2013
INTERIM REPORT

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

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

* For identification purposes only

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

Independent Non-Executive Directors

Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Ni Wei
Mr. Chen Huachen

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 *(Chairman of audit committee)*
Mr. Zhao John Huan
Mr. Zhao Lihua
Mr. Zhang Baiheng

REMUNERATION COMMITTEE

Mr. Zhao Lihua
(Chairman of remuneration committee)
Mr. Zhao John Huan
Mr. Zhang Baiheng

NOMINATION COMMITTEE

Mr. Zhou Cheng
(Chairman of nomination committee)
Mr. Zhang Baiheng
Mr. Zhao Lihua

STRATEGY COMMITTEE

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

Corporate Information (continued)

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

Bank of China
Bank of Hankou
Bank of Jiangsu
Agricultural Bank of China
China Merchants Bank
Bank of Communications
Industrial and Commercial Bank of China
China Citic Bank
Shanghai Pudong Development Bank
Xiamen International Bank

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Brunswick Group Ltd.

STOCK CODE

Hong Kong Stock Exchange 3300

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Turnover	4	**1,260,392**	1,193,428
Cost of sales		**(1,035,647)**	(1,109,724)
Gross profit	4	**224,745**	83,704
Other revenue		**12,356**	16,714
Other net (loss)/income		**(585)**	4,525
Distribution costs		**(42,815)**	(37,357)
Administrative expenses		**(119,945)**	(113,178)
Profit/(loss) from operations		**73,756**	(45,592)
Share of losses of associates		**(70)**	–
Finance costs	5	**(45,993)**	(61,805)
Profit/(loss) before taxation	5	**27,693**	(107,397)
Income tax	6	**(14,954)**	18,120
Profit/(loss) for the period		**12,739**	(89,277)
Attributable to:			
Equity shareholders of the Company		**13,114**	(82,377)
Non-controlling interests		**(375)**	(6,900)
Profit/(loss) for the period		**12,739**	(89,277)
Earnings/(loss) per share (RMB cent)			
Basic	7(a)	**0.852**	(5.375)
Diluted	7(b)	**0.850**	N/A

The notes on pages 12 to 34 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Profit/(loss) for the period	**12,739**	(89,277)
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency	**(5,395)**	393
Total comprehensive income for the period	**7,344**	(88,884)
Attributable to:		
Equity shareholders of the Company	**7,719**	(81,984)
Non-controlling interests	**(375)**	(6,900)
Total comprehensive income for the period	**7,344**	(88,884)

The notes on pages 12 to 34 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2013 – unaudited
(Expressed in RMB)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	8	**3,556,198**	3,600,602
Lease prepayments	9	**275,890**	279,531
Intangible assets	10	**46,654**	53,505
Interests in associates		**600**	70
Receivables from related companies	11	**–**	4,473
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	19	**110,541**	107,676
		3,990,883	4,046,857
Current assets			
Inventories	12	**442,616**	433,663
Trade and other receivables	13	**758,130**	895,684
Prepaid income tax		**15,711**	17,654
Cash and cash equivalents	14	**383,820**	324,265
		1,600,277	1,671,266
Current liabilities			
Trade and other payables	15	**1,612,052**	1,676,108
Bank and other loans	16(a)	**1,075,616**	1,227,817
Unsecured notes	18	**149,400**	148,500
Income tax payable		**57,486**	57,851
		2,894,554	3,110,276
Net current liabilities		**(1,294,277)**	(1,439,010)
Total assets less current liabilities		**2,696,606**	2,607,847

The notes on pages 12 to 34 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

At 30 June 2013 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current liabilities			
Bank and other loans	16(b)	**247,316**	248,005
Amount due to a related company	17	**3,809**	7,380
Unsecured notes	18	**93,687**	–
Deferred tax liabilities	19	**30,633**	31,721
		375,445	287,106
NET ASSETS		**2,321,161**	2,320,741
CAPITAL AND RESERVES	20		
Share capital		**74,553**	74,553
Reserves		**2,001,568**	2,000,421
Total equity attributable to equity shareholders of the Company		**2,076,121**	2,074,974
Non-controlling interests		**245,040**	245,767
TOTAL EQUITY		**2,321,161**	2,320,741

The notes on pages 12 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012	74,553	2,031,609	(13,936)	17,920	40,785	(447,632)	(17,294)	560,785	2,246,790	260,587	2,507,377
Changes in equity for the six months ended 30 June 2012:											
Loss for the period	–	–	–	–	–	–	–	(82,377)	(82,377)	(6,900)	(89,277)
Other comprehensive income	–	–	–	–	–	–	393	–	393	–	393
Total comprehensive income	–	–	–	–	–	–	393	(82,377)	(81,984)	(6,900)	(88,884)
Transfer between reserves	–	(12,567)	–	12,567	–	–	–	–	–	–	–
Distributions approved in respect of the previous year (Note 20(a)(ii))	–	–	143	(12,567)	–	–	–	–	(12,424)	–	(12,424)
Shares purchased under the share award scheme (Note 20(b)(ii))	–	–	(4,091)	–	–	–	–	–	(4,091)	–	(4,091)
Shares granted under the share award scheme (Note 20(b)(ii))	–	–	–	10,825	–	–	–	–	10,825	–	10,825
	–	(12,567)	(3,948)	10,825	–	–	–	–	(5,690)	–	(5,690)
Balance at 30 June 2012	74,553	2,019,042	(17,884)	28,745	40,785	(447,632)	(16,901)	478,408	2,159,116	253,687	2,412,803

The notes on pages 12 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2013 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2012	74,553	2,019,042	(17,884)	28,745	40,785	(447,632)	(16,901)	478,408	2,159,116	253,687	2,412,803
Changes in equity for the six months ended 31 December 2012:											
Loss for the period	–	–	–	–	–	–	–	(91,210)	(91,210)	(4,851)	(96,061)
Other comprehensive income	–	–	–	–	–	–	(6,089)	–	(6,089)	–	(6,089)
Total comprehensive income	–	–	–	–	–	–	(6,089)	(91,210)	(97,299)	(4,851)	(102,150)
Transfer between reserves	–	–	(143)	143	–	–	–	–	–	–	–
Shares granted under the share award scheme (Note 20(b)(ii))	–	–	–	12,991	–	–	–	–	12,991	–	12,991
Shares vested under the share award scheme (Note 20(b)(ii))	–	–	18,027	(23,959)	–	–	–	5,932	–	–	–
Effect on equity arising from the acquisitions of non-controlling interests	–	–	–	–	–	166	–	–	166	(3,069)	(2,903)
	–	–	17,884	(10,825)	–	166	–	5,932	13,157	(3,069)	10,088
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 12 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2013 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	74,553	2,019,042	–	17,920	40,785	(447,466)	(22,990)	393,130	2,074,974	245,767	2,320,741
Changes in equity for the six months ended 30 June 2013:											
Profit/(loss) for the period	–	–	–	–	–	–	–	13,114	13,114	(375)	12,739
Other comprehensive income	–	–	–	–	–	–	(5,395)	–	(5,395)	–	(5,395)
Total comprehensive income	–	–	–	–	–	–	(5,395)	13,114	7,719	(375)	7,344
Shares purchased under the share award scheme (Note 20(b)(ii))	–	–	(12,604)	–	–	–	–	–	(12,604)	–	(12,604)
Shares granted under the share award scheme (Note 20(b)(ii))	–	–	–	5,680	–	–	–	–	5,680	–	5,680
Effect on equity arising from the acquisition of non-controlling interests (Note 21)	–	–	–	–	–	352	–	–	352	(352)	–
	–	–	(12,604)	5,680	–	352	–	–	(6,572)	(352)	(6,924)
Balance at 30 June 2013	74,553	2,019,042	(12,604)	23,600	40,785	(447,114)	(28,385)	406,244	2,076,121	245,040	2,321,161

The notes on pages 12 to 34 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Cash generated from operations		**362,193**	344,908
The People's Republic of China (the "PRC") income tax paid		**(17,329)**	(14,285)
Net cash generated from operating activities		**344,864**	330,623
Net cash used in investing activities		**(190,311)**	(303,392)
Net cash (used in)/generated from financing activities		**(126,920)**	198,574
Net increase in cash and cash equivalents		**27,633**	225,805
Cash and cash equivalents at 1 January	14	**316,515**	535,821
Effect of foreign exchange rate changes		**(328)**	301
Cash and cash equivalents at 30 June	14	**343,820**	761,927

The notes on pages 12 to 34 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interests in associates. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 28 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors (the "Directors") of the Company is included on page 35.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2013.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosure – Offsetting financial assets and financial liabilities*

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

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

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

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 or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

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 by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (continued)

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. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in Note 22. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the assets and liabilities of the Group are not measured under individual segments.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

4 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

4 SEGMENT REPORTING (continued)

Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2013 and 2012. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2013 and 2012 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000	**Six months ended 30 June 2013 RMB'000**	Six months ended 30 June 2012 RMB'000	**Six months ended 30 June 2013 RMB'000**	Six months ended 30 June 2012 RMB'000	**Six months ended 30 June 2013 RMB'000**	Six months ended 30 June 2012 RMB'000	**Six months ended 30 June 2013 RMB'000**	Six months ended 30 June 2012 RMB'000
Revenue from external customers and reportable segment revenue	**504,954**	386,242	**350,652**	353,692	**348,401**	280,848	**56,385**	172,646	**1,260,392**	1,193,428
Reportable segment gross profit/(loss)	**91,875**	(1,389)	**52,950**	14,584	**74,082**	23,100	**5,838**	47,409	**224,745**	83,704

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Finance costs:		
Interest on bank advances and other borrowings	**49,576**	64,140
Bank charges and other finance costs	**6,616**	7,650
Total borrowing costs	**56,192**	71,790
Less: amounts capitalised into property, plant and equipment	**(7,949)**	(15,102)
Net borrowing costs	**48,243**	56,688
Net foreign exchange (gain)/loss	**(2,250)**	5,117
	45,993	61,805

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Staff costs:		
Salaries, wages and other benefits	**113,807**	111,933
Contributions to defined contribution retirement plans	**14,643**	16,284
Equity-settled share-based payment expenses in respect of share award scheme (see Note 20(b)(ii))	**5,680**	10,825
	134,130	139,042

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Other items:		
Cost of inventories (Note 12)	**1,035,647**	1,109,724
Depreciation and amortisation (Notes 8, 9 and 10)	**124,196**	121,678
Reversal of impairment losses on trade and other receivables (Note 13(b))	**(751)**	–
Operating lease charges in respect of		
– land	**98**	96
– plant and buildings	**3,487**	2,854
– motor vehicles	**1,253**	1,193
Research and development costs (other than capitalised costs and related amortisation)	**390**	2,249
Net loss on disposal of property, plant and equipment	**50**	765
Interest income	**(5,725)**	(6,866)

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current taxation:		
– Provision for PRC Corporate Income Tax on the estimated taxable profits for the period	**18,743**	12,294
– Under-provision of PRC Corporate Income Tax in respect of prior years	**164**	1,211
	18,907	13,505
Deferred taxation (Note 19)	**(3,953)**	(31,625)
	14,954	(18,120)

No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2013 (six months ended 30 June 2012: RMBNil).

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

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2013 (six months ended 30 June 2012: 25%).

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% for the six months ended 30 June 2013 (six months ended 30 June 2012: 15%).

Certain subsidiaries of the Group established in the PRC obtained approvals from the respective tax bureaux to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from the year of which the approval is obtained.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of RMB13,114,000 (six months ended 30 June 2012: loss attributable to ordinary equity shareholders of the Company of RMB82,377,000) and the weighted average of 1,539,704,000 ordinary shares (six months ended 30 June 2012: 1,532,554,000 ordinary shares) in issue during the six months ended 30 June 2013, calculated as follows:

	Six months ended 30 June	
	2013	2012
	'000	'000
Issued ordinary shares at 1 January	**1,550,147**	1,536,511
Effect of shares purchased under a share award scheme (Note 20(b)(ii))	**(10,443)**	(3,957)
Weighted average number of ordinary shares at 30 June	**1,539,704**	1,532,554

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of RMB13,114,000 and the weighted average of 1,543,228,000 ordinary shares in issue during the six months ended 30 June 2013, calculated as follows:

	Six months ended
	30 June 2013
	'000
Weighted average number of ordinary shares at 30 June	**1,539,704**
Effect of deemed issue of shares under the share award scheme (Note 20(b)(ii))	**3,524**
Weighted average number of ordinary shares (diluted) at 30 June	**1,543,228**

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 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
Cost:					
At 1 January 2013	**1,538,342**	**2,777,657**	**33,620**	**360,847**	**4,710,466**
Additions	**5,644**	**23,699**	**2,152**	**38,429**	**69,924**
Transfer in/(out)	**9,215**	**8,495**	**–**	**(17,710)**	**–**
Disposals	**–**	**(245)**	**(1,167)**	**–**	**(1,412)**
At 30 June 2013	**1,553,201**	**2,809,606**	**34,605**	**381,566**	**4,778,978**
Accumulated depreciation and impairment losses:					
At 1 January 2013	**237,339**	**858,374**	**14,151**	**–**	**1,109,864**
Charge for the period	**22,100**	**90,316**	**1,288**	**–**	**113,704**
Written back on disposals	**–**	**(152)**	**(636)**	**–**	**(788)**
At 30 June 2013	**259,439**	**948,538**	**14,803**	**–**	**1,222,780**
Net book value:					
At 30 June 2013	**1,293,762**	**1,861,068**	**19,802**	**381,566**	**3,556,198**

At 30 June 2013, property certificates of certain properties with an aggregate net book value of RMB625.7 million (31 December 2012: RMB710.5 million) are yet to be obtained.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

9 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2012, 31 December 2012 and 30 June 2013	**318,538**
Accumulated amortisation:	
At 1 January 2012	31,874
Charge for the year	7,133
At 31 December 2012	**39,007**
Charge for the period	**3,641**
At 30 June 2013	**42,648**
Net book value:	
At 30 June 2013	**275,890**
At 31 December 2012	279,531

Lease prepayments represent land use right premiums paid by the Group for land situated in the PRC. At 30 June 2013, land use right certificates of certain land use rights with an aggregate carrying value of RMB7.7 million (31 December 2012: RMB7.8 million) are yet to be obtained.

10 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2012, 31 December 2012 and 30 June 2013	**145,017**
Accumulated amortisation and impairment losses:	
At 1 January 2012	77,506
Charge for the year	14,006
At 31 December 2012	**91,512**
Charge for the period	**6,851**
At 30 June 2013	**98,363**
Net book value:	
At 30 June 2013	**46,654**
At 31 December 2012	53,505

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

11 NON-CURRENT RECEIVABLES FROM RELATED COMPANIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Amount due from an associate (Note (i))	**–**	9,210
Amount due from an affiliate of an equity shareholder of the Company (Note (ii))	**735**	735
	735	9,945
Less: current portion of non-current receivables from related companies (see Note 13)	**(735)**	(5,472)
	–	4,473

Notes:

(i) The amount at 31 December 2012 was secured by property, plant and equipment and land use right of the associate, non-interest bearing and has been fully settled in 2013.

(ii) At 30 June 2013, the amount is unsecured, non-interest bearing and is repayable on demand.

12 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Raw materials	**155,221**	176,950
Work in progress and finished goods	**274,853**	248,617
Racks, spare parts and consumables	**39,379**	38,003
	469,453	463,570
Less: write-down of inventories	**(26,837)**	(29,907)
	442,616	433,663

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Carrying amount of inventories sold	**1,038,717**	1,099,569
(Reversal of write-down)/write-down of inventories	**(3,070)**	10,155
	1,035,647	1,109,724

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables from:		
– Third parties	**322,236**	260,651
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**19,299**	19,148
– Companies under common significant influence	**7,179**	7,514
Bills receivables	**147,495**	237,613
	496,209	524,926
Less: allowance for doubtful debts (Note 13(b))	**(25,408)**	(24,892)
	470,801	500,034
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Notes 11 and 13(i))	**1,019**	1,023
– An associate of the Group (Notes 11 and 13(ii))	**212**	4,935
– Companies under common significant influence (Note 13(iii))	**9,407**	8,224
	10,638	14,182
Less: allowance for doubtful debts (Note 13(b))	**(1,784)**	(3,051)
	8,854	11,131
Prepayments, deposits and other receivables	**285,884**	391,928
Less: allowance for doubtful debts (Note 13(b))	**(7,409)**	(7,409)
	278,475	384,519
	758,130	895,684

Notes:

(i) The amounts are unsecured and non-interest bearing. Except for an amount of RMB0.7 million at 30 June 2013 which is repayable on demand (31 December 2012: RMB0.7 million which was to be settled within one year) (see Note 11(ii)), all of the remaining balances have no fixed terms of repayment.

(ii) The amount at 30 June 2013 is unsecured, non-interest bearing and has no fixed terms of repayment. Except for an amount of RMB0.2 million at 31 December 2012 which was unsecured, non-interest bearing and has no fixed terms of repayment, the remaining balance was secured by property, plant and equipment and land use right of the Group's associate, non-interest bearing and has been fully settled in 2013.

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (continued)

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

(a) Ageing analysis

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 month	**193,033**	148,495
More than 1 month but less than 3 months	**67,956**	97,225
More than 3 months but less than 6 months	**54,922**	110,487
Over 6 months	**154,890**	143,827
	470,801	500,034

(b) Impairment of trade and other receivables

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

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

	Six months ended 30 June 2013 RMB'000	Year ended 31 December 2012 RMB'000
At 1 January	**35,352**	30,800
(Reversal of impairment losses)/impairment losses recognised	**(751)**	4,552
At 30 June/31 December	**34,601**	35,352

At 30 June 2013, the Group's trade and other receivables of RMB34.6 million (31 December 2012: RMB35.4 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES (continued)

(c) Trade and bills receivables that are not impaired

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Neither past due nor impaired	**155,519**	237,613
Less than 1 month past due	**94,830**	75,310
More than 1 month but less than 3 months past due	**28,026**	19,314
More than 3 months but less than 6 months past due	**37,536**	82,056
More than 6 months past due	**154,890**	85,741
	315,282	262,421
	470,801	500,034

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.

14 CASH AND CASH EQUIVALENTS

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash at bank and on hand	**343,820**	316,515
Time deposits with banks	**40,000**	7,750
Cash and cash equivalents in the consolidated statement of financial position	**383,820**	324,265
Less: time deposits with original maturity over 3 months	**(40,000)**	(7,750)
Cash and cash equivalents in the condensed consolidated cash flow statement	**343,820**	316,515

At 30 June 2013, cash and cash equivalents of RMB184.9 million (31 December 2012: RMB142.5 million) were pledged to secure bills and future interest payments arising from the unsecured notes issued by the Group.

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables to:		
– Third parties	**513,431**	520,635
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**2,071**	3,177
Bills payables	**181,673**	233,225
	697,725	757,587
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**2,982**	3,621
– An affiliate of a non-controlling equity holder of a subsidiary of the Group (Note (ii))	**10,540**	15,540
– Companies under common significant influence (Note (iii))	**12,422**	16,383
	25,944	35,544
Accrued charges and other payables	**761,414**	780,211
Financial liabilities measured at amortised cost	**1,485,083**	1,573,342
Advances received from customers	**126,969**	102,766
	1,612,052	1,676,108

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 RMB7.6 million at 30 June 2013 (31 December 2012: RMB6.8 million) which bears interest at 6.12% per annum (31 December 2012: 6.12% per annum) and is repayable within one year (see Note 17), 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

15 TRADE AND OTHER PAYABLES (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:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	**579,400**	570,067
Due after 1 month but within 6 months	**118,325**	187,520
	697,725	757,587

16 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans	**948,667**	1,062,033
Loan from a third party	**1,000**	1,000
	949,667	1,063,033
Add: current portion of long-term bank and other loans (Note 16(b))	**125,949**	164,784
	1,075,616	1,227,817

At 30 June 2013, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans:		
– Pledged by bank bills	**140,360**	101,910
– Secured by the Group's property, plant and equipment and land use rights	**183,000**	153,000
– Unguaranteed and unsecured	**625,307**	807,123
	948,667	1,062,033
Loan from a third party:		
– Unguaranteed and unsecured	**1,000**	1,000
	949,667	1,063,033

At 30 June 2013, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB341.8 million (31 December 2012: RMB324.2 million).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

16 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans	**250,099**	268,900
Loans from an equity shareholder of the Company	**96,148**	116,871
Loans from third parties	**27,018**	27,018
	373,265	412,789
Less: current portion of long-term bank and other loans (Note 16(a))	**(125,949)**	(164,784)
	247,316	248,005

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year or on demand	**125,949**	164,784
After 1 year but within 2 years	**175,067**	123,883
After 2 years but within 5 years	**72,249**	124,122
	373,265	412,789

At 30 June 2013, except for long-term bank loans of RMB240.3 million (31 December 2012: RMB219.4 million) which are secured by the Group's property, plant and equipment and land use rights, all of the remaining borrowings are unsecured. At 30 June 2013, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB1,018.0 million (31 December 2012: RMB848.9 million).

All of the non-current interest-bearing borrowings are carried at amortised cost and are not expected to be settled within one year.

At 30 June 2013, the Group's banking facilities amounted to RMB210.0 million (31 December 2012: RMB195.0 million) were utilised to the extent of RMB150.3 million (31 December 2012: RMB130.0 million).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

17 NON-CURRENT AMOUNT DUE TO A RELATED COMPANY

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Payable for purchase of properties (Note (i))	**11,406**	14,144
Less: current portion of non-current amount due to a related company (see Note 15(iii))	**(7,597)**	(6,764)
	3,809	7,380

Note:

(i) The amount is unsecured and bears interest at 6.12% per annum (31 December 2012: 6.12% per annum), where the non-current portion of the amount is to be settled by monthly instalments between July 2014 to December 2014. Further details of the transaction are set out in Note 23(a)(i).

18 UNSECURED NOTES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Unsecured notes at 4.95% due in 2013 (Note (i))	**149,400**	148,500
Unsecured notes at 9.5% due in 2015 (Note (ii))	**93,687**	–
	243,087	148,500
Less: current portion of unsecured notes	**(149,400)**	(148,500)
	93,687	–

Notes:

(i) 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.

(ii) On 8 May 2013, a subsidiary of the Group issued unsecured notes with an aggregate principal amount of RMB97.2 million at par to individual investors. The unsecured notes bear interest at 9.5% per annum, and interest is payable on 8 May and 8 November of each year, beginning on 8 November 2013. The unsecured notes will mature on 8 May 2015 and are guaranteed by a third party. The holders of the unsecured notes have an option to require this subsidiary to redeem the notes at the principal amount on 8 November 2014.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

19 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write-down of inventories RMB'000	Impairment losses on trade and other receivables RMB'000	Depreciation expenses in excess of related tax allowances, and government grants and related depreciation RMB'000	Impairment losses on property, plant and equipment and intangible assets RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment, lease prepayments and intangible assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2012	40,051	2,849	7,549	22,477	6,348	79,274	(33,136)	46,138
Credited/(charged) to the consolidated statement of profit or loss	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**
Credited/(charged) to the consolidated statement of profit or loss (Note 6)	**3,130**	**(768)**	**(188)**	**691**	**–**	**2,865**	**1,088**	**3,953**
At 30 June 2013	**70,018**	**6,647**	**8,480**	**19,048**	**6,348**	**110,541**	**(30,633)**	**79,908**

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends/distributions

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil).

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Final dividend/distribution in respect of the previous financial year, approved and paid during the following interim period, of HK$Nil per ordinary share (six months ended 30 June 2012: HK$0.01 per ordinary share)	**–**	12,567

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(b) Equity-settled share-based transactions

(i) Share option scheme

No share options previously granted to the Directors and employees of the Group were forfeited during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

No share options were exercised during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

(ii) Share award scheme

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

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

	Six months ended 30 June 2013			Year ended 31 December 2012		
	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 period/year	**1.39**	**11,170,000**	**12,604**	1.25	4,024,000	4,091
Shares vested during the period/year		**–**	**–**		(17,660,000)	(18,027)
At 30 June/31 December		**11,170,000**	**12,604**		–	–

On 18 January 2013, 11,170,000 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$1.36 (equivalent to approximately RMB1.10 per share). The fair value of the awarded shares for the six months ended 30 June 2013 is determined by reference to the closing price of the Company's ordinary shares on 18 January 2013. All of the awarded shares will be vested on 8 January 2014.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

21 CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

On 20 June 2013, the Group contributed RMB6.8 million to subscribe for an additional 3.29% equity interests in Zhongbo Blue Star (Linyi) Glass Company Limited ("Linyi Blue Star"), a subsidiary of the Group.

Upon completion of the above capital contribution, the Group's effective interest in Linyi Blue Star increased from 77.23% to 77.98%. Consequently, the Group recognised a decrease in non-controlling interests of RMB0.4 million.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2012 and 30 June 2013 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2013		At 31 December 2012	
	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	**247,316**	**247,182**	248,005	247,331
Non-current amount due to a related company	**3,809**	**3,811**	7,380	7,349
Unsecured notes	**243,087**	**254,274**	148,500	145,505

* 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 consider it is not meaningful to disclose its fair value.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2013.

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group Company Limited ("Jiangsu Glass Group") under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. As at 30 June 2013, the outstanding amount bears interest at 6.12% per annum (31 December 2012: 6.12% per annum). For the six months ended 30 June 2013, interest expenses of RMB0.3 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2012: RMB0.6 million).

(ii) Other transactions

		Six months ended 30 June	
	Note	**2013** **RMB'000**	2012 RMB'000
Sale of glass and glass products to a related party		**7,678**	7,465
Purchase of raw materials from related parties		**6,564**	7,786
Labour service expenses		**1,183**	1,183
Operating lease expenses		**850**	850
Net increase/(decrease) in non-interest bearing advances granted to related parties	(ii)	**2,366**	(2,329)
Net decrease in non-interest bearing advances received from related parties	(ii)	**32**	768

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

		Six months ended 30 June	
	Note	**2013** **RMB'000**	2012 RMB'000
Interest expenses	(i)	**3,280**	4,886
Net decrease in non-interest bearing advances granted to a related party	(iii)	**–**	780
Net decrease in loans received from a related party	(iv)	**19,568**	12,642

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sale of glass and glass products to a related party	**146**	122
Purchase of property, plant and equipment from a related party	**–**	14,320

(d) Transactions with an associate of the Group

	Note	Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
Net decrease in non-interest bearing advances granted to a related party	(v)	**10,055**	–

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	**2,009**	1,967
Contributions to defined contribution retirement plans	**146**	134
Equity compensation benefits under share award scheme (see Note 20(b)(ii))	**4,317**	5,481
	6,472	7,582

Notes:

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

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

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

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

(v) The advance was secured by property, plant and equipment and land use right of the Group's associate and has been fully settled in 2013.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

24 COMMITMENTS

(a) Capital commitments

At 30 June 2013, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**186,662**	189,123
– Authorised but not contracted for	**72,712**	43,760
	259,374	232,883

At 30 June 2013, 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, at 30 June 2013, the Group has entered into various finance leases, where the committed minimum payments amounted to RMB129.1 million over a period of five to seven years (31 December 2012: RMB129.1 million).

(b) Operating lease commitments

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**7,332**	8,059
After 1 year but within 5 years	**15,072**	15,971
After 5 years	**6,675**	8,614
	29,079	32,644

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.

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 34 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2013 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

28 August 2013

Management Discussion and Analysis

MARKET REVIEW

In the first half of 2013, the overall glass market showed a stable performance. According to the statistics from the Glass Information Website, in the first half of the year, 13 float glass production lines were newly put into operation in the PRC; and 70 production lines suspended production or performed overhaul; and 228 production lines were in normal operation. According to the data from National Bureau of Statistics, in the first half of the year, the sheet glass production volume increased by 10.8% as compared to the same period last year.

In the first half of 2013, glass price indicated a moderate upward trend. In the first quarter, manufacturers maintained a calm attitude and market price in various regions was stable under the influence of futures market; at the beginning of the second quarter, price fluctuated and moved downward due to increase in inventories; however, a quick rebound in glass price was recorded in May due to the increase in demand for glass from stock houses. According to a report on the operation of the building materials industry for the first half of 2013, both sales quantity and price of sheet glass increased in the first half of the year, where the average price in sheet glass of the key enterprises increased by 4.1% compared with the same period last year.

BUSINESS REVIEW

Currently, the Group has 17 glass production lines with a daily melting capacity amounted to 7,630 tonnes, of which 14 were float glass production lines and 3 were patterned glass production lines for solar power ultra-clear photovoltaic glass. As at 30 June 2013, the Group had 12 float glass production lines in operation. One float glass production line in Beijing, one float glass production lines in Suqian and three patterned glass production lines in Nanjing were being suspended for overhaul and under technical transformation, and one production line relocated in Wuhai entered into operation in the first half of the year. In addition, the Group also has one offline low-emission coated ("Low-E") glass production line with production capacity of 3 million square metres per annum and one amorphous silicon thin-film battery production line with production capacity of 12MW per annum.

In the first half year of 2013, glass industry was gradually out of the industry downturn with a slight rise in price brought by demand. However, there were still uncertainties in the direction for the overall economic development as well as the policy control over housing remained stringent, which imposed constraints on the growth rate of demand for glass. On supply aspect, the pressure from resumption of production lines remained. Facing such difficult environment, the Group worked together with its staff, sustained its strategic plan of "Two-High-One-Low" (high technology, high quality and low cost) and actively improved its operating performance through the following measures:

1. **Strengthening and optimizing product quality system and enhancing product quality and competitiveness**
   by leveraging on its technology advantages and through upgrading product standard and reinforcing standard execution and management, the Group maintained its product of high quality and enhanced competitiveness so as to fight against fierce market competition and to build and solidify a unified brand image of "China Glass" and to accomplish the high-quality strategic objective of the Group.

2. **Normalizing production process management and optimizing operation system**
   by facilitating the normalization and standardized production for its production lines and upgraded the quality on product management, which was regarded as the preparation for the unification and replication of high-tech and high value-added products. Meanwhile, in light of and in response to the changing market condition, the Group further perfected and rearranged its sales pattern and put more efforts in implementing strategies for standardized procurement.

Management Discussion and Analysis (continued)

3. **Upgrading technology level of production lines and improving production efficiency**
   by fully capturing the opportunity of relocation of its production lines from city to rural area and overhaul, the technology level has been upgraded and product structure being reorganized. The production line relocated and upgraded at Wuhai last year had put into operation and started production in the first half of the year.

4. **Enhancing energy saving and environment protection standard for existing production lines**
   as the environment protection standard in the PRC was increasing, the Group remained in a leading position in the environment protection and energy saving area in the industry, and continued to put more resources and efforts in energy saving, emissions reduction, environment protection and consumption reduction. Without affecting the normal operation of the production lines, the Group constructed facilities such as waste heat power generators and dust-removing and desulfurisation equipments as scheduled with an aim to increase power consumption rate and environment protection standard.

Prices of raw materials and production costs

In the first half of 2013, due to global economic trend, the fuel prices has continued the downward trend except for heavy oil and natural gas, in which coal price decreased by approximately 15% compared to the same period of last year due to weaker demand from downstream industries; coal tar price maintained relatively stable; petroleum powder price remained flat compared to the same period last year supported by domestic and foreign markets; the National Development and Reform Commission promulgated a policy to adjust natural gas price in late June and the national average retail price increased by approximately 15% after the price hike, which has a significant impact on companies that use natural gas as fuel. As lack of demand from the downstream industry, the price of soda ash remained low and decreased by approximately 17% compared with that of the last year.

As for the Group's float-glass production lines in operation, a float-glass production line relocated in Wuhai has commenced production. Using low-cost coke oven gas as fuel, this production line has improved the fuel structure of the Group as a whole. The production capacity using low-cost coke oven gas, and mid-cost petroleum powder and coal currently account for approximately 48% and 52%, respectively in the Group, which effectively reducing unit production cost.

Production, sales, and selling price

In the first half of 2013, the Group had 12 float glass production lines in operation and produced a total of 19.75 million weight cases of glass of different types, representing an increase of 13% compared to the same period last year. The increase was mainly due to the production lines suspended for overhaul during the same period last year had resumed operation in the first half of this year and the production line relocated had entered into production. In the first half of the year, the average selling price of the Group's glass products was RMB67 per weight case, roughly the same in the corresponding period in 2012. This is because the Group had adjusted its products structure according to market demands, whereas the shares of the Group's total sales for glass products with higher value-added decreased, which made average selling prices of the Group remained almost the same as in the same period of 2012, rather than increasing with the market trend.

Profit analysis

In 2013, the Group endeavored to upgrade the technology level of production lines, strengthen cost control, normalize and optimize its operation system and optimize product structure through various ways, enabling the Group's overall profitability to be gradually restored.

For the first half of 2013, the Group recorded a revenue of RMB1.260 billion, representing an increase of 5.6% compared to the same period of last year. Net profit amounted to RMB12.74 million for the first half of the year, representing an increase of profit compared with the loss recorded in the same period of last year.

Management Discussion and Analysis (continued)

OUTLOOK

The second half of the year is the traditional peak season for glass products demand. The demand in glass market is expected to surpass that of the first half of the year driven by the national urbanization policy expectation. Supply pressure, however, remains well in place given the relatively low capacity utilization of the industry. In view of this, the Group expects glass price will continue the rising trend in the second half of the year, especially in the third quarter, but at a gentler pace. The theme for the year will be "slow recovery" and the overall situation will be better than last year.

Forecast of market demand for glass products

According to the data for the first half of 2013, the national commercial housing sales area amounted to 514.33 million square metres, representing an increase of 28.7% compared to the same period of last year. Floor space of buildings completed of real estate companies was 353.46 million square metres, representing an increase of 6.3% compared to the same period of last year. Auto production stood at 11.57 million units, representing an increase of 15.2% compared to the same period of last year. Based on the statistics of the Information Center of China Building Materials Industry, the export of sheet glass for the first half of the year decreased by 0.5% as compared to the same period of last year, but the export of float glass with higher value-added increased by 48.2% as compared to the same period of last year.

Based on these observations, the Group expects the industry will conform to the PRC nation's policy of developing real economy and ensuring and improving people's well-being in the second half of the year. Meanwhile, the demand for glass products from real estate and building decoration market will be stronger than the first half of the year as the shantytown renovation work speeds up and the traditional peak season arrives. In addition, demands in auto and export will also increase.

Forecast of price movement of raw materials and fuels

It is expected that the demand and supply of raw materials and fuels in the second half of 2013 will remain similar as that for the first half of the year, and there will not be significant adjustments in fuel price. The price of soda ash will not have a significant change given the excess capacity in the industry and the heavy loss of companies in the second half of the year. Therefore, the Group expects little pressure of production cost for the glass industry.

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

To proactively promote standardized and normalized manufacturing, by way of further optimizing and improving technological operating process in each production stage, to improve the overall production level and lay the production foundation for replicating high value-added products more widely.

Continue to strengthen new product development and industrialization of high value-added products, endeavor to realize large-scale mass production of online Low-E and online easy-clean coated glass, so as to improve existing product structure.

Continue to strengthen product quality monitoring, improve product quality and sharpen the competitive edge of all products.

Continue to actively promote the optimization in supply and marketing system for each market, increase the intensity of centralized purchasing, revise and improve product marketing strategy. To actively promote after sales and supporting services mainly focusing on storage and logistics.

To carefully review the future development and operation schemes of production lines suspended operation or to be suspended for overhaul, take full account of their own advantages and disadvantages, look for the best resource allocation according to market demands.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

For the first six months of 2013, the turnover of the Group increased by 5.6% to RMB1.260 billion as compared to RMB1.193 billion in the first six months of 2012. The increase in turnover was attributable to the general recovery of national and international glass market, which led to the increase in demand and continuous moderate rise of glass market price. Accordingly, the gross profit margin increased to 17.8% from 7.0% as compared to the corresponding period of last year.

The Group's profit for the period amounted to approximately RMB13 million, representing an increase of profit by RMB102 million as compared to a loss of RMB89 million for the first six months of 2012. The increase was mainly attributable to the increase in gross profit during the period.

The Group's profit attributable to equity shareholders of the Company for the period amounted to approximately RMB13 million, representing an increase of profit by RMB95 million as compared to a loss attributable to shareholders of RMB82 million for the first six months of 2012. The increase was mainly attributable to the increase in gross profit during the period.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2013, the Group's cash and cash equivalents amounted to RMB384 million (31 December 2012: RMB324 million), of which 90% (31 December 2012: 94%) were denominated in Renminbi ("RMB"), 4% (31 December 2012: 3%) in United States Dollars ("USD") and 6% (31 December 2012: 3%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB1.323 billion (31 December 2012: RMB1.476 billion), of which 88% (31 December 2012: 89%) were denominated in RMB and 12% (31 December 2012: 11%) were denominated in USD, and outstanding unsecured notes amounted to RMB243 million (31 December 2012: RMB149 million), all of which (31 December 2012: 100%) were denominated in RMB. As at 30 June 2013, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 28% (31 December 2012: 29%). As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was 0.55 (31 December 2012: 0.54). The Group recorded net current liabilities amounting to RMB1.294 billion as at 30 June 2013 (31 December 2012: RMB1.493 billion). As at 30 June 2013, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.58 (31 December 2012: 0.59).

At 30 June 2013, the Group's short-term bank and other loans were RMB1.076 billion (31 December 2012: RMB1.228 billion), the Group's long-term bank and other loans were RMB247 million (31 December 2012: RMB248 million), among which RMB175 million (31 December 2012: RMB124 million) will be due after one year but within two years, and RMB72 million (31 December 2012: RMB124 million) will be due after two years but within five years.

EXCHANGE RATE RISK AND RELATED HEDGING

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

During the six months ended 30 June 2013, the Group had not adopted any derivatives for hedging purposes.

Report of the Directors

The Board of Directors is pleased to submit the interim report together with the unaudited interim financial report of the Group for the six months ended 30 June 2013.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil).

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

As at 30 June 2013, 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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" below.

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

Report of the Directors (continued)

Save as disclosed above, as at 30 June 2013, 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 of Hong Kong Limited pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2013, 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%

Report of the Directors (continued)

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, so far as the Directors are aware, as at 30 June 2013, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CHARGE ON ASSETS

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

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2013 were set out in Note 24 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2013.

Report of the Directors (continued)

SHARE OPTION SCHEME

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

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

The closing price of the Shares 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 share option scheme during the six months ended 30 June 2013 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 as at 1/1/2013 and 30/06/2013	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 six months ended 30 June 2013. Details of the share options granted were set out in Note 20(b)(i) to the unaudited interim financial report.

Report of the Directors (continued)

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 30 June 2013, based on the Company's instruction, 28,830,000 shares were purchased by the Trustee on the market for the purpose of the share award scheme, representing approximately 1.86% of the issued share capital of the Company as at 30 June 2013 and the aggregate price paid by the Company were HK$37,804,917. From 1 January 2013 up to 30 June 2013, 11,170,000 shares were purchased by the Trustee on the market for the purpose of the share award scheme, and the aggregate price paid for the purchase of these shares were HK$15,573,851. 17,660,000 shares and 11,170,000 shares held under the share award scheme were awarded to the Selected Employees of the Group at nil consideration on 16 February 2012 and 18 January 2013, respectively. On 12 December 2012, 17,660,000 shares have been vested to the Selected Employees of the Group.

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

Report of the Directors (continued)

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

During the six months ended 30 June 2013, 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 as disclosed in Note 20(b)(ii) to the unaudited interim financial report.

PUBLIC FLOAT

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2013, the Group had employed a total of approximately 5,599 employees in the PRC and Hong Kong (31 December 2012: about 5,963 employees). According to the relevant market situation, the Group's employees' remuneration level remains at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contributions to the above schemes were forfeited for the six months ended 30 June 2013. Details of staff costs and pension schemes were set out in Note 5 to the unaudited interim financial report.

MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments for the six months ended 30 June 2013. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

EVENT AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive Director, namely Mr. Zhao John Huan and three independent non-executive Directors, namely Mr. Chen Huachen, Mr. Zhao Lihua and Mr. Zhang Baiheng. The chairman of the audit committee is Mr. Chen Huachen. During the six months ended 30 June 2013, the audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2013.

NOMINATION COMMITTEE

The nomination committee of the Company comprised of one non-executive Director, namely Mr. Zhou Cheng and two independent non-executive Directors, namely Mr. Zhang Baiheng and Mr. Zhao Lihua. The chairman of the nomination committee is Mr. Zhou Cheng. The principal responsibilities of nomination committee include examinating the structure, size and composition of the Board, identifying suitable individual qualified to become board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by nomination committee and agree any appointment of its members and recommend appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the six months ended 30 June 2013, the nomination committee has considered the re-election of retiring Directors.

Report of the Directors (continued)

REMUNERATION COMMITTEE

The remuneration committee of the Company comprised of one non-executive Director, namely Mr. Zhao John Huan, and two independent non-executive Directors, namely Mr. Zhao Lihua and Mr. Zhang Baiheng. The chairman of the remuneration committee is Mr. Zhao Lihua. The principal responsibilities of remuneration committee include making recommendations for approval by the Board with respect to matters relating to the remuneration of Directors and senior management, and establishment of a formal and transparent procedure for developing remuneration policy. During the six months ended 30 June 2013, the remuneration committee has reviewed and approved the terms set out in the new directors' service contracts and letters of appointment entered into by the relevant Directors and the Company.

STRATEGY COMMITTEE

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

INVESTOR RELATIONS AND COMMUNICATIONS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2013, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except deviation for the CG Code A.6.7 which 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. Mr. Zhao John Huan, a non-executive Director, was unable to attend the annual general meeting of the Company held on 15 May 2013 due to personal reasons and other work commitments at the relevant time.

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

The Company has adopted the Model Code For Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2013.

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 28 August 2013