Interim Report 2016

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

* For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors

Mr. Zhao John Huan *(Chairman)*
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Peng Shou *(Deputy Chairman)*
Mr. Guo Wen

Independent Non-Executive Directors

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

SENIOR MANAGEMENT

Mr. Li Ping
Mr. Lu Guo
Mr. Ge Yankai
Mr. Yang Hongfu
Mr. Cheng Xin
Mr. Wang Jianxun
Mr. Xu Ning

COMPANY SECRETARY

Ms. Pan Jianli

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

WEBSITE

www.chinaglassholdings.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera 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
Estera

As to Cayman Islands Law
Walkers

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China
Bank of Hankou
China Merchants Bank
Chang Hwa Bank
Xiamen International Bank
Hua Xia Bank
Bank of Jiangsu
China Citic Bank
Bank of Taiwan

AUDITOR

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Brunswick Group Ltd.

STOCK CODE

Hong Kong Stock Exchange: 3300

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 adopt any derivatives for hedging purposes.

Other Information

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 2016.

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).

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 2016, 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) (3) (4)	Percentage of interest in such corporation(5)
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	19,532,000 (L) (2)	1.08%

Notes:

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

(2) It included Mr. Cui Xiangdong's interests in 12,000,000 Shares, share options to subscribe for 4,800,000 Shares, and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the share award scheme.

(3) For further details of the share option scheme adopted by the Company, please refer to the section headed "Share Option Scheme" below.

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

(5) As at 30 June 2016, the total number of issued shares of the Company is 1,810,147,058.

Save as disclosed above, as at 30 June 2016, 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 2016, 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 (12)
First Fortune Enterprises Limited	Beneficial owner	272,926,000 (L)	15.08%
Hony International Limited	Interest of a controlled corporation (2)	272,926,000 (L)	15.08%
Mei Long Developments Limited	Beneficial owner	104,750,740 (L)	5.79%
Easylead Management Limited	Interest of a controlled corporation (3)	377,676,740 (L)	20.86%
Right Lane Limited	Interest of a controlled corporation (3) (4)	412,676,740 (L)	22.80%
Mr. Cao Zhijiang	Interest of a controlled corporation (5)	377,676,740 (L)	20.86%
Mr. Liu Jinduo	Interest of a controlled corporation (5)	377,676,740 (L)	20.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation (5)	377,676,740 (L)	20.86%
Legend Holdings Corporation (formerly known as Legend Holdings Limited) (6)	Interest of a controlled corporation (7)	412,676,740 (L)	22.80%
Pilkington Group Limited	Beneficial owner (14)	390,156,318 (L)	21.55%
NSG UK Enterprises, Limited	Interest of a controlled corporation (8) (14)	390,156,318 (L)	21.55%
NSG Holding (Europe) Limited	Interest of a controlled corporation (9) (14)	390,156,318 (L)	21.55%

Other Information (continued)

Name of shareholder	Capacity	Total number of ordinary shares [1]	Approximate percentage of shareholding [12]
Nippon Sheet Glass Co., Ltd.	Interest of a controlled corporation [10] [14]	390,156,318 (L)	21.55%
Triumph Technology Group Company	Beneficial owner [13]	416,424,621 (L)	23.01%
China National Building Material Group Corporation	Interest of a controlled corporation [11] [13]	416,424,621 (L)	23.01%

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.. UNippon 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.

(11) Triumph Technology Group Company is a wholly-owned subsidiary of China National Building Material Group Corporation. China National Building Material Group Corporation is taken to be interested in these shares by virtue of Part XV of the SFO.

(12) As at 30 June 2016, the total number of issued shares of the Company is 1,810,147,058.

(13) The interests held by Triumph Technology Group Company comprize 260,000,000 ordinary shares and an additional 156,424,621 ordinary shares pursuant to a sales and purchase agreement entered into between Triumph Technology Group Company and Pilkington Group Limited on 30 June 2016 for the acquisition. Completion of the acquisition has yet to be taken place.

(14) The interest held by Pilkington Group Limited is subject to a potential disposal of 156,424,621 ordinary shares pursuant to a sales and purchase agreement entered into between Triumph Technology Group Company and Pilkington Group Limited on 30 June 2016. Completion of the disposal has yet to be taken place.

Save as disclosed above, so far as the Directors are aware, as at 30 June 2016, 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 15 to the unaudited interim financial report.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2016 were set out in Note 20(a) to the unaudited interim financial report.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 30 June 2016 were set out in Note 21 to the unaudited interim financial report.

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 18(b)(i) to the unaudited interim financial report. The closing price of the shares of the Company on 13 May 2015 was HK$1.25 per share. Movement of share options granted under the option scheme during the six months ended 30 June 2016 are as follow:

Participant	Date of grant	Exercise price per share	from	until	No. of Share held as at 1/1/2016 and 30/6/2016	Approximate percentage interest in the Company's issued Shares
Cui Xiangdong	13/5/2015	1.25	13/5/2016	12/5/2022	1,920,000	0.11%
	13/5/2015	1.25	13/5/2017	12/5/2022	1,440,000	0.08%
	13/5/2015	1.25	13/5/2018	12/5/2022	1,440,000	0.08%
Employees	13/5/2015	1.25	13/5/2016	12/5/2022	11,428,000	0.63%
	13/5/2015	1.25	13/5/2017	12/5/2022	8,571,000	0.47%
	13/5/2015	1.25	13/5/2018	12/5/2022	8,571,000	0.47%
Total					33,370,000	

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 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.

The following is a summary of the principal terms of the rules of the New Share Option Scheme:

(a) Who may join

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

(b) The purpose of the New Share Option Scheme

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

(c) Subscription price

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

(d) Grant of option

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

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

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

The maximum number of Shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the 19 February 2016, the date of the special general meeting approving the New Share Option Scheme, which is 181,014,705 Shares (representing 10.00% of the issued share capital as at the date of this report).

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

(f) Timing for exercise of options

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

(g) Life of the New Share Option Scheme

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

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 "Adoption Date"). The share award scheme will 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.

(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 2016, 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 1.59% of the issued share capital of the Company as at 30 June 2016 and the aggregate price paid by the Company were HK$37,804,917. During the six months ended 30 June 2016, no shares were awarded or vested to directors and employees of the Group (six months ended 30 June 2015: Nil).

Further details of the awards granted under the share award scheme are disclosed in note 18(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 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 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 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 report, 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 Note16 to the unaudited interim financial report.

EVENT AFTER THE REPORTING PERIOD

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

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.

By order of the Board
Zhao John Huan
Chairman

Hong Kong, 25 August 2016

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 48 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2016 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 2016 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

25 August 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	4	**917,648**	947,801
Cost of sales		**(821,373)**	(878,613)
Gross profit	4	**96,275**	69,188
Other income	5	**75,161**	13,632
Distribution costs		**(37,419)**	(35,962)
Administrative expenses		**(130,990)**	(177,628)
Other expenses	6(b)	**(14,659)**	–
Loss from operations		**(11,632)**	(130,770)
Share of losses of an associate		**(28)**	(11)
Finance costs	6(a)	**(85,628)**	(55,451)
Loss before taxation	6	**(97,288)**	(186,232)
Income tax	7	**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	8	**(5.2)**	(7.2)

The notes on pages 27 to 48 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 18.

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)

The notes on pages 27 to 48 form part of this interim financial report.

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	9	**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	17	**211,132**	200,348
		3,896,288	3,858,736
Current assets			
Inventories	10	**480,231**	385,701
Trade and other receivables	11	**603,031**	607,022
Assets held-for-sale	12	**22,829**	–
Prepaid income tax		**17,219**	18,926
Cash and cash equivalents	13	**655,385**	775,217
		1,778,695	1,786,866
Current liabilities			
Trade and other payables	14	**1,770,178**	1,647,105
Bank and other loans	15(a)	**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	15(b)	**342,905**	506,736
Convertible bonds	16	**63,668**	–
Obligations under finance leases		**101,383**	106,142
Deferred tax liabilities	17	**30,674**	30,502
Other non-current liabilities		**4,171**	–
		542,801	643,380
NET ASSETS		**2,043,959**	2,130,601

The notes on pages 27 to 48 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

At 30 June 2016 – unaudited

(Expressed in RMB)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
CAPITAL AND RESERVES	18		
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

The notes on pages 27 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve 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 2015	84,867	2,081,912	17,920	40,785	(447,114)	(33,080)	584,845	2,330,135	259,524	2,589,659
Changes in equity for the six months ended 30 June 2015:										
Loss for the period	–	–	–	–	–	–	(130,913)	(130,913)	(19,005)	(149,918)
Other comprehensive income	–	–	–	–	–	(328)	–	(328)	–	(328)
Total comprehensive income	–	–	–	–	–	(328)	(130,913)	(131,241)	(19,005)	(150,246)
Equity settled share-based transactions	–	–	1,295	–	–	–	–	1,295	–	1,295
Balance at 30 June 2015	84,867	2,081,912	19,215	40,785	(447,114)	(33,408)	453,932	2,200,189	240,519	2,440,708

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve 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 2015	84,867	2,081,912	19,215	40,785	(447,114)	(33,408)	453,932	2,200,189	240,519	2,440,708
Changes in equity for the six months ended 31 December 2015:										
Loss for the period	–	–	–	–	–	–	(295,476)	(295,476)	(34,704)	(330,180)
Other comprehensive income	–	–	–	–	–	16,109	–	16,109	–	16,109
Total comprehensive income	–	–	–	–	–	16,109	(295,476)	(279,367)	(34,704)	(314,071)
Dividends approved by a subsidiary of the Group in respect of previous years	–	–	–	–	–	–	–	–	(900)	(900)
Equity settled share-based transactions	–	–	4,864	–	–	–	–	4,864	–	4,864
	–	–	4,864	–	–	–	–	4,864	(900)	3,964
Balance at 31 December 2015	84,867	2,081,912	24,079	40,785	(447,114)	(17,299)	158,456	1,925,686	204,915	2,130,601

The notes on pages 27 to 48 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2016 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve 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 2016	84,867	2,081,912	24,079	40,785	(447,114)	(17,299)	158,456	1,925,686	204,915	2,130,601
Changes in equity for the six months ended 30 June 2016:										
Loss for the period	–	–	–	–	–	–	(94,170)	(94,170)	226	(93,944)
Other comprehensive income	–	–	–	–	–	3,281	–	3,281	–	3,281
Total comprehensive income	–	–	–	–	–	3,281	(94,170)	(90,889)	226	(90,663)
Equity settled share-based transactions (Note 18(b))	–	–	4,021	–	–	–	–	4,021	–	4,021
	–	–	4,021	–	–	–	–	4,021	–	4,021
Balance at 30 June 2016	84,867	2,081,912	28,100	40,785	(447,114)	(14,018)	64,286	1,838,818	205,141	2,043,959

The notes on pages 27 to 48 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2016	2015
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations		**148,303**	22,882
The People's Republic of China (the "PRC") income tax paid		**(4,578)**	(7,587)
Net cash generated from operating activities		**143,725**	15,295
Investing activities			
Payment for the purchase of property, plant and equipment and land use rights		**(212,015)**	(74,489)
Other cash flows arising from investing activities		**70,434**	24,906
Net cash used in investing activities		**(141,581)**	(49,583)
Financing activities			
Proceeds from new bank and other loans		**736,945**	727,311
Repayment of bank and other loans		**(752,567)**	(758,419)
Other cash flows arising from financing activities		**(70,942)**	(81,440)
Net cash used in financing activities		**(86,564)**	(112,548)
Net decrease in cash and cash equivalents		**(84,420)**	(146,836)
Cash and cash equivalents at 1 January	13	**705,217**	762,234
Effect of foreign exchange rate changes		**588**	(47)
Cash and cash equivalents at 30 June	13	**621,385**	615,351

The notes on pages 27 to 48 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2016 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 25 August 2016.

The interim financial report 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 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 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 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 19.

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 annual consolidated 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.

3 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.

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.

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.

4 SEGMENT REPORTING (continued)

Segment results (continued)

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 RMB'000	Six months ended 30 June 2015 RMB'000	**Six months ended 30 June 2016 RMB'000**	Six months ended 30 June 2015 RMB'000	**Six months ended 30 June 2016 RMB'000**	Six months ended 30 June 2015 RMB'000	**Six months ended 30 June 2016 RMB'000**	Six months ended 30 June 2015 RMB'000	**Six months ended 30 June 2016 RMB'000**	Six months ended 30 June 2015 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

5 OTHER INCOME

	Six months ended 30 June	
	2016 RMB'000	2015 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.

6 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 16)	**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 16)	**(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 (Note 9(b))	**14,659**	–

(c) Other items

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Cost of inventories (Note 10)	**821,373**	878,613
Depreciation and amortisation	**122,227**	149,741
Impairment losses on trade and other receivables (Note 11(b))	**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

7 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 (Note 17)	**(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%).

8 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 16) were not included in the calculation of dilutive loss per share because they are anti-dilutive during the six months ended 30 June 2016.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions, disposals and reclassifications

During the six months ended 30 June 2016, the Group incurred capital expenditure on property, plant and equipment and construction in progress with a cost of RMB169.2 million (six months ended 30 June 2015: RMB74.9 million). Items of property, plant and equipment with a net book value of RMB10.0 million were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB8.6 million).

Items of machinery and equipment with a net book value of RMB22.8 million were classified as held-for-sale as at 30 June 2016 (30 June 2015: RMBNil) (see Note 12).

(b) Impairment losses

During the six months ended 30 June 2016, the Group considered the value of certain machinery and equipment were impaired and therefore assessed the recoverable amounts of these assets. As a result, a provision of RMB14.7 million (six months ended 30 June 2015: RMBNil) was made in respect of these machinery and equipment with the carrying amount of RMB15.7 million (six months ended 30 June 2015: RMBNil) as at 30 June 2016. The recoverable amounts of these assets has been estimated based on their value in use.

10 INVENTORIES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Raw materials	**77,938**	101,057
Work in progress and finished goods	**371,480**	254,437
Racks, spare parts and consumables	**41,118**	38,983
	490,536	394,477
Less: write-down of inventories	**(10,305)**	(8,776)
	480,231	385,701

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	
	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	**819,844**	871,061
Write down of inventories	**1,529**	7,552
	821,373	878,613

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

11 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 (Note (b))	**(86,956)**	(74,760)
	266,856	289,142
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (i))	**305**	298
– Non-controlling equity holders of a subsidiary of the Group (Note (i))	**13,293**	–
– Companies under common significant influence (Note (i))	**2,069**	8,603
	15,667	8,901
Less: allowance for doubtful debts (Note (b))	**(1,784)**	(1,784)
	13,883	7,117
Other debtors	**274,698**	259,116
Less: allowance for doubtful debts (Note (b))	**(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 (Note (b))	**(6,521)**	(5,176)
	99,556	98,236
	603,031	607,022

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 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.

11 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 2016 RMB'000	At 31 December 2015 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

(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 2016 RMB'000	Year ended 31 December 2015 RMB'000
At 1 January	**128,309**	63,010
Impairment losses recognised	**18,914**	65,703
Uncollectible amounts written off	**–**	(404)
At 30 June/31 December	**147,223**	128,309

At 30 June 2016, the Group's trade and other receivables of RMB147.2 million (31 December 2015: RMB128.3 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.

11 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 2016 RMB'000	At 31 December 2015 RMB'000
Neither past due nor impaired	**105,931**	121,776
Less than 1 month past due	**32,681**	20,002
More than 1 month but less than 3 months past due	**22,625**	17,011
More than 3 months but less than 6 months past due	**6,959**	14,856
More than 6 months past due	**98,660**	115,497
	160,925	167,366
	266,856	289,142

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.

12 ASSETS HELD-FOR-SALE

During the six months ended 30 June 2016, a PRC subsidiary of the Group entered into a sales contract with a third party to sell certain machinery and equipment. The sales transaction is expected to be completed within one year. Accordingly, the machinery and equipment to be sold with a carring amount of RMB22.8 million is reclassified as assets held-for-sale as at 30 June 2016.

13 CASH AND CASH EQUIVALENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Cash at bank and on hand	**621,385**	705,217
Time deposits with banks	**34,000**	70,000
Cash and cash equivalents in the consolidated statement of financial position	**655,385**	775,217
Less: time deposits with original maturity over 3 months	**(34,000)**	(70,000)
Cash and cash equivalents in the condensed consolidated cash flow statement	**621,385**	705,217

At 30 June 2016, cash and cash equivalents of RMB341.0 million (31 December 2015: RMB352.2 million) were pledged to secure bills issued by the Group.

14 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 (Note (i))	**73**	73
– Companies under common significant influence (Note (ii))	**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

14 TRADE AND OTHER PAYABLES (continued)

Notes:

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

(ii) The amounts are unsecured and non-interest bearing. Except for an amount of RMB2.0 million at 30 June 2016 (31 December 2015: RMB2.8 million) which is repayable within one year, all of the remaining balances 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.

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

15 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans	**801,625**	975,459
Loans from third parties	**81,654**	–
	883,279	975,459
Add: current portion of long-term bank and other loans (Note (b))	**343,240**	157,484
	1,226,519	1,132,943

15 BANK AND OTHER LOANS (continued)

(a) Short-term bank and other loans (continued)

As of the end of reporting period, 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 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans:		
– Pledged by bank bills	**75,700**	148,555
– Secured by the Group's property, plant and equipment and land use rights	**345,500**	287,000
– Unguaranteed and unsecured	**380,425**	539,904
	801,625	975,459
Loan from third parties:		
– Unguaranteed and unsecured	**81,654**	–
	883,279	975,459

At 30 June 2016, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB922.3 million (31 December 2015: RMB741.7 million).

(b) Long-term bank and other loans

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans	**627,505**	633,681
Loans from third parties	**58,640**	30,539
	686,145	664,220
Less: current portion of long-term bank and other loans (Note (a))	**(343,240)**	(157,484)
	342,905	506,736

15 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans (continued)

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year or on demand	**343,240**	157,484
After 1 year but within 2 years	**321,255**	493,765
After 2 years but within 5 years	**17,731**	7,403
After 5 years	**3,919**	5,568
	686,145	664,220

At 30 June 2016, the Group's long-term bank and other loans are secured as follow:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment and land use rights	**23,900**	27,400
– Secured by shares of several subsidiaries of the Company	**586,894**	581,278
– Unguaranteed and unsecured	**16,711**	25,003
	627,505	633,681
Loan from third parties:		
– Secured by the Group's property, plant and equipment and land use rights	**47,872**	16,471
– Unguaranteed and unsecured	**10,768**	14,068
	58,640	30,539
	686,145	664,220

At 30 June 2016, the aggregate carrying value of the secured property, plant and equipment and land use rights is RMB379.5 million (31 December 2015: RMB414.0 million).

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

16 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 6(a))	3,333	–	3,333
Interest paid	(1,176)	–	(1,176)
Fair value changes on the derivative components (Note 6(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.

17 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses	Write-down of inventories	Impairment losses on trade and other receivables	Depreciation expenses in excess of related tax allowances, and government grants and fair value adjustment of investments	Impairment losses on property, plant and equipment and intangible assets	Total	Fair value adjustments on property, plant and equipment, and lease prepayments, finance lease, interest capitalisation and related depreciation	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	77,884	749	10,211	21,765	6,673	117,282	(31,373)	85,909
Credited/(charged) to the consolidated statement of profit or loss	57,686	(57)	16,329	9,108	–	83,066	871	83,937
At 31 December 2015	**135,570**	**692**	**26,540**	**30,873**	**6,673**	**200,348**	**(30,502)**	**169,846**
Credited/(charged) to the consolidated statement of profit or loss (Note 7)	**12,151**	**382**	**1,349**	**(3,098)**	**–**	**10,784**	**(172)**	**10,612**
At 30 June 2016	**147,721**	**1,074**	**27,889**	**27,775**	**6,673**	**211,132**	**(30,674)**	**180,458**

18 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).

19 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 2016.

(a) Transactions with companies under common significant influence

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Sale of glass and glass products to related parties		**3,105**	5,695
Purchase of raw materials from related parties		**4,692**	3,892
Purchase of properties, plant and equipment		**7,587**	–
Construction service expenses		**42,067**	9,621
Net increase/(decrease) in non-interest bearing advances granted to related parties	(ii)	**2,000**	(64)
Net decrease in loans received from a related party	(iv)	**–**	(15,000)
Net decrease in non-interest bearing advances received from related parties	(ii)	**(50)**	(2,254)

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

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Interest expenses	(i)	**–**	1,077
Net decrease in loans received from a related party	(iii)	**–**	19,408

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

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Net increase in non-interest bearing advances granted to related parties	(ii)	**13,293**	–

19 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**2,273**	2,225
Contributions to defined contribution retirement plans	**184**	160
Equity compensation benefits under share option scheme	**2,061**	658
	4,518	3,043

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 were unsecured, bear interest ranging from 4.66% to 7.73% per annum and had been fully repaid in 2015.

(iv) The loans were unsecured, bear interest from 10.00% to 10.14% per annum and had been fully repaid in 2015.

20 COMMITMENTS

(a) Capital commitments

As of the end of reporting period, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**379,613**	260,335
– Authorised but not contracted for	**81,630**	137,686
	461,243	398,021

At 30 June 2016, 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.

20 COMMITMENTS (continued)

(b) Operating lease commitments

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 year	**5,771**	6,152
After 1 year but within 5 years	**10,389**	11,620
After 5 years	**2,971**	3,093
	19,131	20,865

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

21 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 report, 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.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurements as at 30 June 2016 categorised into		
	Fair value at 30 June 2016 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Liabilities:				
Derivative components of the convertible bonds (Note 16)	27,599	–	27,599	–

The Group did not have any financial instruments measured at fair value as at 31 December 2015.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The estimate of the fair value of the derivative components of the convertible bonds are measured based on a Monte Carlo option pricing model. Details of the assumptions used are as follows:

Dates of valuation	Derivative components of the Convertible Bonds 30/06/2016	04/02/2016 (Note (aa))
Share price (HK$)	0.85	0.81
Exercise price (HK$)	1.28	1.28
Expected volatility (Note (bb))	58.35%	64.45%
Dividend yield (Note (bb))	0.35%	0.35%
Maturity period	4.59 years	5 years
Conversion period	4.57 years	4.97 years
Discount rate (Note (bb))	17.88%-18.03%	22.30%-22.50%

Notes:

(aa) These inputs represented the assumptions used in the estimate of the fair value of the derivative components of the convertible bonds on 4 February 2016, which was the date the convertible bonds was issued.

(bb) The discount rate used is derived from the risk free interest rate with reference to the Hong Kong Sovereign Zero Coupon Yields as of the valuation dates plus the Corporate Bond Liquidity Yield Spread and the BofA Merrill Lynch Option-Adjusted Spread with similar credit ratings. The expected volatility is based on the historical volatility. Dividend yield are based on historical dividends.

(b) Fair value of financial assets and liabilities carried at other than fair value

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 2015 and 30 June 2016 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	Carrying amounts at 30 June 2016 RMB'000	Fair value at 30 June 2016 RMB'000	Fair value measurements at 30 June 2016 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Carrying amounts at 31 December 2015 RMB'000	Fair value at 31 December 2015 RMB'000
Assets							
Available-for-sale investment	1,991	*	–	–	1,991	1,495	*
Liabilities							
Long-term bank and other loans	342,905	346,902	–	–	346,902	506,736	506,063
Convertible bonds liability component	36,069	44,116	–	–	44,116	–	–

* The available-for-sale investments represent unquoted equity securities in PRC companies and are measured at cost less any impairment losses. The investments do not have quoted market prices in active markets and accordingly a reasonable estimate of the fair value of the investments cannot be measured reliably. Hence, the Directors consider it is not meaningful to disclose their fair values.