares held under share award scheme represents the weighted average acquisition cost for unvested shares acquired under the Share Award Scheme that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(ii).

(iii) Capital reserve

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

(iv) Statutory reserves

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

(v) Exchange reserve

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

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(e) Distributable reserves

At 31 December 2012, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval) available for distribution to equity shareholders of the Company was RMB2,019.0 million (31 December 2011: RMB2,031.6 million). The directors of the Company do not recommend the payment of a final dividend/distribution for the year ended 31 December 2012 (2011: HK$0.01 per ordinary share).

(f) Capital management

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

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

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

During 2012, in view of the continuous slow down of the glass industry, the Group's strategy was to manage the adjusted net debt-to-capital ratio not to significantly differ from that of the 2011 level. In order to improve the Group's capital structure, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(f) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 December 2012 and 2011 is as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Current liabilities:		
Trade and other payables	**1,676,108**	1,786,269
Bank and other loans	**1,227,817**	789,973
Unsecured notes	**148,500**	382,851
	3,052,425	2,959,093
Non-current liabilities:		
Bank and other loans	**248,005**	274,073
Amounts due to a related company	**7,380**	14,144
Unsecured notes	**–**	146,700
	255,385	434,917
Total debt	**3,307,810**	3,394,010
Add: proposed distributions	**–**	12,567
Less: cash and cash equivalents	**(324,265)**	(545,821)
Adjusted net debt	**2,983,545**	2,860,756
Total equity	**2,320,741**	2,507,377
Less: proposed distributions	**–**	(12,567)
Adjusted capital	**2,320,741**	2,494,810
Adjusted net debt-to-capital ratio	**129%**	115%

29 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(f) Capital management (continued)

	The Company	
	2012 RMB'000	2011 RMB'000
Current liabilities:		
Other payables	**42,977**	61,118
Unsecured notes	**–**	382,851
Total debt	**42,977**	443,969
Add: proposed distributions	**–**	12,567
Less: cash and cash equivalents	**(21,903)**	(135,651)
Adjusted net debt	**21,074**	320,885
Total equity	**1,831,287**	1,864,428
Less: proposed distributions	**–**	(12,567)
Adjusted capital	**1,831,287**	1,851,861
Adjusted net debt-to-capital ratio	**1%**	17%

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

30 CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

On 19 December 2012, the Group acquired an additional 0.42% equity interests in Weihai Blue Star for a consideration of RMB2.9 million.

Upon completion of the above acquisition, the Group's effective interest in Weihai Blue Star increased from 89.97% to 90.42%. Consequently, the Group recognised a decrease in non-controlling interests of RMB3.1 million.

31 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 31 December 2012, the outstanding amount bears interest at 6.12% per annum (31 December 2011: 6.12% per annum). For the year ended 31 December 2012, interest expenses of RMB1.0 million had incurred and been paid to Jiangsu Glass Group (2011: RMB1.5 million).

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

(ii) Other transactions

	Note	2012 RMB'000	2011 RMB'000
Sale of glass and glass products to a related party		**10,405**	48,575
Purchase of raw materials from related parties		**14,324**	18,471
Labour service expenses (Note 31(g))		**2,366**	1,578
Operating lease expenses		**1,702**	1,662
Net (decrease)/increase in non-interest bearing advances granted to related parties	(iii)	**(36,819)**	674
Net (decrease)/increase in non-interest bearing advances received from related parties	(iii)	**(35,340)**	1,354
Acquisition of non-controlling interests in a subsidiary from a related party		**–**	69,059

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

	Note	2012 RMB'000	2011 RMB'000
Interest expenses	(ii)	**8,648**	10,979
Net decrease in non-interest bearing advances granted to a related party	(iv)	**1,560**	1,560
Net decrease in loans received from a related party	(v)	**33,893**	26,151

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

	Note	2012 RMB'000	2011 RMB'000
Sale of glass and glass products to related parties		**7,340**	91,292
Purchase of raw materials from a related party		**–**	4,220
Purchase of property, plant and equipment from a related party (Note 31(g))		**25,808**	–
Labour service expenses		**–**	19,685
Net decrease in non-interest bearing advances granted to a related party	(iii)	**–**	446

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with subsidiaries of the Group

	Note	2012 RMB'000	2011 RMB'000
Interest income	(i)	**9,117**	12,577
Net (decrease)/increase in loans granted to subsidiaries	(vii)	**(609,897)**	350,604
Net increase in non-interest bearing advances granted to subsidiaries	(iii)	**297,320**	190,410
Net (decrease)/increase in non-interest bearing advances received from a subsidiary	(iii)	**(272)**	11

(e) Transactions with an associate of the Group

	Note	2012 RMB'000	2011 RMB'000
Net decrease in non-interest bearing advances granted to a related party	(vi)	**10,400**	101

(f) Key management personnel remuneration

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

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	**4,867**	10,836
Contributions to defined contribution retirement plans	**271**	248
Equity compensation benefits		
– share option scheme (see Note 27(a))	**–**	444
– share award scheme (see Note 27(b))	**12,131**	–
	17,269	11,528

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

(g) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2012, the related party transactions in respect of receiving labour service from a company under common significant influence and purchasing of property, plant and equipment from an affiliate of a non-controlling equity holder of a subsidiary of the Group above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

31 MATERIAL RELATED PARTY TRANSACTIONS (continued)

Notes:

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

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

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

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

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

(vi) 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.

(vii) The loans granted are unsecured, bear interest ranging from 6.70% to 9.625% per annum and are repayable between 1 January 2013 to 31 December 2016.

32 COMMITMENTS

(a) Capital commitments

At 31 December 2012, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	The Group	
	2012	2011
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**189,123**	451,285
– Authorised but not contracted for	**43,760**	18,242
	232,883	469,527

At 31 December 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.

In addition, during the year ended 31 December 2012, the Group has entered into certain finance leases, where the committed minimum payments amounted to RMB129.1 million for five to seven years (2011: RMBNil).

32 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

(i) The Group

	2012 RMB'000	2011 RMB'000
Within 1 year	**8,059**	5,411
After 1 year but within 5 years	**15,971**	13,148
After 5 years	**8,614**	11,714
	32,644	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.

(ii) The Company

	2012 RMB'000	2011 RMB'000
Within 1 year	**2,258**	1,663
After 1 year but within 5 years	**3,586**	1,992
	5,844	3,655

The Company leases its office premises under operating leases. The leases run for an initial period of 1 to 5 years, where all terms are renegotiated upon renewal. The leases do not include contingent rentals.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

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

In respect of trade and other receivables and non-current receivables from related companies, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing or separately negotiated repayment schedules may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers, except for those disclosed in Notes 19 and 21(a).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2012, 13.8% (31 December 2011: 5.1%) and 24.8% (31 December 2011: 17.9%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from non-current receivables from related companies and trade and other receivables are set out in Notes 19 and 21, respectively.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk

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

At 31 December 2012, the Group had net current liabilities of RMB1,439.0 million (31 December 2011: RMB826.3 million). The Group is currently under negotiation with several financial institutions in the raising of new bank loans that if successfully obtained, would be sufficient to cover most of the Group's short-term liquidity needs, in particular for the purpose of the repayment of short-term bank and other loans and unsecured notes that are to fall due during the year ending 31 December 2013. In addition to the above, based on a cash flow forecast of the Group for the year ending 31 December 2013 prepared by the management, the directors of the Company anticipate that the Group would generate sufficient cash inflows from its operating activities to meet its operating liabilities as they fall due for at least twelve months from the end of the current reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and longer term.

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

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Group

	2012 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Trade and other payables measured at amortised cost	**1,573,571**	**–**	**–**	**1,573,571**	**1,573,342**
Bank and other loans	**1,279,516**	**138,092**	**132,654**	**1,550,262**	**1,475,822**
Non-current amounts due to a related company	**453**	**7,655**	**–**	**8,108**	**7,380**
Unsecured notes	**156,188**	**–**	**–**	**156,188**	**148,500**
	3,009,728	**145,747**	**132,654**	**3,288,129**	**3,205,044**

	2011 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables measured at amortised cost	1,671,008	–	–	–	1,671,008	1,670,794
Bank and other loans	830,085	133,268	148,964	21,228	1,133,545	1,064,046
Non-current amounts due to a related company	870	7,500	7,655	–	16,025	14,144
Unsecured notes	410,714	156,188	–	–	566,902	529,551
	2,912,677	296,956	156,619	21,228	3,387,480	3,278,535

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

The Company

	2012		2011	
	Contractual undiscounted cash flow within 1 year or on demand RMB'000	**Carrying amount at 31 December RMB'000**	Contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amount at 31 December RMB'000
Other payables	**42,977**	**42,977**	61,118	61,118
Unsecured notes	**–**	**–**	403,289	382,851
	42,977	**42,977**	464,407	443,969

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and of the Company's borrowings at the end of the reporting period.

	The Group			
	2012		2011	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank and other loans	**6.04%**	**845,522**	6.37%	433,959
Amounts due to a related company	**6.12%**	**14,144**	6.12%	20,607
Unsecured notes	**4.95%**	**148,500**	4.95%-9.625%	529,551
		1,008,166		984,117
Variable rate borrowings:				
Bank and other loans	**6.93%**	**630,300**	6.50%	630,087
Total borrowings		**1,638,466**		1,614,204
Fixed rate borrowings as a percentage of total borrowings		**62%**		61%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

	The Company			
	2012		2011	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Unsecured notes	–	–	9.625%	382,851
Total borrowings		–		382,851
Fixed rate borrowings as a percentage of total borrowings		–		100%

(ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased retained profits by approximately RMB4.78 million (31 December 2011: decreased/increased the Group's profit after tax and retained profits by approximately RMB4.95 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of the reporting period. The impact on the Group's results and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2011.

(d) Currency risk

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

(i) Recognised assets and liabilities

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

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

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

The Group

	2012 Exposure to foreign currencies			
	USD RMB'000	**RMB RMB'000**	**HK$ RMB'000**	**Euros RMB'000**
Trade and other receivables	**53,313**	**–**	**117**	**–**
Cash and cash equivalents	**4,934**	**15,156**	**3,181**	**260**
Trade and other payables	**(292,728)**	**(49,586)**	**(92,038)**	**(3)**
Bank and other loans	**(168,428)**	**–**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**(402,909)**	**(34,430)**	**(88,740)**	**257**

	2011 Exposure to foreign currencies			
	USD RMB'000	RMB RMB'000	HK$ RMB'000	Euros RMB'000
Trade and other receivables	58,196	150	2	–
Cash and cash equivalents	18,054	105,570	19	320
Trade and other payables	(384,435)	(49,550)	(349,854)	–
Bank and other loans	(167,128)	–	–	–
Gross exposure arising from recognised assets and liabilities	(475,313)	56,170	(349,833)	320

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies	
	2012	2011
	RMB	RMB
	RMB'000	RMB'000
Cash and cash equivalents	**15,156**	105,570
Other receivables	**–**	150
Other payables	**(5,076)**	(5,076)
Gross exposure arising from recognised assets and liabilities	**10,080**	100,644

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	The Group			
	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss after tax and (decrease)/ increase in retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and retained profits RMB'000
USD	**5%**	**(15,566)**	5%	(18,367)
	(5%)	**15,566**	(5%)	18,367
RMB	**5%**	**(1,722)**	5%	2,809
	(5%)	**1,722**	(5%)	(2,809)
HK$	**5%**	**(3,376)**	5%	(13,899)
	(5%)	**3,376**	(5%)	13,899
Euros	**10%**	**20**	15%	37
	(10%)	**(20)**	(15%)	(37)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(d) Currency risk (continued)

(iii) *Sensitivity analysis* (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2011.

(e) Fair values

The Group does not have any financial instruments measured at fair value at the end of the reporting period.

The carrying amounts of the Group's and of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2012 and 2011 except as follows:

	The Group			
	2012		2011	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Assets				
Available-for-sale investment	**1,000**	*****	1,000	*
Liabilities				
Long-term bank and other loans	**248,005**	**247,331**	274,073	272,285
Non-current amounts due to a related company	**7,380**	**7,349**	14,144	13,286
Unsecured notes	**148,500**	**145,505**	529,551	485,637

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Fair values (continued)

	The Company			
	2012		2011	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Assets				
Non-current loans to subsidiaries	**90,665**	**98,843**	70,000	76,864
Liabilities				
Unsecured notes	**–**	**–**	382,851	343,377

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

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

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

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

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

	2012	2011
Long-term bank and other loans	**6.89%**	7.25%
Non-current amounts due to a related company	**6.62%**	6.98%
Non-current loans to subsidiaries	**6.89%**	7.25%

(ii) Unsecured notes

The fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(Expressed in RMB unless otherwise indicated)

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2012 to be First Fortune Enterprises Limited and Easylead Management Limited, respectively, which are both incorporated in the British Virgin Islands. Neither of these companies produces financial statements available for public use.

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures* (2011)	1 January 2013
Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Government loans*	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKFRS 10, *Consolidated financial statements*, HKFRS 11, *Joint arrangements,* and HKFRS 12, *Disclosure of interests in other entities – Transition guidance*	1 January 2013
Annual improvements to HKFRSs 2009 – 2011 Cycle	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*	1 January 2014
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income will be modified accordingly when the amendments are adopted for the first time.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in HKFRS 12 are generally more extensive than those required in the current standards. The Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time in 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. HKFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of HKFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2013 financial statements.