CHINA GLASS HOLDINGS LIMITED

中 國 玻 璃 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015. The audit committee of the Company has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**917,648**	947,801
Cost of sales		**(821,373)**	(878,613)
Gross profit	*3*	**96,275**	69,188
Other income	*4*	**75,161**	13,632
Distribution costs		**(37,419)**	(35,962)
Administrative expenses		**(130,990)**	(177,628)
Other expenses	*5(b)*	**(14,659)**	–
Loss from operations		**(11,632)**	(130,770)
Share of losses of an associate		**(28)**	(11)
Finance costs	*5(a)*	**(85,628)**	(55,451)
Loss before taxation	*5*	**(97,288)**	(186,232)
Income tax	*6*	**3,344**	36,314
Loss for the period		**(93,944)**	(149,918)
Attributable to:			
Equity shareholders of the Company		**(94,170)**	(130,913)
Non-controlling interests		**226**	(19,005)
Loss for the period		**(93,944)**	(149,918)
Loss per share (RMB cent)			
Basic and diluted	*7*	**(5.2)**	(7.2)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Loss for the period	**(93,944)**	(149,918)
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**3,281**	(328)
Total comprehensive income for the period	**(90,663)**	(150,246)
Attributable to:		
Equity shareholders of the Company	**(90,889)**	(131,241)
Non-controlling interests	**226**	(19,005)
Total comprehensive income for the period	**(90,663)**	(150,246)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited
(Expressed in RMB)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment		**3,410,721**	3,407,633
Lease prepayments		**271,979**	248,767
Intangible assets		**–**	–
Interests in an associate		**465**	493
Available-for-sale investments		**1,991**	1,495
Deferred tax assets		**211,132**	200,348
		3,896,288	3,858,736
Current assets			
Inventories		**480,231**	385,701
Trade and other receivables	*8*	**603,031**	607,022
Assets held-for-sale		**22,829**	–
Prepaid income tax		**17,219**	18,926
Cash and cash equivalents		**655,385**	775,217
		1,778,695	1,786,866
Current liabilities			
Trade and other payables	*9*	**1,770,178**	1,647,105
Bank and other loans		**1,226,519**	1,132,943
Obligations under finance leases		**25,537**	26,567
Income tax payable		**65,989**	65,006
		3,088,223	2,871,621
Net current liabilities		**(1,309,528)**	(1,084,755)
Total assets less current liabilities		**2,586,760**	2,773,981
Non-current liabilities			
Bank and other loans		**342,905**	506,736
Convertible bonds	*10*	**63,668**	–
Obligations under finance leases		**101,383**	106,142
Deferred tax liabilities		**30,674**	30,502
Other non-current liabilities		**4,171**	–
		542,801	643,380
NET ASSETS		**2,043,959**	2,130,601
CAPITAL AND RESERVES	*11*		
Share capital		**84,867**	84,867
Reserves		**1,753,951**	1,840,819
Total equity attributable to equity shareholders of the Company		**1,838,818**	1,925,686
Non-controlling interests		**205,141**	204,915
TOTAL EQUITY		**2,043,959**	2,130,601

NOTES

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information 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 25 August 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial information 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 information 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 2015 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 information 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.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative 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 2015 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2016.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 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.

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. Inter-segment sales are priced with reference to prices charged to external parties for similar products. 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 are 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 2016 and 2015 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 2016	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**350,430**	337,465	**202,394**	197,272	**297,637**	347,303	**67,187**	65,761	**917,648**	947,801
Inter-segment revenue	**31,543**	–	**–**	–	**–**	–	**–**	–	**31,543**	–
Reportable segment revenue	**381,973**	337,465	**202,394**	197,272	**297,637**	347,303	**67,187**	65,761	**949,191**	947,801
Reportable segment gross profit/(loss)	**7,628**	(12,065)	**29,114**	23,165	**53,378**	52,751	**6,155**	5,337	**96,275**	69,188

4 OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Net gain on debt restructuring *(Note (i))*	**29,636**	–
Net gain on relocation of a production plant *(Note (ii))*	**35,000**	–
Interest income	**3,770**	4,898
Net (loss)/gain on disposal of property, plant and equipment	**(5)**	638
Others	**6,760**	8,096
	75,161	13,632

Notes:

(i) The amount represents the net gain arising from restructuring of a payable due to a former supplier of the Group. The amount is the difference between the carrying amount of the payable of RMB60.7 million and the fair value of the consideration paid, including non-cash assets transferred and new liabilities assumed.

(ii) The amount represents additional compensation of RMB35.0 million in relation to the expropriation of the land use rights of the Group by the local government in year 2014 in accordance with a supplementary agreement entered into between the Group and the local government.

5 LOSS BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**58,031**	49,389
Finance charges on convertible bonds *(Note 10)*	**3,333**	–
Finance charges on obligations under finance leases	**6,596**	6,905
Bank charges and other finance costs	**14,344**	16,937
Total borrowing costs	**82,304**	73,231
Less: amounts capitalised into property, plant and equipment	**(1,192)**	(14,670)
Net borrowing costs	**81,112**	58,561
Changes in fair value on the derivative components of convertible bonds *(Note 10)*	**(3,421)**	–
Net foreign exchange loss/(gain)	**7,937**	(3,110)
	85,628	55,451

(b) Other expenses

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment	**14,659**	–

(c) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cost of inventories	**821,373**	878,613
Depreciation and amortisation	**122,227**	149,741
Impairment losses on trade and other receivables	**18,914**	64
Operating lease charges in respect of		
– land	**76**	76
– plant and buildings	**1,937**	2,699
– motor vehicles	**1,613**	1,689
Research and development costs (other than capitalised costs and related amortisation)	**160**	602

6 INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current taxation:		
– Provision for PRC Corporate Income Tax on the estimated taxable profits for the period	**6,940**	2,262
– Under-provision of Income Tax in respect of prior years	**328**	389
	7,268	2,651
Deferred taxation	**(10,612)**	(38,965)
	(3,344)	(36,314)

The Hong Kong Profits Tax rate for the six months ended 30 June 2016 is 16.5% (2015: 16.5%).

The subsidiaries of the Group incorporated in Cayman Islands and British Virgin Islands 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 2016 (2015: 25%).

The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2016 (2015: 30%).

A subsidiary of the Group established in Nigeria is established in one of Nigerian Export Processing Zones and exempted from all Federal, State and Local Government taxes and levies.

A subsidiary 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 2016 (2015: 15%).

A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from year 2016 (2015: 25%).

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2016 is based on the loss attributable to ordinary equity shareholders of the Company of RMB94,170,000 (six months ended 30 June 2015: RMB130,913,000) and the weighted average of 1,810,147,000 ordinary shares (six months ended 30 June 2015: 1,810,147,000 ordinary shares) in issue during the six months ended 30 June 2016.

(b) Diluted loss per share

There are no dilutive potential ordinary shares during the six months ended 30 June 2016. (six months ended 30 June 2015: Nil). The Group's convertible bonds (see Note 10) were not included in the calculation of dilutive loss per share because they are anti-dilutive during the six months ended 30 June 2016.

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade receivables from:		
– Third parties	**230,738**	218,207
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**16,080**	16,280
– Companies under common significant influence	**8,109**	12,961
Bills receivables	**98,885**	116,454
	353,812	363,902
Less: allowance for doubtful debts	**(86,956)**	(74,760)
	266,856	289,142
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**305**	298
– Non-controlling equity holders of a subsidiary of the Group	**13,293**	–
– Companies under common significant influence	**2,069**	8,603
	15,667	8,901
Less: allowance for doubtful debts	**(1,784)**	(1,784)
	13,883	7,117
Other debtors	**274,698**	259,116
Less: allowance for doubtful debts	**(51,962)**	(46,589)
	222,736	212,527
Loans and receivables	**503,475**	508,786
Prepayments	**106,077**	103,412
Less: allowance for doubtful debts	**(6,521)**	(5,176)
	99,556	98,236
	603,031	607,022

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 new 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.

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 2016	At 31 December 2015
	RMB'000	*RMB'000*
Within 1 month	**91,824**	110,437
More than 1 month but less than 3 months	**26,990**	29,698
More than 3 months but less than 6 months	**49,382**	33,510
Over 6 months	**98,660**	115,497
	266,856	289,142

9 TRADE AND OTHER PAYABLES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade payables to:		
– Third parties	**568,786**	580,002
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**599**	599
– Companies under common significant influence	**7,730**	3,375
Bills payables	**470,412**	381,640
	1,047,527	965,616
Amounts due to related companies:		
– An equity shareholder of the Company	**73**	73
– Companies under common significant influence	**188,312**	166,427
	188,385	166,500
Accrued charges and other payables	**409,931**	447,140
Financial liabilities measured at amortised cost	**1,645,843**	1,579,256
Advances received from customers	**124,335**	67,849
	1,770,178	1,647,105

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

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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Due within 1 month or on demand	**640,425**	643,976
Due after 1 month but within 6 months	**407,102**	321,640
	1,047,527	965,616

10 CONVERTIBLE BONDS

	Liability component *RMB'000*	**Derivative components** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	–	–	–
Convertible bonds issued	33,294	30,509	63,803
Accrued finance charges for the period *(Note 5(a))*	3,333	–	3,333
Interest paid	(1,176)	–	(1,176)
Fair value changes on the derivative components *(Note 5(a))*	–	(3,421)	(3,421)
Currency translation differences	618	511	1,129
At 30 June 2016	36,069	27,599	63,668

On 4 February 2016, the Company issued unsecured convertible bonds with an aggregate face value of US$10,000,000 (equivalent to approximately RMB65,419,000), interest bearing at 7.5% per annum and maturing on 4 February 2021 to China-Africa Manufacturing Investment Co., Limited (the "Bondholder").

Upon issuance, the Bondholder could, at any time till 25 January 2021, convert the bonds into the Company's shares at HK$1.28 per share (i.e. the conversion option). The Bondholder shall have the right to require the Company to redeem the convertible bonds by depositing a notice of redemption at its face value at any time from 4 February 2019 to 4 February 2021, (i.e. the put option). If at any time till 25 January 2021, the closing price per share for each trading day of any 15 consecutive trading day period equals to or exceeds HK$2.56, the Bondholder shall be obliged to convert the bonds into the Company's shares (i.e. the forced conversion option). The conversion, put and forced conversion options are all classified as derivative financial instruments and have been included in the balance of convertible bonds in the consolidated statement of financial position.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$Nil).

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

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2015: HK$Nil).

(b) Equity-settled share-based transactions

(i) Share option scheme

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 30 May 2005 and expired on 22 June 2015.

The New Share Option Scheme has been approved by a special general meeting of shareholders of the Company on 19 February 2016.

No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the six months ended 30 June 2016 (six months ended 30 June 2015: 33,370,000 share options under Share Option Scheme).

No share options were exercised during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

(ii) Share award scheme

On 12 December 2011, 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.

No shares are awarded or vested to directors and employees of the Group during the six months ended 30 June 2016 under the Share Award Scheme (six months ended 30 June 2015: Nil).

12 CONTINGENT LIABILITIES

In May 2016, Linyi CNG Glass Company Limited ("Linyi CNG"), a PRC subsidiary of the Group, received a notice that it is being sued by a former supplier in respect of loss and additional costs incurred from the gas supply agreement entered into between Linyi CNG and this supplier. Linyi CNG has made a pleading to Intermediate People's Courts of Linyi. As at the date of this interim financial result announcement, the above lawsuit is under review before the Intermediate People's Court of Linyi. If Linyi CNG is found to be liable, the total expected monetary compensation may amount to approximately RMB49.1 million plus interest. Linyi CNG continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Group do not believe it is probable that Linyi CNG is liable to the claim. No provision has therefore been made in respect of this claim.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2016, to cope with downward pressure faced by the domestic economy, the central government accelerated the progress of supply-side structural reform in an attempt to fasten the development of economic momentum. In the first half of the year, new housing construction area and completed area in China were 775 million sqm and 395 million sqm respectively, representing growth of 14.9% and 20.0% as compared with the same period of last year respectively. It has gradually shown the trend of growing demand for architectural glass driven by property demand since the second quarter. Demand for auto glass has remained stable from the beginning of this year. In terms of export, both the export volume and price of flat glass recovered as compared with the same period of last year.

Due to the combined effects of slower growth of flat glass production capacity and recovery of demand for glass, the imbalance between supply and demand in the glass sector was mitigated in the first half of this year. At the end of the second quarter, the market witnessed a steady boost in sales volume and product price, which eased the pressure on manufacturing and sales in the industry.

BUSINESS REVIEW

The Group currently has 14 glass production lines, carrying a daily melting capacity of 7,050 tonnes. As at 30 June 2016, the Group had 9 float glass production lines in operation, while those production lines not in operation were temporarily suspended due to cold repair, technological renovation or other reasons. In addition, the Group has an offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

The business of the Group covers four segments, namely clear glass products, painted glass products, coated glass products and energy saving and new energy glass products. During the period under review, each segment had different performance in operation and revenue, but most of them have an increase in revenues compared with the six months ended 30 June 2015.

The revenue of clear glass products increased by 13% as compared with the corresponding period of last year. The increase was mainly due to the increase in selling price and sales volume. The revenue of painted glass products increased by 3% as compared with the corresponding period of last year. This was mainly due to the increase in sales volume. The revenue of coated glass products decreased by 14% as compared with the corresponding period of last year. The decrease was mainly due to the decrease in sales volume. The revenue of energy saving and new energy glass products increased by 2% as compared with the corresponding period of last year. The increase was mainly due to the combined effect of increased sales volume and decreased average selling price. The changes of selling price of the four segments as compared with the corresponding period of last year was mainly due to the combination of market factors and product demands. The changes of sales volume were mainly due to adjustments on product structures made by the Group according to marketing strategies and conditions of the production lines.

RAW MATERIAL AND FUEL PRICE AND PRODUCTION COST

In the first half of 2016, the prices of raw materials and fuels for glass production remained stable in general, with a slight decline. In spite of the substantial volatility of soda ash prices due to some special events occurred in the industry in the first half of the year, the overall market price of soda ash fell slightly as compared with the same period of last year. Prices of other raw materials such as silica sand, dolomite and limestone remained stable. In respect of fuels, the prices of coal and petroleum coke recorded a slight year-on-year decline, while the price of coal tar rose modestly.

PRODUCTION, SALES AND SELLING PRICE

In the first half of 2016, the Group produced an aggregate amount of approximately 17.44 million weight cases of various glasses, being basically flat as compared to the same period of last year. The integrated average selling price of the Group's products was approximately RMB60.5 per weight case, representing a slight increase as compared to the same period of last year.

In the first half of 2016, the Group recorded a revenue of approximately RMB918 million, representing a decrease of 3% as compared to the same period of last year, with a year-on-year decrease of 4% in its sales volume and a net loss of approximately RMB94 million. In the first half of the year, the decrease in revenue was mainly attributable to a decrease in the Group's sales volume as compared to the same period of last year and a corresponding increase in its inventory level. However, the inventory products will generate more revenue in the second half of the year in view of the demand and the price trends in the glass market this year.

The integrated production costs of the Group decreased by 5% as compared to the same period last year, among which, costs of materials, costs of fuels, and costs of packages decreased by 6%, 10% and 21%, respectively. The recovered gross profit margin led to a significant decrease of the Group's loss. However, affected by a number of factors such as testing of production lines for the resumption of production and the use of premium production lines for research and development of new products, the Group had limited increase in the integrated average selling price of its products in the first half of the year.

MAJOR ACHIEVEMENTS IN THE FIRST HALF OF 2016

In the first half of 2016, the Group actively took various measures to reduce loss, attempting to cope with the fierce competition and complicated market environment. It continued to implement every quality-improvement measure, and spared no efforts on the key strategic breakthrough projects to achieve mass production of high value-added products.

The main achievements of the Group in the first half of 2016 include:

1. **Strengthening the research and development and promotion of new products**

   The Group continued to implement the strategy of taking lead with high technology. After two years' research and development, the Group has successfully developed the ultraviolet-proof high transmittance glass product and realized its stable scale production. The anti-UV high transmittance float glass passed the new technology and new product appraisal of the highest level in the industry organized by China Building Material Federation in July 2016. The product's main performance indicators have achieved the international advanced level, of which the technology to use normal silica material for the production of low-cost anti-UV high transmittance float glass with the float process is at leading level internationally. The new product fills in the gap of float anti-UV high transmittance float glass between inbound and overseas, playing a positive role to promote the transformation and upgrade of the glass sector in China. It can bring significant social benefits and economic benefits and enjoy a promising market prospect. The product has been put into mass production in the Wuhai Base.

   In addition, the Group has also conducted research and development to upgrade its existing technology, including steadily improving the online Low-E production technique, leading to a significant increase of total yield, and stable control of product quality and cost. The Dongtai Base has built the largest online Low-E float production lines in terms of single-line production with continuous stable production in China. Seamless coupling for the production of online Low-E and online Sun-EⓉ Reflective glass was achieved, enabling rapid switch of float online coating of multifunctional film. Temperable offline Low-E glass has been developed.

2. **Stabilizing production, improving product quality and reducing production cost**

Product quality is the fundamental factor rooting the survival and development of the enterprise. Since 2016, the Group has adopted more stringent quality standards; accordingly, we have reviewed our shortcomings throughout the production process and formulated improvement measures to meet these new standards. Thus, the product quality at each production base has been improved steadily, and the selling price has also been gradually increased.

Meanwhile, due to the strict material cost and energy cost control implemented throughout the Group and the innovative new package, the production cost has also been effectively reduced.

3. **Steadily implementing the "Go abroad" strategy as planned**

The production lines in Nigeria were under construction as scheduled. This project is our first overseas construction program, and will accumulate valuable experience for the subsequent implementation of the Group's overall overseas strategy. The overseas trading company operated stably and also strived to establish its self-owned marketing channels in the region where the project located at the same time, in order to prepare for the commercialization of the products before the commencement of the operation of the production lines.

4. **Promoting the establishment of strategic procurement channel and enhancing marketing and brand building**

In the first half of this year, the Group expanded the scope of strategic purchase of raw materials and fuels, and renewed the strategic purchase agreements with some of the suppliers. In addition, the Group set up an internal logistics information sharing platform, and took various measures to reduce the procurement cost significantly. By organizing special promotion events for the new products and participating in industry trade shows, recognition of our new products and the brand awareness have been remarkably raised.

THE GLASS MARKET OUTLOOK

The second half of the year will be welcoming a peak season in the glass market. Influence from the real estate sector rebound will continue, and demand for architectural glass will be increasing significantly. Currently the market's capacity in use still remains stable. It is expected that even if new capacity is put into operation, time is needed for the products to enter into the market officially. Therefore, prices on the glass market will still have room for increase in the second half of the year.

Guided by the national policies, demand for diversified glass products apart from the architectural glass, including electric glass, solar energy glass, industrial glass, and auto glass, is expected to experience an increase. Increasing demand for the products above will also drive the demand for the whole special glass segment, which is good for the long-term development of the industry.

Forecast of movements in prices of raw materials and fuels, and production costs

As a traditional industry with excess production capacity, it is unlikely to foresee the price of soda ash will have a fundamental improvement in the near future. The price in the second half of the year may experience decrease and then increase, with an overall stable trend. It is expected that the prices for raw materials including silica sand, limestone and dolomite will remain stable.

In terms of fuels, due to downstream demand for coal tar, the price may be slightly increased. Petroleum coke price will have limited room for increase, and coal price will remain relatively stable.

As the Group puts more efforts on strategic purchase and upgrade of the purchase and transportation method, the overall purchase prices for raw materials and fuels are expected to be further declined.

WORK PLANS FOR THE SECOND HALF OF 2016

1. **Maintaining technical advantages and continuing with R&D investments and promotion of new products**

   Diversified operation and industrial upgrade relying on advance technology and technical innovation have always been the Group's core strategy. Accordingly, the major work plans for the second half of the year includes: continue to develop the upgraded products of anti-UV high transmittance float glass and engage in large-scale promotion, improve and upgrade the new online Sun-E^Ⓣ Reflective glass products, and maintain the Company's leading advantage in online solar-control coated glass technology. To meet the demand for building energy saving brought by different climatic features, the Group will make continuous efforts on developing new products of online Low-E and online energy-saving Sun-E^Ⓣ coated glass. The Group will also further explore market applications in the fields such as high-grade buildings, automobiles, photovoltaic use, green houses, and industrial glass.

2. **Maintaining stable and high-quality production, optimizing structure**

   To actively enhance the production management of the Group and comprehensively improve its product quality, the Group will further carry out the benchmarking management of its product quality in the second half of the year. The second production line in Linyi Base will resume production in the second half of the year as planned and focus on the production of high value-added products. The proportion of high value-added products is expected to increase in the second half of the year.

3. **Continuing to push forward "Go aboard" projects to generate future profit increment for the Group**

   The overall construction of production line in Nigeria is expected to finish by the year ended 2016 and commence production in the first half of 2017. This production line will effectively enhance the Group's overall competitiveness and profitability, and build a foundation for the Group to implement a series of overseas strategies in the future.

4. **Leveraging favorable market opportunities and enhancing marketing activities**

   The Group will further strengthen its marketing channel building to gradually set up channels or models which are suitable to the Company's transformation and upgrade in the second half of the year. By leveraging the timing of high market prices and balance of supply and demand in the second half of the year, the Group will devote greater efforts on the sale of products and implement the sales strategy of the Company.

FINANCIAL REVIEW

Revenue

For the first six months of 2016, the revenue of the Group from its principal business decreased by approximately 3% to approximately RMB918 million as compared to approximately RMB948 million in the first six months of 2015. The decrease in revenue from its principal business was mainly due to the combination of the slight recovery of the domestic glass market and the maintenance of certain production lines of the Group, leading to a fall of approximately 4% in sales volume and an increase of approximately 1% in the average selling price.

Cost of sales

The Group's cost of sales decreased by approximately 7% from approximately RMB878 million for the first six months of 2015 to approximately RMB821 million for the first six months of 2016. This was mainly attributable to the combined effect of the decrease in sales volume and unit production cost.

Gross profit

The Group's gross profit increased by approximately 39% from approximately RMB69 million for the first six months of 2015 to approximately RMB96 million for the first six months of 2016. This was mainly attributable to the combined effect of the increased average selling price and decreased unit production cost.

Other income

The Group's other income increased from approximately RMB14 million for the first six months of 2015 to approximately RMB75 million for the first six months of 2016. This was mainly due to additional compensation received in accordance with a supplementary agreement regarding expropriation of the land use rights of the Group by the local government and the net gain arising from debt restructuring of the Group .

Administrative expenses

For the first six months of 2016, the administrative expenses of the Group decreased by 26% to RMB131 million as compared to RMB178 million in the first six months of 2015. A PRC subsidiary of the Group incurred losses due to suspension of production for the first six months of 2015, which did not happen in the first six months of 2016.

Finance costs

For the first six months of 2016, the finance costs of the Group increased by 54% to approximately RMB86 million as compared to approximately RMB55 million in the first six months of 2015. This was mainly due to the decrease of capitalized interest, and the increase of the exchange losses from foreign currency borrowing which made provision as required by HKFRSs incurred among the subsidiaries of the Group.

Loss for the period

The Group's loss for the first six months of 2016 amounted to approximately RMB94 million, representing a decrease of loss by approximately RMB56 million as compared to a loss of approximately RMB150 million for the first six months of 2015.

Loss attributable to equity shareholders for the period

The Group's loss attributable to equity shareholders of the Company for the first six months of 2016 amounted to approximately RMB94 million, representing a decrease of approximately RMB37 million as compared to a loss attributable to shareholders of approximately RMB131 million for the first six months of 2015.

Current assets

The Group's current assets decreased by approximately 0.4% from approximately RMB1.787 billion as at 31 December 2015 to approximately RMB1.779 billion as at 30 June 2016.

Current liabilities

The Group's current liabilities increased by approximately 8% from approximately RMB2.872 billion as at 31 December 2015 to approximately RMB3.088 billion as at 30 June 2016. The increase was mainly due to the combined effect of increased trade and other payables and the transfer of long-term bank and other loans falling due within one year to current liabilities.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 16% from approximately RMB643 million as at 31 December 2015 to approximately RMB543 million as at 30 June 2016. This was attributable to the transfer of long-term bank and other loans falling due within one year to current liabilities.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately RMB655 million (31 December 2015: RMB775 million), of which 96% (31 December 2015: 93%) were denominated in Renminbi ("RMB"), 3% (31 December 2015: 6%) in United States Dollars ("USD") and 1% (31 December 2015: 1%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans and convertible bonds amounted to approximately RMB1.633 billion (31 December 2015: RMB1.640 billion), of which 92% (31 December 2015: 96%) were denominated in RMB and 8% (31 December 2015: 4%) were denominated in USD. As at 30 June 2016, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 31% (31 December 2015: 31%). As at 30 June 2016, the Group's current ratio (current assets divided by current liabilities) was 0.58 (31 December 2015: 0.62). In addition, the Group recorded net current liabilities amounted to approximately RMB1.310 billion as at 30 June 2016 (31 December 2015: RMB1.085 billion). As at 30 June 2016, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.64 (31 December 2015: 0.62).

As at 30 June 2016, the Group's short-term bank and other loans were approximately RMB1.227 billion (31 December 2015: RMB1.133 billion), and the Group's long-term bank and other loans were approximately RMB343 million (31 December 2015: RMB507 million), among which approximately RMB321 million (31 December 2015: RMB494 million) will be due after one year but within two years, and approximately RMB18 million (31 December 2015: RMB7 million) will be due after two years but within five years, and approximately RMB4 million (31 December 2015: RMB6 million) will be due after five years.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's 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 would 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 2016, the Group did not adopted any derivatives for hedging purposes.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK$Nil).

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 30 June 2016 are set out in Note 12.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Old 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 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Old Share Option Scheme. Further details of the share options are disclosed in Note 11(b)(i).

On 22 June 2015, the Old Share Option Scheme was expired and a new share option scheme (the "New Share Option Scheme") was approved by a special general meeting of shareholders of the Company on 19 February 2016.

No options were exercised during the six months ended 30 June 2016.

SHARE AWARD SCHEME

The Board approved the adoption of the share award scheme of the Company on 12 December 2011. The share award scheme would operate in parallel with the Old Share Option Scheme adopted on 30 May 2005 and the New Share Option Scheme adopted on 19 February 2016.

No shares were awarded to directors and employees of the Group during the year ended 31 December 2015 under the share award scheme. Further details of the awards granted under the share award scheme are disclosed in Note 11(b)(ii).

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, 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 2016, the Group had employed a total of approximately 4,235 employees in the PRC and Hong Kong (31 December 2015: about 4,078 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 2016.

MATERIAL ACQUISITION(S), DISPOSAL(S), SIGNIFICANT INVESTMENT(S) AND EVENT(S)

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 2016. As at the date of this announcement, the Group has no plan to make any material investment in or acquisition of capital assets.

The Company issued convertible bonds in the principal amount of US$10 million to China-Africa Manufacturing Investment Co., Limited on 4 February 2016. Further details of the convertible bonds are disclosed in Note 10.

EVENT AFTER THE REPORTING PERIOD

There were no material events after the reporting period as at the date of this announcement.

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee, nomination committee, remuneration committee and strategy committee. Details of these committees are detailed as follows:

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 2016, the audit committee has reviewed the accounting principles and practices adopted by the Group with the Company's management and the external auditors, and has discussed auditing, risk management and internal governance system and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2016.

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. Zhang Baiheng. 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 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 2016, 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 2016, 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 2016, 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. Guo Wen, who is a non-executive Director, was unable to attend the annual general meeting of the Company held on 19 May 2016 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 2016.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company will be dispatched to the shareholders of the Company and published on the Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.chinaglassholdings.com) in due course.

By order of the Board
China Glass Holdings Limited
Zhao John Huan
Chairman

Hong Kong, 25 August 2016

As at the date of this announcement, the directors of the Company are as follows:

Executive director:
Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-executive directors:
Mr. Zhao John Huan *(Chairman)*; Mr. Peng Shou *(Deputy Chairman)*; Mr. Zhou Cheng *(Honorary Chairman)*; and Mr. Guo Wen

Independent non-executive directors:
Mr. Zhang Baiheng; Mr. Zhao Lihua; and Mr. Chen Huachen

* *For identification purpose only*