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

(Incorporated in Bermuda with limited liability)

Stock Code: 3300

Interim Report 2017

*For identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors

Mr. Peng Shou *(Chairman)*
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Zhao John Huan
Mr. Tang Liwei

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. Wang Jianxun
Mr. Xu Ning

COMPANY SECRETARY

Ms. Pan Jianli

AUDIT COMMITTEE

Mr. Chen Huachen *(Chairman of audit committee)*
Mr. Peng Shou
Mr. Zhao Lihua
Mr. Zhang Baiheng

REMUNERATION COMMITTEE

Mr. Zhao Lihua *(Chairman of remuneration committee)*
Mr. Peng Shou
Mr. Zhang Baiheng

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Peng Shou *(Chairman of strategy committee)*
Mr. Zhao John Huan
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
Appleby

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 2017, the world economy continued to gradually recover and China's overall economy remained stable and even showed an improving trend since the second half of 2016. Focused on structural reforms on the supply side, China's economy growth remained at a reasonable level and structural adjustments continued. In the first half of the year, new housing construction area in China was 857 million sqm, representing a growth of 10.6% as compared with the same period of last year. In despite of tightened control over the property market, the infrastructure industry has performed well as a whole. The utilization rate of downstream processing enterprises remained at around 80%. In terms of export, the aggregate export volume of China's flat glass was 106.6 thousand tonnes in the first half of the year, representing a growth of 23.31% as compared with the same period of last year.

The glass market operated well and showed a decrease and then increase pattern. Affected by the low season of the Spring Festival, glass price was trending down to the bottom in the first quarter before it steadily rose with the recovery in demand side in the second quarter. In general, the market sentiment of glass industry was at a high level in the first half of the year as compared with the same period of last year. Despite a recovery in glass price, there was also a sharp rise in the industry's raw material and fuel, transportation and environmental protection costs as compared with the same period of last year.

BUSINESS REVIEW

The Group currently has 14 glass production lines, carrying a daily melting capacity of 7,050 tonnes. As at 30 June 2017, the Group had 10 float glass production lines in operation, while those production lines not in operation were suspended due to cold repair, debugging, 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 categories, namely clear glass products, painted glass products, coated glass products and energy saving and new energy glass products. Affected by market factors, environmental protection requirements and product demands, coupled with the adjustments on marketing strategies and production structures made by the Group according to market and production lines conditions, the Group recorded changes in selling price and sales volume as compared with the same period of last year. Thus, the revenue of clear glass products increased by 15% as compared with the same period of last year mainly due to the increase of both price and sales volume, the revenue of painted glass products increased by 3% as compared with the same period of last year mainly due to the increase of price which has offset the effect of the decrease in sales volume, the revenue of coated glass products decreased by 6% as compared with the same period of last year mainly due to the decrease of sales volume, and the revenue of energy saving and new energy glass products increased by 190% as compared with the same period of last year mainly due to the increase of both price and sales volume.

RAW MATERIAL AND FUEL PRICE

In the first half of 2017, the prices of raw materials and fuel for glass production rose sharply as compared with the same period of last year. In spite of the V-shaped trend of domestic soda ash market in the first half of the year, the average price of soda ash was significantly higher than the same period of last year. Prices of other raw materials such as silica sand, dolomite and limestone remained relatively stable. In respect of fuels, all the prices of coal, petroleum coke and coal tar recorded a rise as compared with the same period of last year.

PRODUCTION, SALES AND SELLING PRICE

In the first half of 2017, the Group produced an aggregate amount of approximately 18.11 million weight cases of various glasses, representing an increase of 4% as compared to the same period of last year. The integrated average selling price of the Group's products was approximately RMB69 per weight case, representing an increase of 13% as compared to the same period of last year.

In the first half of 2017, the Group recorded a revenue of approximately RMB1,102 million, representing an increase of 20% as compared to the same period of last year, with a year-on-year increase of 6% in its sales volume and a net profit of approximately RMB20.03 million. The increase in revenue was mainly attributable to the increase of average unit selling price and growth in sales volume of the Group.

The increase of unit production costs of the Group as compared to the same period of last year, was mainly attributable to the increase in costs of materials, costs of fuels, and costs of drivers due to market price, as well as the increase in desulfurization and denitration expense of environmental equipment at each production line.

MAJOR ACHIEVEMENTS IN THE FIRST HALF OF 2017

In the first half of 2017, under the strong support of shareholders and the correct leadership of the board of Directors, the management of the Company led the staff to actively tackle various challenges, overcome difficulties, and push forward our work steadily.

The main achievements of the Group in the first half of 2017 include:

1. **The Company's "featured products" production and sales volume increased substantially, with "applied research" steadily implemented and "basic research" making breakthrough**

   The applications of ultraviolet-proof high transmittance (ultra clear) glass product continued to expand in the industrial glass areas such as light heating, home decoration, furniture, lighting, interior decoration, with market share rapidly increasing and achieving product structure transformation;

   Electronic glass production line has been put into operation, with the quality of product improving continually, and achieving the Company's product structure transformation and upgrading.

   More efforts were put on the development of production techniques for online Low-E and online Sun-E® energy saving coated glass to achieve a substantial increase in terms of production capacity and market share.

   The Group completed the upgrading of on-line silicon solar control film and new solar control film with visible light reflectance ratio of 15% and 20% was introduced by applying environmental constraints to visible light reflectance in accordance with national standards. The new product has the complex characteristics of sun-shading, privacy, high transmittance, comfortable reflection mirror, and crystal clear visual sense, which has expanded its application in the fields of building energy saving and decoration, thus entering the high-end glass field.

   New on-line solar control Low-E product was trial-produced, with emission rate as low as 0.13.

2. **Tightening product quality and reducing production cost**

The Group has refined its production process according to the input-and-output requirements, strengthened the control over the entire processes and specific key processes and rationalize its technical process. The problems encountered in production has been resolved by our professional technicians through self-initiative and collaboration. Benefiting from the further enhanced energy saving and cost reducing consciousness among employees, the energy consumption of a majority of the Company's production lines reduced as compared with the corresponding period of last year. Meanwhile, the activities of making rationalization proposals on "revenue enhancement and cost reduction" were properly implemented as per plan.

3. **Strengthening sales and brand operation and management efforts**

The Group has improved its performance assessment programme to further embody its "performance-oriented" and "fair and just" principle. It also established price benchmarking system to strengthen benchmarking management. Besides, it also devoted greater efforts on brand operation and new product promotion, such as utilizing the platform resources of e-commerce and media to demonstrate and promote the Company's new product as well as display the outstanding property and promising prospect of market acceptance of the Company's featured new product from all-rounded perspective.

4. **The construction of the new project are proceeding at a stable pace**

In July 2017, our electronic glass manufacturing bases in Suqian that has a capacity of 400 tons/day was put into operation; our auto glass project that has a capacity of 600 tons/day has commenced; the civil engineering works of our Nigeria project was largely finished; the business expansion of our offshore direct trading company proceeded smoothly; and other transformation and upgrading project also implemented smoothly, thus our businesses were further expanded.

THE GLASS MARKET OUTLOOK

The glass market is expected to experience its traditional peak season in the second half of the year, and the demand generated from the real estate sector rebound are still available. Although the rising tendency of glass market price in the first half of the year speeded up the release of some potential production capacity, considering the influences of various factors, such as increasing environmental pressure and the inhibiting effect of national policy on capacity growth, it is expected that the supply pressure will be alleviated to some extent. The glass price will show a tendency of steady rising in the second half of 2017.

PRICE FORECASTING OF RAW MATERIALS AND FUELS

During the second half of the year, the supply of soda fluctuated with interweaves of long and short position. It is expected that domestic soda price may be affected by environmental factors and record a slight increase in the third quarter of this year and further increase in the last quarter of this year as a result of advance stockpile of downstream users and the implementation of more stringent environmental protection policies. It is expected that the prices for raw materials including silica sand, limestone and dolomite will remain stable.

In terms of fuel, the price for coal tar may slightly increase to respond the demand. Petroleum coke price will fluctuate due to the conflict of environmental protection and objective demand and have limited room for increase. Coal price may likely record a slight growth. Though the prices of raw materials and fuels are expected to increase overall, it is expected that the purchase prices for raw materials and fuels of the Group will remain stable as the Group is putting more efforts on strategic purchase and the improvement of purchase and transportation methods.

WORK PLANS FOR THE SECOND HALF OF 2017

1. Maintaining technical advantages and improving application and research

The Company will continue to optimize the production technology of online Low-E and online Sun-E® reflective glass and improve production capacity and quality; carry forward the industrialization of new solar control coated glass and increase the market share; strengthen the development of ultraviolet-proof high transmittance (ultra-white) glass with a thickness of 2.5 mm, and exploit its application in solar power double glass components and glass greenhouse.

2. Refining production management, lowering manufacturing cost and optimizing product structure

The Company will further refine its production process according to input and output requirements, strengthen management and control of the whole process and key points, apply standardized production technology and reduce production costs; utilize the remote quality control platform to supervise, manage and control the online detection of product quality at production base, properly accomplish the statistics and analysis on the quality data, and achieve timely detection and promptly solving of problems; properly accomplish product positioning, and further take advantage of the featured products of the Company.

3. Further enhancing the centralization of purchasing of the Group

The Group will further enhance the centralization of the purchasing of bulk raw materials and fuel such as soda ash and petroleum coke. Despite the expectation of rising raw material and fuel prices, the Group will make efforts to stabilize and further lower its procurement cost so as to improve the Group's overall profitability.

4. Unswervingly implementing the "Go abroad" strategy

The Company will accelerate construction progress of the production lines in Nigeria, and commence the preliminary discussion on cooperation intention and plans of the projects in Kazakhstan.

5. Steadily implementing domestic transformation and upgrade project

Upon the trial production of the electronic glass production lines, the Company will reach production capacity and standards as quickly as possible, deploy market structure and accelerate construction progress of 600t/d auto glass project.

FINANCIAL REVIEW

Revenue

For the first six months of 2017, the revenue of the Group from its principal business increased by approximately 20% to approximately RMB1,101 million as compared to approximately RMB918 million in the first six months of 2016. The increase in revenue from its principal business was mainly due to the combined effect of the recovery of glass market and the resumed operation of a production line of the Group after maintenance, leading to an increase of approximately 13% in the average selling price of glass and an increase of approximately 6% in the sales volume.

Cost of sales

The Group's cost of sales increased by approximately 17% from approximately RMB821 million for the first six months of 2016 to approximately RMB961 million for the first six months of 2017. This was mainly attributable to the combined effect of the increase of sales volume brought by the recovery of market and the increase of unit production cost due to the rising raw material and fuel prices.

Gross profit

The Group's gross profit increased by approximately 47% from approximately RMB96 million for the first six months of 2016 to approximately RMB141 million for the first six months of 2017. This was mainly attributable to the combined effect of the increase of average selling price, the unit production cost and the sales volume, in line with the market trend.

Other income

The Group's other income decreased from approximately RMB75 million for the first six months of 2016 to approximately RMB73 million for the first six months of 2017.Other income is mainly government grant for the period ended 30 June 2017.

Administrative expenses

For the first six months of 2017, the administrative expenses of the Group decreased by 28% to RMB94 million as compared to RMB131 million in the first six months of 2016. The decrease was mainly attributable to the decrease in provision for doubtful debts for trade and other receivables.

Finance costs

For the first six months of 2017, the finance costs of the Group decreased by 40% to approximately RMB52 million as compared to approximately RMB86 million in the first six months of 2016. This was mainly due to the increase of capitalized interest into the production lines under construction.

Profit for the period

The Group's profit for the first six months of 2017 amounted to approximately RMB20 million, as compared to a loss of approximately RMB94 million for the first six months of 2016, turning from loss making to profit making.

Profit attributable to equity shareholders for the period

The Group's profit attributable to equity shareholders of the Company for the first six months of 2017 amounted to approximately RMB23 million, representing an increase of approximately RMB117 million as compared to a loss attributable to shareholders of approximately RMB94 million for the first six months of 2016.

Current assets

The Group's current assets increased by approximately 11% from approximately RMB1.519 billion as at 31 December 2016 to approximately RMB1.685 billion as at 30 June 2017.

Current liabilities

The Group's current liabilities increased by approximately 1% from approximately RMB3.381 billion as at 31 December 2016 to approximately RMB3.429 billion as at 30 June 2017.

Non-current liabilities

The Group's non-current liabilities increased by approximately 96% from approximately RMB224 million as at 31 December 2016 to approximately RMB439 million as at 30 June 2017. This was attributable to a number of finance lease arrangements conducted by certain subsidiaries of the Group.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB561 million (31 December 2016: RMB492 million), of which 97% (31 December 2016: 95%) were denominated in Renminbi ("RMB"), 1% (31 December 2016: 3%) in United States Dollars ("USD") and 2% (31 December 2016: 2%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans and convertible bonds amounted to approximately RMB1.979 billion (31 December 2016: RMB1.576 billion), of which 96% (31 December 2016: 95%) were denominated in RMB and 4% (31 December 2016: 5%) were denominated in USD. As at 30 June 2017, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 35% (31 December 2016: 29%). As at 30 June 2017, the Group's current ratio (current assets divided by current liabilities) was 0.49 (31 December 2016: 0.45). In addition, the Group recorded net current liabilities amounted to approximately RMB1.744 billion as at 30 June 2017 (31 December 2016: RMB1.862 billion). As at 30 June 2017, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.64 (31 December 2016: 0.62).

As at 30 June 2017, the Group's short-term bank and other loans were approximately RMB1.667 billion (31 December 2016: RMB1.485 billion), and the Group's long-term bank and other loans were approximately RMB257 million (31 December 2016: RMB28 million), among which approximately RMB169 million (31 December 2016: RMB13 million) will be due after one year but within two years, and approximately RMB87 million (31 December 2016: RMB12 million) will be due after two years but within five years, and approximately RMB1 million (31 December 2016: RMB3 million) will be due after five years. In the first six months of 2017, the weighted average interest rate of the Group's bank loans was approximately 7.38%.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HK$ and USD. 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 2017, the Group did not purchase 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 2017.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017, 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 2017, the total number of issued shares of the Company is 1,810,147,058.

Save as disclosed above, as at 30 June 2017, 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 2017, 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	233,731,697 (L)	12.91%
NSG UK Enterprises, Limited	Interest of a controlled corporation [8]	233,731,697 (L)	12.91%
NSG Holding (Europe) Limited	Interest of a controlled corporation [9]	233,731,697 (L)	12.91%

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)	233,731,697 (L)	12.91%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621 (L)	8.64%
Triumph Technology Group Company	Beneficial owner/Interest of a controlled corporation (11)	416,424,621 (L)	23.01%
中國建材集團有限公司 (China National Building Material Group Co., Ltd.**) (previously known as 中國建築材料集團有限公司 (China National Building Materials Group Corporation))	Interest of a controlled corporation (11)	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.. Nippon 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) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Technology Group Company, which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd.**. Triumph Technology Group Company is taken to be interested in the shares held by China Triumph International Investment Company Limited; and each of China National Building Material Group Co., Ltd.** and Triumph Technology Group Company is taken to be interested in the shares held by China Triumph International Investment Company Limited by virtue of Part XV of the SFO.

(12) As at 30 June 2017, the total number of issued shares of the Company is 1,810,147,058.

** *For identification purpose only*

Save as disclosed above, so far as the Directors are aware, as at 30 June 2017, 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 14 to the unaudited interim financial report.

CAPITAL COMMITMENTS

Details of the Group's capital commitments as at 30 June 2017 were set out in Note 20(a) 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 17(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 2017 are as follow:

Participant	Date of grant	Exercise price per share	Exercise Period from	Exercise Period until	No. of Share held as at 1/1/2017 and 30/6/2017	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	11,284,000	0.63%
	13/5/2015	1.25	13/5/2017	12/5/2022	8,463,000	0.47%
	13/5/2015	1.25	13/5/2018	12/5/2022	8,463,000	0.47%
Total					33,010,000	

No options were exercised, cancelled or lapsed during the six months ended 30 June 2017.

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 2017.

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.

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 2017, 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 2017 and the aggregate price paid by the Company were HK$37,804,917. During the six months ended 30 June 2017, no shares were awarded or vested to directors and employees of the Group (six months ended 30 June 2016: Nil).

Further details of the awards granted under the share award scheme are disclosed in note 17(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 2017, 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 2017, the Group had employed a total of approximately 3,952 employees in the PRC and Hong Kong (31 December 2016: about 4,007 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. Staff costs (including salaries, wages, bonuses, benefits, contributions to defined contribution retirement plans and equity-settled share based payments expenses in respect of share option scheme) amounted to RMB130 million in aggregate, representing 12% of total revenue of the Group during the Review Period.

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 2017.

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, associates and joint ventures, or significant investments for the six months ended 30 June 2017. As disclosed in the announcement of the Company dated 5 June 2017, the Company is currently holding negotiations in relation to a potential acquisition of a controlling stake in a float glass production line construction project in Kazakhstan (the "**Potential Investment**"). No formal agreement in relation to the Potential Investment has been entered into as at the date of this report. Further announcement in respect of the Potential Investment will be made by the Company in the event that the formal agreement of the Investment has been signed. Save as disclosed above, as at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets.

EVENT AFTER THE REPORTING PERIOD

The details of event after the reporting period are disclosed in Note 22.

BOARD COMMITTEES

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

Audit committee

The audit committee of the Company comprised of one non-executive Director, namely Mr. Peng Shou 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 2017, 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 2017.

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 2017, the nomination committee has considered the appointment of a new non-executive Director, the change of chairman of the Board, the change of composition of the Board committees and re-election of retiring Directors.

Remuneration committee

The remuneration committee of the Company comprised of one non-executive Director, namely Mr. Peng Shou, 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 2017, 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 three non-executive Directors, namely Mr. Peng Shou, Mr. Zhao John Huan and Mr. Zhou Cheng. The chairman of the strategy committee is Mr. Peng Shou. 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 2017, 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. Zhang Baiheng and Mr. Zhao Lihua both are independent non-executive Director, was unable to attend the annual general meeting of the Company held on 6 June 2017 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 2017.

By order of the Board
Peng Shou
Chairman

Hong Kong, 29 August 2017

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 52 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2017 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 2017 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

29 August 2017

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	4	**1,101,656**	917,648
Cost of sales		**(960,717)**	(821,373)
Gross profit	4	**140,939**	96,275
Other income	5	**72,736**	75,161
Distribution costs		**(38,823)**	(37,419)
Administrative expenses		**(93,888)**	(130,990)
Other expenses		**–**	(14,659)
Profit/(loss) from operations		**80,964**	(11,632)
Share of losses of an associate		**(7)**	(28)
Finance costs	6(a)	**(52,009)**	(85,628)
Profit/(loss) before taxation	6	**28,948**	(97,288)
Income tax	7	**(8,917)**	3,344
Profit/(loss) for the period		**20,031**	(93,944)
Attributable to:			
Equity shareholders of the Company		**22,885**	(94,170)
Non-controlling interests		**(2,854)**	226
Profit/(loss) for the period		**20,031**	(93,944)
Earnings/(loss) per share (RMB cent)	8		
Basic		**1.26**	(5.20)
Diluted		**1.08**	(5.20)

The notes on pages 27 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit/(loss) for the period	**20,031**	(93,944)
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	**(11,126)**	3,281
Total comprehensive income for the period	**8,905**	(90,663)
Attributable to:		
Equity shareholders of the Company	**11,759**	(90,889)
Non-controlling interests	**(2,854)**	226
Total comprehensive income for the period	**8,905**	(90,663)

The notes on pages 27 to 52 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2017 – unaudited
(Expressed in RMB)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	9	**3,851,358**	3,773,797
Lease prepayments		**271,947**	267,570
Intangible assets		**–**	–
Interest in an associate		**417**	424
Interest in a joint venture		**878**	–
Available-for-sale investments		**1,991**	1,991
Deferred tax assets	16	**233,254**	218,510
		4,359,845	4,262,292
Current assets			
Inventories	10	**542,165**	429,062
Trade and other receivables	11	**561,022**	563,249
Assets held-for-sale	9	**–**	22,829
Prepaid income tax		**21,051**	12,561
Cash and cash equivalents	12	**561,166**	491,644
		1,685,404	1,519,345
Current liabilities			
Trade and other payables	13	**1,657,263**	1,808,734
Bank and other loans	14(a)	**1,667,196**	1,485,050
Obligations under finance leases		**22,392**	19,874
Income tax payable		**82,407**	67,252
		3,429,258	3,380,910
Net current liabilities		**(1,743,854)**	(1,861,565)
Total assets less current liabilities		**2,615,991**	2,400,727
Non-current liabilities			
Bank and other loans	14(b)	**256,590**	28,311
Convertible bonds	15	**55,548**	62,318
Obligations under finance leases		**88,577**	96,268
Deferred tax liabilities	16	**33,956**	33,718
Other non-current liabilities		**3,852**	3,798
		438,523	224,413
NET ASSETS		**2,177,468**	2,176,314

The notes on pages 27 to 52 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

At 30 June 2017 – unaudited
(Expressed in RMB)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
CAPITAL AND RESERVES	17		
Share capital		**84,867**	84,867
Reserves		**1,899,981**	1,886,853
Total equity attributable to equity shareholders of the Company		**1,984,848**	1,971,720
Non-controlling interests		**192,620**	204,594
TOTAL EQUITY		**2,177,468**	2,176,314

The notes on pages 27 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017 – 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	–	–	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

	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 2016	84,867	2,081,912	28,100	40,785	(447,114)	(14,018)	64,286	1,838,818	205,141	2,043,959
Changes in equity for the six months ended 31 December 2016										
Profit for the period	–	–	–	–	–	–	115,225	115,225	(547)	114,678
Other comprehensive income	–	–	–	–	–	15,638	–	15,638	–	15,638
Total comprehensive income	–	–	–	–	–	15,638	115,225	130,863	(547)	130,316
Equity settled share-based transactions	–	–	2,039	–	–	–	–	2,039	–	2,039
Balance at 31 December 2016	84,867	2,081,912	30,139	40,785	(447,114)	1,620	179,511	1,971,720	204,594	2,176,314

The notes on pages 27 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2017 – 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 2017	84,867	2,081,912	30,139	40,785	(447,114)	1,620	179,511	1,971,720	204,594	2,176,314
Changes in equity for the six months ended 30 June 2017										
Profit for the period	–	–	–	–	–	–	22,885	22,885	(2,854)	20,031
Other comprehensive income	–	–	–	–	–	(11,126)	–	(11,126)	–	(11,126)
Total comprehensive income	–	–	–	–	–	(11,126)	22,885	11,759	(2,854)	8,905
Equity settled share-based transactions (Note 17(b))	–	–	1,664	–	–	–	–	1,664	–	1,664
Acquisition of non-controlling interests of a subsidiary (Note 18)	–	–	–	–	(295)	–	–	(295)	(9,120)	(9,415)
	–	–	1,664	–	(295)	–	–	1,369	(9,120)	(7,751)
Balance at 30 June 2017	84,867	2,081,912	31,803	40,785	(447,409)	(9,506)	202,396	1,984,848	192,620	2,177,468

The notes on pages 27 to 52 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2017 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Operating activities			
Cash generated from operations		**22,484**	148,303
The People's Republic of China (the "PRC") income tax paid		**(16,758)**	(4,578)
Net cash generated from operating activities		**5,726**	143,725
Investing activities			
Payment for the purchase of property, plant and equipment and land use rights		**(332,155)**	(212,015)
Other cash flows arising from investing activities		**60,909**	70,434
Net cash used in investing activities		**(271,246)**	(141,581)
Financing activities			
Proceeds from new bank and other loans		**1,266,806**	736,945
Repayment of bank and other loans		**(856,011)**	(752,567)
Other cash flows arising from financing activities		**(76,828)**	(70,942)
Net cash generated from/(used in) financing activities		**333,967**	(86,564)
Net increase/(decrease) in cash and cash equivalents		**68,447**	(84,420)
Cash and cash equivalents at 1 January	12	**478,244**	705,217
Effect of foreign exchange rate changes		**(525)**	588
Cash and cash equivalents at 30 June	12	**546,166**	621,385

The notes on pages 27 to 52 form part of this interim financial report.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2017 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate and a joint venture. 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 of Hong Kong Limited, 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 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

As at 30 June 2017, the Group had net current liabilities of RMB1,743,854,000 (31 December 2016: RMB1,861,565,000). Notwithstanding the net current liabilities as at 30 June 2017, the directors of the Company do not consider that material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group prepared by the management and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 2016 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").

2 BASIS OF PREPARATION (continued)

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 2016 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 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2017.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

4 SEGMENT REPORTING

The Group manages its businesses by products. In a manner consistent with the way in which the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four operating segments. No operating segments have been aggregated to form the following reportable segments:

- Clear glass products: this segment produces, markets and distributes clear glass products.
- Painted glass products: this segment produces, markets and distributes painted glass products.
- Coated glass products: this segment produces, markets and distributes coated glass products.
- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.

4 SEGMENT REPORTING (continued)

Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar products. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses are presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 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 2017 RMB'000	Six months ended 30 June 2016 RMB'000	**Six months ended 30 June 2017 RMB'000**	Six months ended 30 June 2016 RMB'000	**Six months ended 30 June 2017 RMB'000**	Six months ended 30 June 2016 RMB'000	**Six months ended 30 June 2017 RMB'000**	Six months ended 30 June 2016 RMB'000	**Six months ended 30 June 2017 RMB'000**	Six months ended 30 June 2016 RMB'000
Revenue from external customers	**417,744**	350,430	**208,750**	202,394	**280,120**	297,637	**195,042**	67,187	**1,101,656**	917,648
Inter-segment revenue	**21,468**	31,543	**598**	–	**–**	–	**–**	–	**22,066**	31,543
Reportable segment revenue	**439,212**	381,973	**209,348**	202,394	**280,120**	297,637	**195,042**	67,187	**1,123,722**	949,191
Reportable segment gross profit	**55,365**	7,628	**23,135**	29,114	**42,344**	53,378	**20,095**	6,155	**140,939**	96,275

5 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Government grants	**61,327**	9,440
Net gain on debt restructuring	**3,936**	29,636
Interest income	**2,057**	3,770
Net gain/(loss) on disposal of property, plant and equipment	**361**	(5)
Net gain on relocation of a production plant	**–**	35,000
Others	**5,055**	(2,680)
	72,736	75,161

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest on bank advances and other borrowings	**59,106**	58,031
Finance charges on convertible bonds (Note 15)	**4,827**	3,333
Finance charges on obligations under finance leases	**5,756**	6,596
Bank charges and other finance costs	**16,586**	14,344
Total borrowing costs	**86,275**	82,304
Less: amounts capitalised into property, plant and equipment*	**(28,120)**	(1,192)
Net borrowing costs	**58,155**	81,112
Changes in fair value on the derivative components of convertible bonds (Note 15)	**(7,493)**	(3,421)
Net foreign exchange loss	**1,347**	7,937
	52,009	85,628

* The borrowing costs have been capitalized at 9.12% per annum for the six months ended 30 June 2017 (8.96% per annum for the six months ended 30 June 2016).

6 PROFIT/(LOSS) BEFORE TAXATION (continued)

(b) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Cost of inventories (Note 10)	**960,717**	821,373
Depreciation and amortisation	**130,527**	122,227
Impairment losses (reversed)/recognised on trade and other receivables (Note 11(b))	**(650)**	18,914
Impairment losses on property, plant and equipment	**–**	14,659
Operating lease charges in respect of		
– land	**83**	76
– plant and buildings	**2,511**	1,937
– motor vehicles	**1,289**	1,613
Research and development costs (other than capitalised costs and related amortisation)	**–**	160

7 INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current taxation:		
– Provision for Corporate Income Tax on the estimated taxable profits for the period	**23,186**	6,940
– Under-provision of Income Tax in respect of prior years	**237**	328
	23,423	7,268
Deferred taxation (Note 16)	**(14,506)**	(10,612)
	8,917	(3,344)

The Hong Kong Profits Tax rate for the six months ended 30 June 2017 is 16.5% (2016: 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 2017 (2016: 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 2017 (2016: 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.

7 INCOME TAX (continued)

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 2017 (2016: 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 2016, in which year the approval is obtained.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB22,885,000 (six months ended 30 June 2016: loss attributable to equity shareholders of the Company of RMB94,170,000) and the weighted average of 1,810,147,000 ordinary shares (six months ended 30 June 2016: 1,810,147,000 shares) in issue during the six months ended 30 June 2017.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB20,219,000 and the weighted average of 1,871,128,000 ordinary shares (diluted), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	Six months ended 30 June 2017 RMB'000
Profit attributable to equity shareholders	**22,885**
After tax effect of effective interest on the liability component of convertible bonds (Note 15)	**4,827**
After tax effect of changes in fair value recognised on the derivative components of convertible bonds (Note 15)	**(7,493)**
Profit attributable to equity shareholders (diluted)	**20,219**

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June 2017 '000
Weighted average number of ordinary shares at 30 June	**1,810,147**
Effect of conversion of convertible bonds (Note 15)	**60,981**
Weighted average number of ordinary shares (diluted) at 30 June	**1,871,128**

There were no dilutive potential ordinary shares during the six months ended 30 June 2016. The Group's convertible bonds (see Note 15) were not included in the calculation of dilutive loss per share because they were anti-dilutive during the six months ended 30 June 2016.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred capital expenditure on property, plant and equipment and construction in progress with a cost of RMB184.8 million (six months ended 30 June 2016: RMB169.2 million). Items of property, plant and equipment with a net book value of RMB1.4 million were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB10.0 million).

During the six months ended 30 June 2017, items of certain machinery and equipment with a net book value of RMB22.8 million, which were classified as assets held-for-sale as at 31 December 2016, were reclassified to property, plant and equipment as the Group changed the initial plan and put them for its own use during the six months ended 30 June 2017.

10 INVENTORIES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Raw materials	**107,316**	119,289
Work in progress and finished goods	**409,799**	280,124
Racks, spare parts and consumables	**37,143**	40,247
	554,258	439,660
Less: write-down of inventories	**(12,093)**	(10,598)
	542,165	429,062

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	
	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**959,222**	819,844
Write down of inventories	**1,495**	1,529
	960,717	821,373

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

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade receivables from:		
– Third parties	**185,684**	183,815
– An affiliate of a non-controlling equity holder of a subsidiary	**15,707**	15,880
– Companies under common significant influence	**2,659**	2,736
Bills receivables	**92,341**	95,735
	296,391	298,166
Less: allowance for doubtful debts (Note (b))	**(70,433)**	(66,933)
	225,958	231,233
Amounts due from related companies:		
– Equity shareholders of the Company and their related parties (Note (i))	**573**	318
– Non-controlling equity holders of a subsidiary (Note (i))	**15,002**	15,002
– Companies under common significant influence (Note (i))	**1,728**	1,979
	17,303	17,299
Less: allowance for doubtful debts (Note (b))	**(1,784)**	(1,784)
	15,519	15,515
Other debtors	**280,759**	280,343
Less: allowance for doubtful debts (Note (b))	**(49,936)**	(54,086)
	230,823	226,257
Loans and receivables	**472,300**	473,005
Prepayments	**95,243**	96,765
Less: allowance for doubtful debts (Note (b))	**(6,521)**	(6,521)
	88,722	90,244
	561,022	563,249

Notes:

(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 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 month	**65,284**	95,682
More than 1 month but less than 3 months	**48,738**	31,656
More than 3 months but less than 6 months	**34,341**	26,976
Over 6 months	**77,595**	76,919
	225,958	231,233

(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 2017 RMB'000	Year ended 31 December 2016 RMB'000
At 1 January	**129,324**	128,309
Impairment losses (reversed)/recognised	**(650)**	1,015
At 30 June/31 December	**128,674**	129,324

At 30 June 2017, the Group's trade and other receivables of RMB128.7 million (31 December 2016: RMB129.3 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 2017 RMB'000	At 31 December 2016 RMB'000
Neither past due nor impaired	**95,627**	98,700
Less than 1 month past due	**37,411**	42,766
More than 1 month but less than 3 months past due	**5,480**	4,657
More than 3 months but less than 6 months past due	**9,845**	8,191
More than 6 months past due	**77,595**	76,919
	130,331	132,533
	225,958	231,233

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 CASH AND CASH EQUIVALENTS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash at bank and on hand	**546,166**	478,244
Time deposits with banks	**15,000**	13,400
Cash and cash equivalents in the consolidated statement of financial position	**561,166**	491,644
Less: time deposits with original maturity over 3 months	**(15,000)**	(13,400)
Cash and cash equivalents in the condensed consolidated cash flow statement	**546,166**	478,244

At 30 June 2017, cash and cash equivalents of RMB126.7 million (31 December 2016: RMB199.5 million) were pledged to secure bills issued by the Group.

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

13 TRADE AND OTHER PAYABLES

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Trade payables to:		
– Third parties	**563,591**	516,059
– An affiliate of a non-controlling equity holder of a subsidiary	**599**	599
– Companies under common significant influence	**–**	9,416
Bills payables	**195,611**	238,217
	759,801	764,291
Amounts due to related parties:		
– The equity shareholders of the Company and their related parties (Note (i))	**202,835**	73
– A director of the Group (Note (ii))	**1,200**	–
– Companies under common significant influence (Note (ii))	**305**	218,930
	204,340	219,003
Accrued charges and other payables	**589,886**	667,753
Financial liabilities measured at amortised cost	**1,554,027**	1,651,047
Advances received from customers	**103,236**	157,687
	1,657,263	1,808,734

Notes:

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

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

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

13 TRADE AND OTHER PAYABLES (continued)

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Due within 1 month or on demand	**549,486**	461,894
Due after 1 month but within 6 months	**210,315**	302,397
	759,801	764,291

14 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans	**1,041,560**	879,066
Loans from third parties	**127,746**	80,922
	1,169,306	959,988
Add: current portion of long-term bank and other loans (Note (b))	**497,890**	525,062
	1,667,196	1,485,050

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 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans:		
– Pledged by bank bills	**228,560**	79,466
– Secured by the Group's property, plant and equipment and land use rights	**491,500**	473,000
– Secured by the Group's inventories	**20,000**	–
– Unguaranteed and unsecured	**301,500**	326,600
	1,041,560	879,066
Loan from third parties:		
– Unguaranteed and unsecured	**127,746**	80,922
	1,169,306	959,988

14 BANK AND OTHER LOANS (continued)

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

At 30 June 2017, the aggregate carrying value of the secured property, plant and equipment, land use rights for the Group's short-term bank loans is RMB1,138.0 million (31 December 2016: RMB1,142.0 million).

At 30 June 2017, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB39.0 million (31 December 2016: Nil).

(b) Long-term bank and other loans

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans	**324,520**	504,497
Loans from third parties	**429,960**	48,876
	754,480	553,373
Less: current portion of long-term bank and other loans (Note (a))	**(497,890)**	(525,062)
	256,590	28,311

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year or on demand	**497,890**	525,062
After 1 year but within 2 years	**169,219**	13,358
After 2 years but within 5 years	**86,838**	12,619
After 5 years	**533**	2,334
	754,480	553,373

14 BANK AND OTHER LOANS (continued)

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

At 30 June 2017, the Group's long-term bank and other loans are secured as follow:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment and land use rights	**15,000**	20,401
– Secured by shares of several subsidiaries of the Company	**298,128**	472,511
– Unguaranteed and unsecured	**11,392**	11,585
	324,520	504,497
Loans from third parties:		
– Secured by the Group's property, plant and equipment and land use rights	**37,328**	41,409
– Secured by the Group's property, plant and equipment and guaranteed by the controlling shareholder of the Group (Note (i))	**304,012**	–
– Secured by the Group's property, plant and equipment and guaranteed by a director of the Group (Note (i))	**84,510**	–
– Unguaranteed and unsecured	**4,110**	7,467
	429,960	48,876
	754,480	553,373

Notes:

(i) During the six months ended 30 June 2017, the Group entered into a series of finance lease agreements pursuant to which the Group sells certain machineries to the lessors and lease them back from the lessors over a three to four years lease period simultaneously. After the lease period, the Group has a right to purchase those machineries back from lessors with a minimum nominal value. The risk and awards incident to owning those machineries are not substantially changed before and after the finance lease agreements, and the substance of those finance lease agreements is to obtain loans from the lessors secured by those machineries. As a result, the Group recognises the consideration from sales of machineries as secured loans and does not derecognise those machineries from its consolidated financial statements.

14 BANK AND OTHER LOANS (continued)

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

At 30 June 2017, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's long-term bank and other loans is RMB609.0 million (31 December 2016: RMB137.0 million).

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

At 30 June 2017, the Group's banking facilities amounted to RMB574.0 million (31 December 2016: RMB323.5 million) were utilised to the extent of RMB441.0 million (31 December 2016: RMB224.0 million).

15 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 year	8,219	–	8,219
Interest paid	(3,831)	–	(3,831)
Fair value changes on the derivative components	–	(9,712)	(9,712)
Exchange adjustment	2,169	1,670	3,839
At 31 December 2016 and 1 January 2017	39,851	22,467	62,318
Accrued finance charges for the period (Note 6(a))	4,827	–	4,827
Interest paid	(2,451)	–	(2,451)
Fair value changes on the derivative components (Note 6(a))	–	(7,493)	(7,493)
Exchange adjustment	(1,098)	(555)	(1,653)
At 30 June 2017	41,129	14,419	55,548

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.

16 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write-down of inventories RMB'000	Impairment losses on trade and other receivables RMB'000	Depreciation expenses in excess of related tax allowances, and government grants and fair value adjustment of investments RMB'000	Impairment losses on property, plant and equipment and intangible assets RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment, and lease prepayments, finance lease, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2016	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	25,077	455	(4,265)	(3,105)	–	18,162	(3,216)	14,946
At 31 December 2016	**160,647**	**1,147**	**22,275**	**27,768**	**6,673**	**218,510**	**(33,718)**	**184,792**
Credited/(charged) to the consolidated statement of profit or loss (Note 7)	**10,151**	**374**	**(1,037)**	**5,256**	**–**	**14,744**	**(238)**	**14,506**
At 30 June 2017	**170,798**	**1,521**	**21,238**	**33,024**	**6,673**	**233,254**	**(33,956)**	**199,298**

17 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 2017 (six months ended 30 June 2016: 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 2016: 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. Before its expiry, the Company granted 33,370,000 share options to a director and certain employees of the Group on 13 May 2015 with a contractual life of seven years.

A new share option scheme (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 2017 (six months ended 30 June 2016: Nil).

No share options issued under the Share Option Scheme were exercised during the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017 under the Share Award Scheme (six months ended 30 June 2016: Nil).

18 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY OF THE GROUP

On 24 March 2017, the Group entered into a series of equity transfer agreements to acquire 2.56% equity interests in a subsidiary, namely Zhongbo Technology Company Limited ("Zhongbo Technology") from certain non-controlling equity holders of Zhongbo Technology at a consideration of RMB9.4 million.

Upon completion of the above acquisition on 26 April 2017, the Group's effective interest in Zhongbo Technology increased from 82.76% to 85.32%. Consequently, the Group recognised a decrease in non-controlling interests of RMB9.1 million.

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 2017.

(a) Transactions with companies under common significant influence

		Six months ended 30 June	
	Note	**2017**	2016
		RMB'000	RMB'000
Sale of glass and glass products to related parties		**1,757**	3,105
Purchase of raw materials from related parties		**–**	4,692
Purchase of property, plant and equipment		**–**	7,587
Construction service expenses		**–**	42,067
Net increase in non-interest bearing advances granted to related parties	(i)	**–**	2,000
Net decrease in non-interest bearing advances received from related parties	(i)	**–**	(50)

(b) Transactions with non-controlling equity holders of the subsidiaries of the Group

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sale of glass and glass products to related parties	**194**	–
Net increase in non-interest bearing advances granted to related parties	**–**	13,923

(c) Transactions with the controlling shareholder of the Company and its related parties

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Purchase of property, plant and equipment	**224**	–
Construction service expenses	**162**	–
Guarantees received for the Group's long-term loans	**304,012**	–

19 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with a director of the Group

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Net increase in non-interest bearing advances received from a director	(i)	**1,200**	–
Guarantees received for the Group's long-term loans		**84,510**	–

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Short-term employee benefits	**2,201**	2,273
Contributions to defined contribution retirement plans	**271**	184
Equity compensation benefits under share option scheme	**862**	2,061
	3,334	4,518

Note:

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

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 2017 RMB'000	At 31 December 2016 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**218,070**	416,929
– Authorised but not contracted for	**38,630**	38,630
	256,700	455,559

At 30 June 2017, 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.

(b) Operating lease commitments

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 year	**5,261**	5,456
After 1 year but within 5 years	**8,710**	9,308
After 5 years	**2,575**	2,848
	16,546	17,612

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 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 2017 categorised into		
	Fair value at 30 June 2017 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 15)	**14,419**	**–**	**14,419**	**–**

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 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 15)	22,467	–	22,467	–

21 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:

	Derivative components of the Convertible Bonds	
Dates of valuation	**30/06/2017**	31/12/2016
Share price (HK$)	**0.70**	0.82
Exercise price (HK$)	**1.28**	1.28
Expected volatility (Note (aa))	**54.96%**	57.12%
Dividend yield (Note (aa))	**0.00%**	0.35%
Maturity period	**3.59 years**	4.09 years
Conversion period	**3.57 years**	4.07 years
Discount rate (Note (aa))	**12.64% – 13.39%**	14.33% – 14.95%

Note:

(aa) 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 2016 and 30 June 2017 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	Carrying amounts at 30 June 2017 RMB'000	**Fair value at 30 June 2017 RMB'000**	Carrying amounts at 31 December 2016 RMB'000	Fair value at 31 December 2016 RMB'000
Assets				
Available-for-sale investment	**1,991**	*	1,991	*
Liabilities				
Long-term bank and other loans	**256,590**	**298,463**	28,311	30,977
Convertible bonds liability component	**41,129**	**56,417**	39,851	53,224

* 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.

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Finance lease arrangement

On 1 August 2017, the Company announced that a subsidiary of the Company had entered into a finance lease arrangement ("New Finance Lease Arrangement") pursuant to which the Group is subject to an aggregate lease payment of approximately RMB71.5 million for the lease assets during a period of three years.

The New Finance Lease Arrangement, when aggregated with the existing finance lease arrangements, constituted a major transaction of the Group and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Hence, the New Finance Lease Arrangement was subject to approval by the shareholders of the Company.

As at the date of this report, the transaction has not yet completed.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

(a) Classification and measurement (continued)

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

Timing of revenue recognition

Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB16,546,000 to certain land, plant and buildings and motor vehicles, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.