



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

2014 INTERIM REPORT

Contents

Corporate Information	2
Review Report to the Board of Directors of China Glass Holdings Limited	4
Consolidated Statement of Profit or Loss	5
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	9
Condensed Consolidated Cash Flow Statement	12
Notes to the Unaudited Interim Financial Report	13
Management Discussion and Analysis	35
Report of the Directors	40

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cui Xiangdong (*Chief Executive Officer*)

Mr. Li Ping

Non-Executive Directors

Mr. Zhou Cheng (*Chairman*)

Mr. Zhao John Huan

Mr. Ning Min

Mr. Guo Wen (appointed on 6 March 2014)

Mr. Chen Shuai (resigned on 6 March 2014)

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. Pan Jianli (appointed on 4 June 2014)

Ms. Li Hiu Ling (resigned on 23 May 2014)

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. Cui Xiangdong

Mr. Zhou Cheng

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2608, 26/F, West Tower

Shun Tak Centre

168-200 Connaught Road

Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Fulbright 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



INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 34 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2014 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 2014 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 2014

Consolidated Statement of Profit or Loss

5

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Turnover	4	1,140,690	1,260,392
Cost of sales		(933,983)	(1,035,647)
Gross profit	4	206,707	224,745
Other revenue		20,715	12,356
Other net income/(loss)	5	51,298	(585)
Distribution costs		(35,606)	(42,815)
Administrative expenses		(114,283)	(119,945)
Profit from operations		128,831	73,756
Share of losses of associates		(50)	(70)
Finance costs	6(a)	(41,281)	(45,993)
Profit before taxation	6	87,500	27,693
Income tax	7	(37,302)	(14,954)
Profit for the period		50,198	12,739
Attributable to:			
Equity shareholders of the Company		39,912	13,114
Non-controlling interests		10,286	(375)
Profit for the period		50,198	12,739
Earnings per share (RMB cent)			
Basic	8(a)	2.557	0.852
Diluted	8(b)	2.556	0.850

The notes on pages 13 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 2014 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Profit for the period	50,198	12,739
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	(3,167)	(5,395)
Total comprehensive income for the period	47,031	7,344
Attributable to:		
Equity shareholders of the Company	36,745	7,719
Non-controlling interests	10,286	(375)
Total comprehensive income for the period	47,031	7,344

The notes on pages 13 to 34 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2014 – unaudited

(Expressed in RMB)

7

	<i>Note</i>	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	9	3,551,925	3,545,171
Lease prepayments	10	252,714	272,154
Intangible assets	11	31,128	38,587
Interests in associates		550	600
Available-for-sale investment		1,000	1,000
Deferred tax assets	19	111,984	124,824
		3,949,301	3,982,336
Current assets			
Inventories	12	503,430	403,256
Trade and other receivables	13	927,381	664,699
Prepaid income tax		4,927	7,534
Cash and cash equivalents	14	551,650	467,918
		1,987,388	1,543,407
Current liabilities			
Trade and other payables	15	1,908,185	1,580,216
Bank and other loans	16(a)	1,158,916	1,193,357
Unsecured notes	17	95,829	–
Obligations under finance leases	18	21,143	–
Income tax payable		59,943	58,636
		3,244,016	2,832,209
Net current liabilities		(1,256,628)	(1,288,802)
Total assets less current liabilities		2,692,673	2,693,534

The notes on pages 13 to 34 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

At 30 June 2014 – unaudited
(Expressed in RMB)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current liabilities			
Bank and other loans	16(b)	108,022	173,728
Unsecured notes	17	–	95,027
Obligations under finance leases	18	122,070	–
Deferred tax liabilities	19	32,162	29,482
		262,254	298,237
NET ASSETS			
		2,430,419	2,395,297
CAPITAL AND RESERVES			
	20		
Share capital		74,553	74,553
Reserves		2,097,167	2,072,331
Total equity attributable to equity shareholders of the Company			
		2,171,720	2,146,884
Non-controlling interests			
		258,699	248,413
TOTAL EQUITY			
		2,430,419	2,395,297

The notes on pages 13 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 – unaudited
(Expressed in RMB)

9

	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)(iii))	-	-	(12,604)	-	-	-	-	-	(12,604)	-	(12,604)
Shares granted under the share award scheme (Note 20(b)(iii))	-	-	-	5,680	-	-	-	-	5,680	-	5,680
Effect on equity arising from the acquisition of non-controlling interests	-	-	-	-	-	352	-	-	352	(352)	-
	-	-	(12,604)	5,680	-	352	-	-	(6,572)	(352)	(6,924)
Balance at 30 June 2013	<u>74,553</u>	<u>2,019,042</u>	<u>(12,604)</u>	<u>23,600</u>	<u>40,785</u>	<u>(447,114)</u>	<u>(28,385)</u>	<u>406,244</u>	<u>2,076,121</u>	<u>245,040</u>	<u>2,321,161</u>

The notes on pages 13 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014 – 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 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
Changes in equity for the six months ended 31 December 2013:											
Profit for the period	-	-	-	-	-	-	-	68,534	68,534	3,373	71,907
Other comprehensive income	-	-	-	-	-	-	(4,144)	-	(4,144)	-	(4,144)
Total comprehensive income	-	-	-	-	-	-	(4,144)	68,534	64,390	3,373	67,763
Shares granted under the share award scheme (Note 20(b)(ii))	-	-	-	6,373	-	-	-	-	6,373	-	6,373
	-	-	-	6,373	-	-	-	-	6,373	-	6,373
Balance at 31 December 2013	<u>74,553</u>	<u>2,019,042</u>	<u>(12,604)</u>	<u>29,973</u>	<u>40,785</u>	<u>(447,114)</u>	<u>(32,529)</u>	<u>474,778</u>	<u>2,146,884</u>	<u>248,413</u>	<u>2,395,297</u>

The notes on pages 13 to 34 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2014 – unaudited
(Expressed in RMB)

11

	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 2014	74,553	2,019,042	(12,604)	29,973	40,785	(447,114)	(32,529)	474,778	2,146,884	248,413	2,395,297
Changes in equity for the six months ended 30 June 2014:											
Profit for the period	-	-	-	-	-	-	-	39,912	39,912	10,286	50,198
Other comprehensive income	-	-	-	-	-	-	(3,167)	-	(3,167)	-	(3,167)
Total comprehensive income	-	-	-	-	-	-	(3,167)	39,912	36,745	10,286	47,031
Dividends approved in respect of the previous year (Note 20(a)(ii))	-	-	-	-	-	-	-	(12,187)	(12,187)	-	(12,187)
Shares granted under the share award scheme (Note 20(b)(ii))	-	-	-	278	-	-	-	-	278	-	278
Shares vested under the share award scheme (Note 20(b)(ii))	-	-	12,604	(12,331)	-	-	-	(273)	-	-	-
Transfer between share premium accounts and accumulated loss accounts of the Company (Note 20(c))	-	(120,720)	-	-	-	-	-	120,720	-	-	-
	-	(120,720)	12,604	(12,053)	-	-	-	108,260	(11,909)	-	(11,909)
Balance at 30 June 2014	74,553	1,898,322	-	17,920	40,785	(447,114)	(35,696)	622,950	2,171,720	258,699	2,430,419

The notes on pages 13 to 34 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2014 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Operating activities			
Cash generated from operations		446,846	362,193
The People's Republic of China (the "PRC") income tax paid		(17,868)	(17,329)
Net cash generated from operating activities		428,978	344,864
Investing activities			
Payment for the purchase of property, plant and equipment and land use rights		(195,716)	(178,351)
Other cash flows arising from investing activities		(42,054)	(11,960)
Net cash used in investing activities		(237,770)	(190,311)
Financing activities			
Proceeds from new bank and other loans		664,745	764,826
Repayment of bank and other loans		(766,550)	(916,406)
Other cash flows arising from financing activities		(57,353)	24,660
Net cash used in from financing activities		(159,158)	(126,920)
Net increase in cash and cash equivalents		32,050	27,633
Cash and cash equivalents at 1 January	14	421,818	316,515
Effect of foreign exchange rate changes		182	(328)
Cash and cash equivalents at 30 June	14	454,050	343,820

The notes on pages 13 to 34 form part of this interim financial report.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2014 comprise the Company and its subsidiaries (collectively referred to as the "Group"). 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 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 4.

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2014.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments and one new interpretation 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 HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- HK (IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report because the recoverable amount of impaired assets or CGU of the Group is not based on fair value less costs of disposal.

HK (IFRIC) 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

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.

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 2014 and 2013. 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 2014 and 2013 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 2014 RMB'000	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2014 RMB'000	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2014 RMB'000	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2014 RMB'000	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2014 RMB'000	Six months ended 30 June 2013 RMB'000
Revenue from external customers and reportable segment revenue	423,252	504,954	308,070	350,652	329,297	348,401	80,071	56,385	1,140,690	1,260,392
Reportable segment gross profit	52,708	91,875	59,544	52,950	81,018	74,082	13,437	5,838	206,707	224,745

5 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Net gain on relocation of a production plant (Note (i))	69,042	–
Net loss on disposal of property, plant and equipment	(153)	(50)
Impairment loss on property, plant and equipment	(18,620)	–
Net gain/(loss) on sales of raw materials	1,029	(535)
	51,298	(585)

Note:

- (i) The amount represents a gain of RMB69.0 million arising from the expropriation of the land use rights of a PRC subsidiary of the Group by the local government during the six months ended 30 June 2014 due to the change of the local government city development plan, after deducting impairment loss of machinery and equipment in the production plant with an amount of RMB118.0 million.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Interest on bank advances and other borrowings	47,014	49,576
Finance charges on obligations under finance leases	5,670	–
Bank charges and other finance costs	9,436	6,616
	<hr/>	<hr/>
Total borrowing costs	62,120	56,192
Less: amounts capitalised into property, plant and equipment	(24,307)	(7,949)
	<hr/>	<hr/>
Net borrowing costs	37,813	48,243
Net foreign exchange loss/(gain)	3,468	(2,250)
	<hr/>	<hr/>
	41,281	45,993
	<hr/> <hr/>	<hr/> <hr/>

(b) Other items

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Cost of inventories	933,983	1,035,647
Depreciation and amortisation	132,399	124,196
Impairment losses/(reversal of impairment losses) on trade and other receivables	3,964	(751)
Operating lease charges in respect of		
– land	96	98
– plant and buildings	4,021	3,487
– motor vehicles	1,226	1,253
Research and development costs (other than capitalised costs and related amortisation)	1,186	390
Interest income	(3,900)	(5,725)
	<hr/> <hr/>	<hr/> <hr/>

7 INCOME TAX

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current taxation:		
– Provision for PRC Corporate Income Tax on the estimated taxable profits for the period	21,265	18,743
– Under-provision of PRC Corporate Income Tax in respect of prior years	517	164
	21,782	18,907
Deferred taxation	15,520	(3,953)
	37,302	14,954

The Hong Kong Profits Tax rate for the six months ended 30 June 2014 is 16.5% (six months ended 30 June 2013: 16.5%). 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 2014 (six months ended 30 June 2013: 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 2014 (six months ended 30 June 2013: 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 2014 (six months ended 30 June 2013: 15%).

A subsidiary of the Group established in the PRC obtained approvals from the tax bureau 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 in which the approval is obtained.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB39,912,000 (six months ended 30 June 2013: RMB13,114,000) and the weighted average of 1,560,762,000 ordinary shares (six months ended 30 June 2013: 1,539,704,000 ordinary shares) in issue during the six months ended 30 June 2014, calculated as follows:

	Six months ended 30 June	
	2014	2013
	'000	'000
Issued ordinary shares at 1 January	1,550,147	1,550,147
Effect of shares vested and transferred/(purchased) under a share award scheme (Note 20(b)(ii))	10,615	(10,443)
	<hr/> 1,560,762	<hr/> 1,539,704
Weighted average number of ordinary shares at 30 June	<hr/> 1,560,762	<hr/> 1,539,704

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB39,912,000 (six months ended 30 June 2013: RMB13,114,000) and the weighted average of 1,561,317,000 ordinary shares (six months ended 30 June 2013: 1,543,228,000 ordinary shares) in issue during the six months ended 30 June 2014, calculated as follows:

	Six months ended 30 June	
	2014	2013
	'000	'000
Weighted average number of ordinary shares at 30 June	1,560,762	1,539,704
Effect of deemed issue of shares under the share award scheme (Note 20(b)(ii))	555	3,524
	<hr/> 1,561,317	<hr/> 1,543,228
Weighted average number of ordinary shares at 30 June	<hr/> 1,561,317	<hr/> 1,543,228

(Expressed in RMB unless otherwise indicated)

9 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 2013	1,538,342	2,777,657	33,620	360,847	4,710,466
Additions	7,106	35,208	2,198	140,439	184,951
Transfer in/(out)	14,740	80,707	–	(95,447)	–
Disposals	–	(87,265)	(2,172)	–	(89,437)
At 31 December 2013	1,560,188	2,806,307	33,646	405,839	4,805,980
Accumulated depreciation and impairment losses:					
At 1 January 2013	237,339	858,374	14,151	–	1,109,864
Charge for the year	43,486	188,987	3,206	–	235,679
Written back on disposals	–	(83,284)	(1,450)	–	(84,734)
At 31 December 2013	280,825	964,077	15,907	–	1,260,809
Net book value:					
At 31 December 2013	1,279,363	1,842,230	17,739	405,839	3,545,171
Cost:					
At 1 January 2014	1,560,188	2,806,307	33,646	405,839	4,805,980
Additions	3,441	172,444	696	113,161	289,742
Transfer in/(out)	6,514	43,513	–	(99,960)	(49,933)
Disposals	(39,845)	(2,182)	(1,895)	–	(43,922)
At 30 June 2014	1,530,298	3,020,082	32,447	419,040	5,001,867
Accumulated depreciation and impairment losses:					
At 1 January 2014	280,825	964,077	15,907	–	1,260,809
Charge for the period	25,807	93,904	1,748	–	121,459
Impairment losses for the period (Note (ii))	–	89,598	–	47,017	136,615
Transfer out	–	(49,933)	–	–	(49,933)
Written back on disposals	(15,973)	(1,628)	(1,407)	–	(19,008)
At 30 June 2014	290,659	1,096,018	16,248	47,017	1,449,942
Net book value:					
At 30 June 2014	1,239,639	1,924,064	16,199	372,023	3,551,925

At 30 June 2014, certificates of certain properties with an aggregate net book value of RMB476.2 million (31 December 2013: RMB610.8 million) are yet to be obtained.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Note:

- (i) At 30 June 2014, the Group considered the value of certain property, plant and equipment were impaired and therefore assessed the recoverable amount of these assets. As a result, a provision of RMB136.6 million was made in respect of these property, plant and equipment with the carrying amount of RMB155.2 million as at 30 June 2014. The recoverable amounts of these assets have been estimated based on their value in use.

10 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2013, 31 December 2013 and 30 June 2014	318,538
Disposals	(17,406)
	<hr/>
At 30 June 2014	301,132
	<hr style="border-top: 1px dashed black;"/>
Accumulated amortisation:	
At 1 January 2013	39,007
Charge for the year	7,377
	<hr/>
At 31 December 2013	46,384
Charge for the period	3,481
Written back on disposals	(1,447)
	<hr/>
At 30 June 2014	48,418
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 30 June 2014	252,714
	<hr style="border-top: 3px double black;"/>
At 31 December 2013	272,154
	<hr style="border-top: 3px double black;"/>

Lease prepayments represent land use right premiums paid by the Group for land situated in the PRC. At 30 June 2014, certificates of certain land use rights with an aggregate carrying value of RMB7.4 million (31 December 2013: RMB7.5 million) are yet to be obtained.

11 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2013, 31 December 2013 and 30 June 2014	145,017
Accumulated amortisation and impairment losses:	
At 1 January 2013	91,512
Charge for the year	14,918
At 31 December 2013	106,430
Charge for the period	7,459
At 30 June 2014	113,889
Net book value:	
At 30 June 2014	31,128
At 31 December 2013	38,587

12 INVENTORIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Raw materials	108,013	149,407
Work in progress and finished goods	360,029	236,639
Racks, spare parts and consumables	39,118	40,196
	507,160	426,242
Less: write-down of inventories	(3,730)	(22,986)
	503,430	403,256

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 2014 RMB'000	2013 RMB'000
Carrying amount of inventories sold	933,431	1,038,717
Write down/(reversal of write-down) of inventories	552	(3,070)
	933,983	1,035,647

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 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables from:		
– Third parties	328,766	231,970
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	16,160	24,226
– Companies under common significant influence	10,909	5,425
Bills receivables	94,309	200,741
	450,144	462,362
Less: allowance for doubtful debts (Note 13(b))	(29,776)	(26,074)
	420,368	436,288
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (i))	280	280
– Companies under common significant influence (Note (i))	3,508	3,116
	3,788	3,396
Less: allowance for doubtful debts (Note 13(b))	(1,776)	(1,784)
	2,012	1,612
Prepayments, deposits and other receivables	513,333	234,861
Less: allowance for doubtful debts (Note 13(b))	(8,332)	(8,062)
	505,001	226,799
	927,381	664,699

Note:

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

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.

13 TRADE AND OTHER RECEIVABLES (continued)**(a) Ageing analysis**

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 month	106,772	101,778
More than 1 month but less than 3 months	80,858	117,173
More than 3 months but less than 6 months	82,545	86,514
Over 6 months	150,193	130,823
	<u>420,368</u>	<u>436,288</u>

(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 2014 RMB'000	Year ended 31 December 2013 RMB'000
At 1 January	35,920	35,352
Impairment losses recognised	3,964	568
At 30 June/31 December	<u>39,884</u>	<u>35,920</u>

At 30 June 2014, the Group's trade and other receivables of RMB39.9 million (31 December 2013: RMB35.9 million) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

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 2014 RMB'000	At 31 December 2013 RMB'000
Neither past due nor impaired	106,415	207,208
Less than 1 month past due	77,281	61,575
More than 1 month but less than 3 months past due	36,385	23,626
More than 3 months but less than 6 months past due	50,094	13,712
More than 6 months past due	150,193	130,167
	313,953	229,080
	420,368	436,288

Receivables that were neither past due nor impaired relate to trade and 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 2014 RMB'000	At 31 December 2013 RMB'000
Cash at bank and on hand	454,050	421,818
Time deposits with banks	97,600	46,100
Cash and cash equivalents in the consolidated statement of financial position	551,650	467,918
Less: time deposits with original maturity over 3 months	(97,600)	(46,100)
Cash and cash equivalents in the condensed consolidated cash flow statement	454,050	421,818

At 30 June 2014, cash and cash equivalents of RMB353.1 million (31 December 2013: RMB284.1 million) were pledged to secure bills issued by the Group.

(Expressed in RMB unless otherwise indicated)

15 TRADE AND OTHER PAYABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables to:		
– Third parties	593,820	520,489
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	550	550
– Companies under common significant influence	13,559	2,234
Bills payables	519,200	310,780
	1,127,129	834,053
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	1,846	2,458
– An affiliate of a non-controlling equity holder of a subsidiary of the Group (Note (ii))	–	10,540
– Companies under common significant influence (Note (iii))	28,644	15,775
	30,490	28,773
Accrued charges and other payables	660,150	627,976
Financial liabilities measured at amortised cost	1,817,769	1,490,802
Advances received from customers	90,416	89,414
	1,908,185	1,580,216

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 RMB7.2 million at 30 June 2014 (31 December 2013: RMB8.3 million) which bears interest at 6.12% per annum (31 December 2013: 6.12% per annum) and is repayable within one year, all of the remaining balances are non-interest bearing and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

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 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	871,529	668,173
Due after 1 month but within 6 months	255,600	165,880
	<u>1,127,129</u>	<u>834,053</u>

16 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans	962,779	1,008,506
Loans from third parties	9,000	5,000
Loan from a company under common significant influence	10,000	10,000
	981,779	1,023,506
Add: current portion of long-term bank and other loans (Note 16(b))	177,137	169,851
	<u>1,158,916</u>	<u>1,193,357</u>

At 30 June 2014, 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 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans:		
– Pledged by bank bills	97,762	198,406
– Secured by the Group's property, plant and equipment and land use rights	201,000	198,000
– Unguaranteed and unsecured	664,017	612,100
	962,779	1,008,506
Loan from third parties:		
– Unguaranteed and unsecured	9,000	5,000
Loan from a company under common significant influence:		
– Unguaranteed and unsecured	10,000	10,000
	981,779	1,023,506

At 30 June 2014, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB338.4 million (31 December 2013: RMB344.4 million).

16 BANK AND OTHER LOANS (continued)**(b) Long-term bank and other loans**

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans	200,401	240,595
Loans from an equity shareholder of the Company	57,740	75,966
Loans from third parties	27,018	27,018
	285,159	343,579
Less: current portion of long-term bank and other loans (Note 16(a))	(177,137)	(169,851)
	108,022	173,728

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year or on demand	177,137	169,851
After 1 year but within 2 years	55,767	109,261
After 2 years but within 5 years	52,255	64,467
	285,159	343,579

At 30 June 2014, except for long-term bank loans of RMB173.1 million (31 December 2013: RMB186.5 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 2014, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB960.3 million (31 December 2013: RMB991.6 million).

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

17 UNSECURED NOTES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Unsecured notes at 9.5% due in 2015 (Note (i))	95,829	95,027
Less: current portion of unsecured notes	(95,829)	–
	<u>–</u>	<u>95,027</u>

Note:

- (i) 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.

18 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2014, the Group had obligations under finance leases as follows:

	At 30 June 2014	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	21,143	23,975
After 1 year but within 2 years	21,711	26,947
After 2 year but within 5 years	54,122	80,687
After 5 years	46,237	91,092
	<u>122,070</u>	<u>198,726</u>
	<u>143,213</u>	<u>222,701</u>
Less: total future interest expenses		<u>(79,488)</u>
Present value of finance lease obligations		<u>143,213</u>

There is no obligations under finance leases as at 31 December 2013.

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		Net
	Unused tax losses	Write-down of inventories	Impairment losses on trade and other receivables	Depreciation expenses in excess of related tax allowances, and government grants and related depreciation	Impairment losses on property, plant and equipment and intangible assets	Total	Fair value adjustments on property, plant and equipment, lease prepayments, finance lease and intangible assets, interest capitalisation and related depreciation	
Deferred tax arising from:	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	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	19,028	(1,688)	138	(330)	-	17,148	2,239	19,387
At 31 December 2013	85,916	5,727	8,806	18,027	6,348	124,824	(29,482)	95,342
(Charged)/credited to the consolidated statement of profit or loss (Note 7)	(7,583)	(4,814)	(35)	(1,831)	1,423	(12,840)	(2,680)	(15,520)
At 30 June 2014	78,333	913	8,771	16,196	7,771	111,984	(32,162)	79,822

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 2014 (six months ended 30 June 2013: HK\$Nil).

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

Final distribution/dividend in respect of the previous financial year, approved during the interim period, of HK\$0.01 per ordinary share (six months ended 30 June 2013: HK\$Nil per ordinary share)

Six months ended 30 June

2014	2013
RMB'000	RMB'000
12,187	-

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 2014 (six months ended 30 June 2013: Nil).

No share options were exercised during the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014			Year ended 31 December 2013		
	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	1.39	11,170,000	12,604	-	-	-
Shares purchased during the period/year		-	-	1.39	11,170,000	12,604
Shares vested during the period/year		(11,170,000)	(12,604)		-	-
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 year ended 31 December 2013 is determined by reference to the closing price of the Company's ordinary shares on 18 January 2013. All of the awarded shares have been vested on 8 January 2014 and transferred to the selected employees of the Group on 10 January 2014.

(c) Transfer between share premium accounts and accumulated loss accounts

Pursuant to a resolution passed by the Directors of the Company on 17 March 2014, the Company proposed to transfer certain amount from share premium account to accumulated losses account of the Company in a view to set off its prior years' losses accumulated up to 31 December 2013.

Upon completion of the above transfer, which was approved by the equity shareholders of the Company at the Company's Annual General Meeting on 22 May 2014, amount of HK\$151,676,471 (equivalent to approximately RMB120,719,303) was transferred from share premium account to the accumulated loss account of the Company.

21 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 2013 and 30 June 2014 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	Carrying amounts at 30 June 2014	Fair value at 30 June 2014	Fair value measurements at 30 June 2014 categorised into			Carrying amounts at 31 December 2013	Fair value at 31 December 2013
			Level 1	Level 2	Level 3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets							
Available-for-sale investment	1,000	*	*	*	*	1,000	*
Liabilities							
Long-term bank and other loans	108,022	107,072	-	-	107,072	173,728	169,937
Unsecured notes	95,829	100,509	-	-	100,509	95,027	103,612

* 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.

22 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 2014.

(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 2014, the outstanding amount bears interest at 6.12% per annum (31 December 2013: 6.12% per annum). For the six months ended 30 June 2014, interest expenses of RMB0.1 million had incurred and been paid to Jiangsu Glass Group (six months ended 30 June 2013: RMB0.3 million).

(ii) Other transactions

		Six months ended 30 June	
	Note	2014 RMB'000	2013 RMB'000
Sale of glass and glass products to related parties		7,851	7,678
Purchase of raw materials from related parties		13,874	6,564
Labour service expenses		789	1,183
Operating lease expenses		850	850
Net increase in non-interest bearing advances granted to related parties	(ii)	392	2,366
Net increase/(decrease) in non-interest bearing advances received from a related party	(ii)	23,040	(32)

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

		Six months ended 30 June	
	Note	2014 RMB'000	2013 RMB'000
Interest expenses	(i)	1,937	3,280
Net decrease in loans received from a related party	(iii)	18,343	19,568

(c) Transactions with a non-controlling equity holder of a subsidiary of the Group

		Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Sale of glass and glass products to a related party		127	146

(Expressed in RMB unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS (continued)**(d) Transactions with an associate of the Group**

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
	Note		
Net decrease in non-interest bearing advances granted to a related party	(iv)	<u>–</u>	<u>10,055</u>

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

		Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Short-term employee benefits		1,814	2,009
Contributions to defined contribution retirement plans		142	146
Equity compensation benefits under share award scheme (see Note 20(b)(ii))		211	4,317
		<u>2,167</u>	<u>6,472</u>

Notes:

- (i) Interest expenses represented interest charges on the advances and loans received from related parties.
- (ii) The advances are unsecured and have no fixed terms of repayment.
- (iii) The loans are unsecured, bear interest ranging from 4.66% to 7.73% per annum and are repayable by instalments from 2010 to 2015.
- (iv) The advance had been fully settled in 2013.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

23 COMMITMENTS

(a) Capital commitments

At 30 June 2014, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	92,306	230,577
– Authorised but not contracted for	59,480	80,360
	151,786	310,937

At 30 June 2014, 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, the Group had entered into various finance leases over a period of seven to ten years. At 30 June 2014, the obligations under finance leases have been included in the consolidated statement of financial position, and further committed minimum payments is RMBNil (31 December 2013: RMB129.1 million).

(b) Operating lease commitments

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within 1 year	5,046	6,495
After 1 year but within 5 years	12,973	13,865
After 5 years	4,812	5,942
	22,831	26,302

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 17 years, where all terms are renegotiated upon renewal. None of the leases includes contingent rentals.

In the first half of 2014, China economy growth was slow yet stable. Since the growth in property investment continued to decline, the overall market environment in glass industry was not satisfactory due to the continuous decline and relatively excess capacity in the property market for the first half year.

MARKET REVIEW

According to the statistics from the Glass Information Website, as of the end of June 2014, there were a total of 324 float glass production lines in the PRC; 76 production lines were suspended production or performed overhaul; and 248 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 4.7% as compared to the same period last year.

In the first half of 2014, glass price in the first quarter continued with a moderate upward trend present in the second half of 2013. Manufacturers maintained a cautious attitude and market price in various regions was stable. Since late April, however, slower property investment growth and the decrease in commodity house area sold and new construction area have resulted in a rapid drop in ordinary glass price, especially in the Northeast and the Northern China markets. As of the end of June 2014, the average glass price consolidated near the cost line. The average selling price for white glass was much lower than that for 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 2014, the Group had 12 float glass production lines in operation. One float glass production line in Beijing and one float glass production lines in Suqian were being suspended for overhaul and under technical transformation, and the glass production lines in Nanjing were suspended pending relocation due to expropriation of its land use rights by local government. In addition, the Group also has one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

In the first half of 2014, the external factors such as economy transformation and declining property market resulted in weaker demand in glass, and the industry remained overcapacity albeit the peak season for rapid capacity growth has ended, the combination of which caused the declining ordinary float glass price. In order to actively cope with the tough market conditions, the Company continued to implement such effective measures on technology innovation, strengthening cost control, focusing on brand building, and vigorously promoting the production of differentiated products, to actively improve its operating performance. During the reporting period, the Company's business plan progressed well:

1. Adhering to technology innovation, advancing the "differentiation" strategy and maintaining core competitiveness

By continuing to implement the "differentiation" strategy, the Group found a new breakthrough point through new product development, thus avoiding vicious competition of low-end products. In the first half of 2014, the Group, by leveraging on its strong technological advantages, initiatively developed and introduced solar power energy-saving color coated glass in China, all indicators related to which have met the national energy efficiency standards, and which is better than the existing silicon-based sunlight coated glass in terms of energy efficiency. In addition, the Group also developed a new type of titanium-based easy-to-clean sunlight coated glass, and achieved the seamless joint production of titanium-based easy-to-clean sunlight coated glass and silicon-based sunlight coated glass, with the coating rate of the entire production line of more than 90%.

In addition, the Group successfully introduced systematic production of online Low-E glass, a new key product type. The research and testing for new products including online SUN-E glass and new energy-saving walls and doors/windows are also underway.

2. Brand building and creative marketing

The Group expanded the marketing and customer services into counties by actively developing creative marketing models and channels, thus broadening services coverage and improving service quality. It also formulated different marketing strategies for various types of product including online Low-E glass and solar power energy-saving color coated glass according to their characteristics and market merits for the purpose of vigorous promotion. Meanwhile, the Group also actively sought after other marketing means such as internet sale to enhance marketing and its influence.

3. Energy saving and environment conservation

In the first half of the year, the Group continued to vigorously promote gas desulfurization, denitration and vacuum cleaning at its production bases, and increased spendings on the construction or expansion of the environmental facilities on gas purification. Each of the desulfurization, denitration and vacuum cleaning projects at Dongtai base and Linyi base is under construction, and is expected to be put into operation in the second half of the year. The denitration technology plan at Weihai and Suqian bases are being experimented.

4. Strict enforcement of corporate standards and product quality control

In the first half of the year, the Group further optimized institutional structuring and improved the overall product quality by steadily enhancing quality standards with frequent sampling and inspection.

PRICES OF RAW MATERIALS AND PRODUCTION COSTS

In the first half of 2014, as the economy slowed down, the prices of raw materials and fuels required for the production of glass was affected by lower market demand and moved downward. The prices of all coal types fell due to the sluggish growth in coal demand. Fuel oil prices fluctuated and slightly decreased as compared with those at the beginning of the year due to weak demand. Since the price of soda ash went up in the second half of 2013, soda ash producers increased their capacities which led to overproduction. The price of soda ash continued to decline since early 2014, and did not stabilize until after April. Nevertheless, its overall price during the first half of 2014 remained higher than that of the corresponding period last year.

PRODUCTION, SALES, AND SELLING PRICE

In the first half of 2014, the Group had 12 float glass production lines in operation and produced a total of 19.19 million weight cases of glass of different types, representing a decrease of 3% compared to the same period last year. The decrease was mainly due to the overhaul of two production lines during the period. In the first half of the year, the average selling price of the Group's glass products was RMB67 per weight case. This was because the Group had adjusted its product mix according to market demands, whereas the average selling price of colored glass and coated glass products had risen, while the average selling price per unit of colorless glass was affected by the market and fell, leading to an upward trend in the average selling price generally as compared with that for the same period of 2013.

PROFIT ANALYSIS

In the first half of 2014, the Group improved its overall profitability as compared to the same period last year through a series of measures, including strengthening cost control, adjusting marketing strategies and intensifying new product development.

For the first half of 2014, the Group recorded a revenue from its principal business of RMB1.14 billion, representing a decrease of 9% compared to the same period of last year. Net profit amounted to RMB50 million for the first half of the year, representing an increase of 294% as compared to that in the same period of last year.

OUTLOOK

The second half of the year is the traditional peak season for glass products demand. However, due to the timing inertia arising from the decrease in glass production capacity, and taking into account the market expectation of slow growth in the demand for property in a mid to long-term, it is expected that the glass market price will remain stressful in the second half of the year. As a result of the combination of unbalance supply and demand, high regional inventories and the fact that most of producers are not willing to reduce production pending the coming peak season, the glass manufacturing industry, especially the producers of ordinary glass products, will face a severe test during the low season that is coming in the late fourth quarter this year, even though the market demand in the third quarter will show a slight increase.

FORECAST OF MARKET DEMAND FOR GLASS PRODUCTS

In the first half of 2014, floor space of houses completed was 382.15 million square metres, representing an increase of 8.1% compared to the same period of last year. Automobile production stood at 12.67 million units, representing an increase of 10.9% compared to the same period of last year. According to the data from the National Bureau of Statistics, the export of sheet glass for the period from January to June 2014 increased by 6% as compared to the same period of last year.

In the second half of the year, the macro-control policy will be implemented under two hard constraints, namely, the economy does not fall out of a reasonable control range and the growth mode does not follow its old path. In a medium to long term, the high growth in property demand will soon end, and the property investment growth in future will step into a relatively stable stage. It is expected that domestic demand for ordinary float glass products will not significantly increase in the second half of the year, and price will remain volatile. The demand for high value-added and exported products is expected to remain stable, and the price is also relatively stable. The future growth potential in the market will mainly focus on energy-saving products.

FORECAST OF PRICE MOVEMENT OF RAW MATERIALS AND FUELS

It is expected that there will be no significant price volatility in major raw materials and fuels, and the price will remain stable in the second half of 2014. In particular, price of domestic fuels is expected to remain low in the second half of the year, as the mid and downstream demand continues to decline. For soda ash, while many manufacturers are in overhaul, leading to less supply, it is expected that soda ash price will generally not increase significantly in the second half of the year as the downstream demand is flat. Therefore, we expect little pressure from production cost in the glass industry in the second half of the year.

MAJOR WORK PLANS OF THE GROUP FOR THE SECOND HALF OF THE YEAR

1. We will continue to intensify stable production, by strictly regulating process management system and assessment of each key section at the bases to ensure standardized, efficient and stable production.
2. We will continue to implement differentiation strategy, and to make breakthroughs and carry out promotion in respect of new key products. In particular, we will (1) further optimize the development and production of highly-white glass; (2) continue to improve the output and quality of online Low-E glass products, as well as to increase promotional efforts to further enhance its market share; (3) increase the production and market expansion efforts for titanium-based easy-to-clean coated glass products, to speed up the pace of upgrading of solar power coated glass by taking advantages of such product; (4) further improve stable mass production and marketing of solar power energy-saving color coated glass products; and (5) focus on technology innovation, creating new profit growth points and competitive advantages, so as to provide more means to resist the industry downturn.
3. We will further improve energy conservation and environmental protection. With the introduction of "Air Pollution Prevention Action Plan"(《大氣污染防治行動計劃》), and in view of the need for company development, the Group will intensify energy conservation and environmental protection in the second half of the year, by further increasing the efforts on the alteration, expansion and upgrade of environmental facilities of all plants in relation to desulfurization, denitration and vacuum cleaning, while ensuring good operation of existing equipment, and by actively seeking new fuels and combustion technologies to significantly reduce fuel cost.
4. We will continue to promote creative marketing models and intensify centralized procurement. We will actively promote the innovation and development of marketing models and channels and advance the full integration of product varieties, channels and customer resources and innovation of marketing models. We will also develop different marketing strategies for various product types and launch innovative promotion for new products, ensuring sales-output ratio and gross profit margin.
5. In accordance with its "going abroad" strategy, the Group will vigorously intensify overseas market expansion in the second half of the year in line with its properties and geographical planning.
6. Leveraging on the market downturn, we will actively identify suitable merger targets and strategic partners. Leveraging on our own advantages, and focusing on companies' dynamics in the industry, we will make a positive response to the government policy to scale down the capacity in the industry, and promote industry integration through mergers and acquisitions at appropriate time.

FINANCIAL REVIEW

For the first six months of 2014, the turnover of the Group from its principal business decreased by 9% to RMB1.14 billion as compared to RMB1.26 billion in the first six months of 2013. The decrease in turnover from its principal business was mainly due to the combination of the overhaul of two production lines and operation of one production line, leading to a fall of 11% in the overall sales volume. Adjustments in the Group's product portfolio led to the increase of average price of the Group's glass product during the period. Accordingly, the gross profit margin increased to 18.1% from 17.8% as compared to the corresponding period of last year.

The Group's profit for the period amounted to RMB50 million, representing an increase of profit by approximately RMB37 million as compared to a profit of RMB13 million for the first six months of 2013.

The Group's profit attributable to equity shareholders of the Company for the period amounted to approximately RMB40 million, representing an increase of RMB27 million as compared to a profit attributable to shareholders of RMB13 million for the first six months of 2013.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB551 million (31 December 2013: RMB468 million), of which 98% (31 December 2013: 96%) were denominated in Renminbi ("RMB"), 1% (31 December 2013: 3%) in United States Dollars ("USD") and 1% (31 December 2013: 1%) in Hong Kong dollars ("HK\$"). Outstanding bank and other loans amounted to RMB1.267 billion (31 December 2013: RMB1.367 billion), of which 89% (31 December 2013: 90%) were denominated in RMB and 11% (31 December 2013: 10%) were denominated in USD, and outstanding unsecured notes amounted to RMB96 million (31 December 2013: RMB95 million), all of which (31 December 2013: 100%) were denominated in RMB. As at 30 June 2014, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 23% (31 December 2013: 27%). As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was 0.61 (31 December 2013: 0.54). In addition, the Group recorded net current liabilities amounting to RMB1.257 billion as at 30 June 2014 (31 December 2013: RMB1.289 billion). As at 30 June 2014, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.59 (31 December 2013: 0.57).

At 30 June 2014, the Group's short-term bank and other loans were RMB1.255 billion (31 December 2013: RMB1.193 billion), the Group's long-term bank and other loans were RMB108 million (31 December 2013: RMB269 million), among which RMB56 million (31 December 2013: RMB204 million) will be due after one year but within two years, and RMB52 million (31 December 2013: RMB65 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 be closely associated 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 2014, 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 2014.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 2014, 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) (5) (6)}	Percentage of interest in such corporation
Mr. Zhou Cheng	The Company	Beneficial owner	3,750,000 (L) ⁽²⁾	0.24%
Mr. Li Ping	The Company	Beneficial owner	2,830,000 (L) ⁽³⁾	0.18%
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	16,332,000 (L) ⁽⁴⁾	1.05%

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. Li Ping’s interests in share options to subscribe for 1,600,000 Shares, and 1,230,000 Shares acquired under the share award scheme.
- (4) It included Mr. Cui Xiangdong’s interests in 12,000,000 Shares, share options to subscribe for 1,600,000 Shares, and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the share award scheme.
- (5) 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.
- (6) For further details of the share award scheme adopted by the Company, please refer to the section headed “Share Award Scheme” below.

Save as disclosed above, as at 30 June 2014, 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 2014, 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 Corporation (formerly known as Legend Holdings Limited) ⁽⁶⁾	Interest of a controlled corporation ⁽⁷⁾	412,676,740 (L)	26.62%
Pilkington Group Limited	Beneficial owner	390,156,318 (L)	25.17%
NSG UK Enterprises, Limited	Interest of a controlled corporation ⁽⁸⁾	390,156,318 (L)	25.17%
NSG Holding (Europe) Limited	Interest of a controlled corporation ⁽⁹⁾	390,156,318 (L)	25.17%
Nippon Sheet Glass Co., Ltd.	Interest of a controlled corporation ⁽¹⁰⁾	390,156,318 (L)	25.17%

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) First Fortune Enterprises Limited is a wholly-owned subsidiary of Hony International Limited. Hony International Limited is taken to be interested in these shares by virtue of Part XV of the SFO.
- (3) Hony International Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Mei Long Developments Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited, Easylead Management Limited and Right Lane Limited are taken to be interested in the shares held by Hony International Limited and Mei Long Developments Limited by virtue of Part XV of the SFO.
- (4) Elite World Investments Limited holds 35,000,000 Shares. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited. Cheer Elite Holdings Limited is wholly-owned by Right Lane Limited. Right Lane Limited is taken to be interested in the shares held by Elite World Investments Limited by virtue of Part XV of SFO.
- (5) Easylead Management Limited is owned as to one-third by each of Messrs. Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Each of them is taken to be interested in the shares held by Easylead Management Limited by virtue of Part XV of the SFO.
- (6) The English company name "Legend Holdings Corporation" is a direct transliteration of its Chinese company name "聯想控股股份有限公司".
- (7) Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Corporation. Legend Holdings Corporation 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 2014, 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 2014 were set out in Note 23 to the unaudited interim financial report.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2014.

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 2014 are as follow:

Participant	Date of grant	Exercise price per share (Note) HK\$	Exercise period		No. of Shares to be issued upon exercise of the options as at 1/1/2014 and 30/06/2014	Approximate percentage interest in the Company's issued Shares
			from	until		
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%
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	12,660,000	0.82%
	29/2/2008	1.75	28/2/2010	29/5/2015	9,495,000	0.61%
	29/2/2008	1.75	28/2/2011	29/5/2015	9,495,000	0.61%
Total					<u>38,600,000</u>	

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 2014. Details of the share options granted were set out in Note 20b(i) to the unaudited interim financial report.

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 2014, 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 2014 and the aggregate price paid by the Company were HK\$37,804,917. 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. 17,660,000 shares had been vested and transferred to the selected employees of the Group in 2013. During the six months ended 30 June 2014, 11,170,000 shares have been vested to the selected employees of the Group on 8 January 2014, and transferred to the selected employees of the Group on 10 January 2014.

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

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

During the six months ended 30 June 2014, 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 20b(ii) to the unaudited interim financial report.

PUBLIC FLOAT

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2014, the Group had employed a total of approximately 5,350 employees in the PRC and Hong Kong (31 December 2013: about 5,382 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 2014.

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 2014. 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

There were no 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 2014, 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 2014.

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 examining 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 consent to 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 2014, the nomination committee has considered the re-election of retiring Directors.

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 2014, the remuneration committee has reviewed and approved the terms as 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. Cui Xiangdong 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 2014, the Company has complied with all 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, was unable to attend the annual general meeting of the Company held on 22 May 2014 due to 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 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 enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2014.

By order of the Board
Zhou Cheng
Chairman

Hong Kong, 28 August 2014