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

(incorporated in Bermuda with limited liability)

Stock Code: 3300

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007 together with the comparative figures for the corresponding year in 2006.

Consolidated Income Statement

for the year ended 31 December 2007

(Expressed in Renminbi ("RMB"))

	Note	**2007 RMB'000**	2006 RMB'000
Turnover	5	**2,212,324**	573,136
Cost of sales		**(1,821,647)**	(517,829)
Gross profit		**390,677**	55,307
Other revenue		**16,400**	5,076
Other net income/(loss)		**13,446**	(1,173)
Distribution costs		**(71,927)**	(24,098)
Administrative expenses		**(144,921)**	(33,541)
Profit from operations		**203,675**	1,571
Impairment loss on assets classified as held-for-sale		**(5,277)**	—
Excess of the net fair value of the acquired net assets over cost		**26,071**	24,315
Gain from issuance of shares by subsidiaries		**5,646**	—
Finance costs	6(a)	**(97,217)**	(15,538)
Profit before taxation	6	**132,898**	10,348
Income tax	7(a)	**6,033**	4,257
Net profit for the year		**138,931**	14,605
Attributable to:			
Equity shareholders of the Company		**82,773**	5,623
Minority interests		**56,158**	8,982
Net profit for the year		**138,931**	14,605
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	8(a)	**23,917**	—
Basic earnings per share (RMB)	9(a)	**0.208**	0.016
Diluted earnings per share (RMB)	9(b)	**0.208**	0.007

Consolidated Balance Sheet
at 31 December 2007
(Expressed in RMB)

	Note	**2007** **RMB'000**	2006 RMB'000
Non-current assets			
Property, plant and equipment		**1,971,995**	843,687
Lease prepayments		**255,891**	109,108
Intangible assets		**116,388**	—
Interest in an associate		**63,828**	9,815
Available-for-sale investment		**1,000**	—
Goodwill		**14,113**	14,113
Deferred tax assets		**41,912**	11,150
		2,465,127	987,873
Current assets			
Inventories		**344,159**	91,869
Trade and other receivables	10	**388,887**	214,217
Cash and cash equivalents		**355,855**	67,275
Assets classified as held-for-sale		**4,413**	—
		1,093,314	373,361
Current liabilities			
Trade and other payables	11	**1,194,627**	330,915
Bank and other loans		**225,960**	266,100
Income tax payable		**5,286**	837
		1,425,873	597,852
Net current liabilities		**(332,559)**	(224,491)
Total assets less current liabilities		**2,132,568**	763,382

	Note	2007 RMB'000	2006 RMB'000
Non-current liabilities			
Bank and other loans		**35,000**	155,000
Amount due to a related company		**37,695**	41,387
Convertible notes		**—**	34,267
Unsecured notes		**705,006**	—
Deferred tax liabilities		**70,827**	10,004
		848,528	240,658
NET ASSETS		**1,284,040**	522,724
CAPITAL AND RESERVES			
Share capital	12	**43,856**	38,336
Reserves	12	**565,821**	359,980
Total equity attributable to equity shareholders of the Company		**609,677**	398,316
Minority interests	12	**674,363**	124,408
TOTAL EQUITY		**1,284,040**	522,724

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2007 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis. Non-current assets held-for-sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendments to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendments to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

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

5 TURNOVER

The principal activities of the Group are the production, marketing and distribution of glass and glass products, and the development of glass production technology.

Turnover represents the sales value of goods supplied to customers, net of value added tax.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2007	2006
	RMB'000	RMB'000
Interest on bank advances and other borrowings	**89,014**	14,498
Finance charges on convertible notes	**1,559**	1,299
Bank charges and other finance costs	**11,586**	774
Total borrowing costs	**102,159**	16,571
Less: amounts capitalised*	**(4,942)**	(1,033)
	97,217	15,538

* The borrowing costs have been capitalised at 6.53% per annum for the year ended 31 December 2007 (2006: 5.82% per annum).

(b) Staff costs:

	2007	2006
	RMB'000	RMB'000
Salaries, wages and other benefits	**134,418**	28,410
Contributions to defined contribution retirement plans	**14,654**	4,500
	149,072	32,910

(c) Other items:

	2007 RMB'000	2006 RMB'000
Cost of inventories #	**1,821,647**	517,829
Auditors' remuneration	**7,000**	3,080
Depreciation and amortisation #	**159,615**	47,893
Impairment loss on assets classified as held-for-sale	**5,277**	—
Impairment loss on trade and other receivables	**755**	—
Operating lease charges in respect of #		
- land	**985**	125
- plant and buildings	**2,014**	715
- motor vehicles	**968**	—
Research and development costs	**890**	—

\# Cost of inventories includes RMB221.1 million (2006: RMB58.7 million) for the year ended 31 December 2007, relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2007 RMB'000	2006 RMB'000
Provision for income tax on the estimated taxable profits for the year		
- Hong Kong Profits Tax	**11**	23
- PRC Income Tax	**6,581**	—
Deferred taxation	**(12,625)**	(4,280)
	(6,033)	(4,257)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007	2006
	RMB'000	RMB'000
Profit before taxation	**132,898**	10,348
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	**27,771**	(2,686)
Tax effect of non-deductible expenses	**2,794**	250
Tax effect of unused tax losses not recognised	**5,494**	3,923
Tax effect of non-taxable income	**—**	(854)
Tax credit (Note (iv))	**(26,210)**	(4,890)
Tax effect of change in tax rate (Note (v))	**(15,882)**	—
Income tax	**(6,033)**	(4,257)

Note (i): The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits of a Hong Kong Special Administrative Region ("Hong Kong SAR") subsidiary of the Group for the year.

Note (ii): The Company and its subsidiaries incorporated in countries other than the People's Republic of China (the "PRC") and Hong Kong SAR are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

Note (iii): The PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax rates ranging from 24% to 33%.

Note (iv): Certain PRC subsidiaries of the Group are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprises with foreign investment in the PRC, the PRC subsidiaries obtained approval from the respective tax bureau that they are entitled to a 100% relief from PRC Enterprise Income Tax in the first and second years and 50% relief for the third to fifth years, commencing from the first profitable year after the offset of deductible losses incurred in prior years, if any.

Note (v): On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries will change to 25% with effect 1 January 2008 or gradually increase to 25% over a five-year period if the PRC subsidiary is currently enjoying a preferential tax rate of below 25%. The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 31 December 2007. The balances of deferred tax assets and liabilities decreased by RMB1.9 million and RMB17.8 million, respectively, as a result of the change of the applicable income tax rate. The changes in the balance of deferred tax assets and liabilities are reflected in the financial statements for the year ended 31 December 2007. The enactment of the new tax law has no financial effect on the amounts accrued in the Group's balance sheet in respect of current taxation.

8 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007	2006
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of HK$0.0614 per ordinary share (2006: HK$Nil per ordinary share)	**23,917**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2007	2006
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the year (2006: HK$0.013 per ordinary share)	**—**	4,824

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity shareholders of the Company of RMB82.8 million (2006: RMB5.6 million) and the weighted average number of 398,088,000 ordinary shares (2006: 360,000,000 ordinary shares) in issue during the year, calculated as follows:

	2007	2006
	'000	'000
Issued ordinary shares at 1 January	**360,000**	360,000
Effect of issuance of shares on 12 April 2007	**30,378**	—
Effect of issuance of shares on 14 June 2007	**7,710**	—
Weighted average number of ordinary shares at 31 December	**398,088**	360,000

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity shareholders of the Company of RMB82.8 million (2006: RMB2.4 million), calculated as follows, and the weighted average number of 398,088,000 ordinary shares (2006: 360,000,000 ordinary shares), as calculated in Note 9(a):

	2007	2006
	RMB'000	RMB'000
Profit attributable to equity shareholders of the Company	**82,773**	5,623
Effect of conversion of convertible notes issued by a subsidiary of the Group	**—**	(3,241)
Profit attributable to equity shareholders of the Company (diluted)	**82,773**	2,382

10 TRADE AND OTHER RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivable from:		
- Third parties	**73,396**	24,185
- Minority equity holders of subsidiaries of the Group and their affiliates	**38,743**	—
Bills receivable	**44,500**	780
	156,639	24,965
Less: allowance for doubtful debts	**(23,041)**	—
	133,598	24,965
Amounts due from related companies:		
- Equity shareholders of the Company	**327**	339
- Minority equity holders of subsidiaries of the Group	**3,152**	141,732
- An associate of the Group	**840**	—
- Companies under common significant influence	**125,780**	—
	130,099	142,071
Prepayments, deposits and other receivables	**128,560**	47,181
Less: allowance for doubtful debts	**(3,370)**	—
	125,190	47,181
	388,887	214,217

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

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	2007	2006
	RMB'000	RMB'000
Within 1 month	**51,663**	24,485
More than 1 month but less than 3 months	**27,036**	262
More than 3 months but less than 6 months	**40,556**	218
Over 6 months	**14,343**	—
	133,598	24,965

Trade and bills receivables that were past due but not impaired relate to a number of independent 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. The Group does not hold any collateral over these balances.

11 TRADE AND OTHER PAYABLES

	2007	2006
	RMB'000	RMB'000
Trade payable to:		
- Third parties	**327,872**	88,558
- Minority equity holders of subsidiaries of the Group and their affiliates	**16,876**	—
Bills payable	**169,000**	22,788
	513,748	111,346
Amounts due to related companies:		
- Minority equity holders of subsidiaries of the Group and their affiliates	**15,100**	1,259
- Companies under common significant influence	**129,395**	4,726
	144,495	5,985
Advances received from customers	**67,940**	16,246
Accrued charges and other payables	**468,444**	197,338
	1,194,627	330,915

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade and bills payables with the following ageing analysis as of the balance sheet date:

	2007	2006
	RMB'000	RMB'000
Due within 1 month or on demand	**318,279**	98,058
Due after 1 month but within 6 months	**195,469**	13,288
	513,748	111,346

12 CAPITAL AND RESERVES

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserves	Other reserve	Exchange reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	38,336	274,440	23,233	30,608	(68,570)	(4,063)	90,690	384,674	13,389	398,063
Contributions from minority interests	–	–	–	–	–	–	–	–	36,196	36,196
Increase in minority interests through acquisitions of subsidiaries	–	–	–	–	–	–	–	–	119,412	119,412
Issuance of convertible notes	–	–	13,916	–	–	–	–	13,916	7,476	21,392
Acquisitions of minority interests	–	–	–	–	–	–	–	–	(60,774)	(60,774)
Net profit for the year	–	–	–	–	–	–	5,623	5,623	8,982	14,605
Dividends approved during the year	–	–	–	–	–	–	(4,824)	(4,824)	–	(4,824)
Exchange differences on translation into presentation currency	–	–	–	–	–	(1,073)	–	(1,073)	(273)	(1,346)
At 31 December 2006	38,336	274,440	37,149	30,608	(68,570)	(5,136)	91,489	398,316	124,408	522,724
At 1 January 2007	38,336	274,440	37,149	30,608	(68,570)	(5,136)	91,489	398,316	124,408	522,724
Issuance of shares	5,520	146,258	–	–	–	–	–	151,778	–	151,778
Share issue expenses	–	(10,216)	–	–	–	–	–	(10,216)	–	(10,216)
Contributions from minority interests	–	–	–	–	–	–	–	–	106,460	106,460
Increase in minority interests through acquisitions of subsidiaries	–	–	–	–	–	–	–	–	309,666	309,666
Issuance of convertible notes	–	–	21,597	–	–	–	–	21,597	11,606	33,203
Increase in minority interests through conversion of convertible notes	–	–	(36,746)	–	–	–	–	(36,746)	113,143	76,397
Acquisitions of minority interests	–	–	–	–	–	–	–	–	(44,485)	(44,485)
Net profit for the year	–	–	–	–	–	–	82,773	82,773	56,158	138,931
Exchange differences on translation into presentation currency	–	–	–	–	–	2,175	–	2,175	(2,593)	(418)
At 31 December 2007	43,856	410,482	22,000	30,608	(68,570)	(2,961)	174,262	609,677	674,363	1,284,040

13 SEGMENT REPORTING

The analysis of the geographical location of the operations of the Group during the year was as follows:

	PRC		Overseas		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**1,542,084**	345,097	**670,240**	228,039	**2,212,324**	573,136
Segment results	**273,946**	9,516	**68,903**	29,114	**342,849**	38,630
Unallocated operating income and expenses					**(139,174)**	(37,059)
Profit from operations					**203,675**	1,571
Impairment loss on assets classified as held-for-sale					**(5,277)**	—
Excess of the net fair value of the acquired net assets over cost					**26,071**	24,315
Gain from issuance of shares by subsidiaries					**5,646**	—
Finance costs					**(97,217)**	(15,538)
Income tax					**6,033**	4,257
Net profit for the year					**138,931**	14,605

MARKET REVIEW

In 2007, the PRC glass industry has bottomed out from a cyclical trough and continued the recovery trend started in the second half of 2006. The overall earning of the industry is at its best in recent years and consequently the price of glass continued to rise to a new high in recent years. Under this momentum, earnings of the glass industry rebounded significantly, with gross profit margin and profit margin both rising to their new high since 2005. The industry as a whole returned to profit in a grand scale. According to industry information, the PRC glass industry recorded an aggregate profit of RMB1,454 million in 2007 with production reaching 532 million weight cases.

Reaping the benefits of growing market demand brought by the continual rapid development of the PRC macro-economy, a fundamental balance of demand and supply was maintained while the overall production capacity growth of the glass industry stabled at approximately 11%, according to the China Construction Materials Information and Statistics Centre. Moreover, with the continual improvement of the demand and supply relationship and under the pressure of high-cost operation, the market price has been on an upward trend. The possibility of this high-cost operation environment was rarely seen in recent years.

Various factors, including the continued rising exchange rate of Renminbi; the continued increase in price of ocean shipping logistics; the decrease in export tax refund rate from 11% to 5%; implementation of special protectionism measures by Turkey, and anti-dumping investigations launched by South Korea have an adverse effect on the industry. However, China Glass' products are still favoured over its international competitors and a stable export volume has been maintained, bringing in a positive adjustment of the demand and supply relationship of the PRC market.

In addition, macro-adjustment policies on the development of the PRC glass industry were implemented in succession. Efforts put in to adjust and control the scale and total quantity of production, as well as product structure were further increased. Co-ordination on production and sales between enterprises in the industry were further consolidated. Favourable conditions for the development of the glass industry in 2007 were created due to macro policies, public opinion and improved market operation. Business environment of the industry has witnessed marked improvement in 2007 and there was apparent recovery of corporate efficiency, relieving enterprises from the tight supply of funds.

Under the momentum of stable domestic demand and rapid export growth, the entire glass industry is in a trend of stable and upward development. The average unit price of glass products has increased significantly compared to the same period last year. On the other hand, rising prices of fuel and raw materials created additional pressure to the production and operation of enterprises. In the PRC, more than 20 production lines for float glass production commenced production in 2007 and the additional production capacity will produce approximately 59 million weight cases.

BUSINESS REVIEW

At the end of March 2007, the Group successfully acquired Weihai Blue Star Glass Co., Ltd., Hangzhou Blue Star New Materials Technology Co., Ltd., and Zhongbo Technology Co., Ltd., etc. and began integration with each subsidiary, including the acquisition of the remaining 43.8% equity interests of Beijing Qinchang Glass Co., Ltd in September 2007.

With the efforts made in 2007, the Group achieved positive results during the year. The Group currently has 15 production lines, including 12 float glass production lines, 2 sheet glass production lines and 1 patterned glass production line, with a daily melting capacity of 5,230 tons. Through the acquisition and building of new production lines, daily melting capacity recorded a year-on-year growth of 132%, producing a total of 27.32 million weight cases of glass per year, an increase of 203% over the previous year. Sales revenue of RMB2,212 million was recorded, representing a year-on-year growth of 286%; and a net profit after tax of 138.93 million was recorded, representing an increase of 851% over the last year.

The price of glass picked up its growing momentum from the second half of 2006, and rose to a new high since 2003. However, prices of raw materials such as soda ash and fuel such as crude oil and coal continued to rise which increased the cost of production. In this regard, by making use the synergies from continual business expansion, development of new products, improvement of product quality through technical innovation, China Glass has grasped market opportunities and maintained a positive development momentum, and significant improvement was seen in all business indicators.

By continually improving the rules of safety operation, the Group has regulated production and management, achieved high and stable production capacity, and satisfied market demand by providing a vast products mix. The Group continued to improve and upgrade the low-e production technology, industrialization of titanium coating and to increase the percentage of new products and high value-added products in the Group's product mix. The Group has also strengthened the establishment of its primary goals of quality and has reinforced different control of production line operations through improvement of technology and building brand awareness, in order to raise the quality standard of the Company. 81.1% of our products achieved a grading above vehicle level, representing a year-on-year growth of 5.52%.

In respect of domestic sales, by integrating domestic sales channels, the Group has expanded customer resources of domestic product sales. The Group also placed greater efforts in the sales of the surrounding markets, shortened transportation distances and therefore reduced logistics costs which leads to increased profit.

In respect of export sales, despite facing such negative effects such as increase in logistics costs, the appreciation of Renminbi, adjustment of export tax refund policies and deterioration of specific trading environment, we have maintained a stable export volume by integrating international marketing channels and making greater efforts on exports. These efforts included creating a sales platform for international markets, expanding the exports for a number of products and increasing the combined selling prices of products. Percentage of exports by the Company remained at 30% in 2007, a mere 10% decline from 2006.

The Group also reasonably adjusted its product structure, increased resources in market research and doubled its marketing efforts for new and high value-added products such as colored glass, coated glass, low-e coating and titanium coating based on market demand.

During the year, a total of 28.09 million weight cases of glass were sold, representing an increase of 19.04 million weight cases over the same period last year and a year-on-year growth of 211%. Export volume amounted to 7.62 million weight cases, representing an increase of 4.57 million weight cases over the same period last year and a year-on-year growth of 150%.

In respect of costs, as the price of raw materials and fuel continued to rise, the Group has been trying to reduce production costs by persistently implementing strategies on energy-saving and cutting consumption and is actively looking for alternative energy source to reduce fuel costs. The Group also actively implements measures such as plain packaging and bare packaging, increasing uses of iron frames and looking into new ways of packaging in order to reduce packaging costs. These measures have effectively curbed rising costs and relieved some of the pressure stemming from increased costs. At the same time, by taking advantage of the synergies from with acquired production lines, the Group's pressure from rising costs was also mitigated.

Due to the Group's operation needs and the intention to optimize and strengthen the Group's financial structure, the Group placed 42 million and 14 million shares to institutional investors and International Finance Corporation ("IFC") respectively, and issued senior notes due in 2012 with an interest rate of 9.625% and in an aggregate amount of USD$100 million, in exchange for its present short-term loans.

Outlook

Taking into account international and domestic factors, since the sub-prime loan crisis led to a drastic change in global economic environment, it is difficult to determine the direction of the global economy and its effect on the PRC macro-economy. The effect on different industries cannot be easily determined at the stage.

In addition, the demand of the domestic and international markets of the glass products will also be affected by various factors such as the appreciation of the Renminbi, policies on macro economic adjustment and control such as export tax refund and rising costs of raw materials and fuel.

The industry cycle fluctuations of the glass industry will gradually soften. Cyclical fluctuation of the glass industry is a summarization of the characteristics of the development of the PRC glass industry in the past ten years and beyond. The main reason for the cyclical fluctuation of the PRC glass industry is its low concentration level and a low unit production capacity (each manufacturer owning 1-3 production lines on average). During a concentrated cycle, production capacity would increase significantly; and during a concentrated period, production capacity would remain constant, resulting in a mismatch with the stable growth of demand, thus creating a supply in excess of demand and demand in excess of supply in different time phases, which are the characteristics of cyclical fluctuations. However, the PRC has implemented new policies to encourage integration of the industry, which will have profound effect on the development of the industry. It should be noted that as concentration level of the industry increases and the production capacity of enterprises increases (each manufacturer has 4-5 production lines on average), the same level of added production capacity would result in a reduction in growth. The trend in the past three years and the characteristics of industry development has demonstrated that cyclical fluctuations of the glass industry is no longer apparent and is disappearing as the industry integrates.

The Group sought response strategies way before the formation of the cyclical fluctuation characteristic of the glass industry. On one hand, the Group reacted to the domestic and international markets by actively expanding international marketing channels in order to mitigate the effect of cyclical fluctuations. The Group has set up sales channels in nearly 90 countries in the world and is one of the largest exporters in the PRC glass industry. In April 2008, the anti-dumping investigations launched by South Korea was completed and the results was announced. The range of anti-dumping tax duty is from 12.73% to 36.01%. With this regard, the Group is subject to the lowest rate 12.73%. This will make us more comparative advantage among Chinese exporters. On the other hand, the Group places great emphasis on the adjustment of product structure and continually develops new products to bring in new demands. The Group has become a glass manufacturer which provides the most variety and most comprehensives range of products in the industry. The Group mitigated the risk of mismatch of demand and supply stemming from the provision of a single product by adjusting its product offerings structure. In addition, the Group also successfully expanded its market share through acquisitions and mergers during the gloomy times of the industry. The Group will continue to resist future cyclical fluctuations of the industry by such means.

Besides, construction area of the PRC real estate industry rose to a three year high in 2007, which has solidified the demand for glass products by the real estate industry. Although the real estate market will face a greater influence of macro adjustment and control in 2008 than in 2007, the significant rebound in the purchase of land use rights in 2007 has strengthened our determination that the construction glass market will continue to boom next year, driven by the strong demand from the real estate development. For the purpose of market demand, the government's main objective of regulating the real estate industry is to adjust the structure of real estate products and to stabilize the price of commodity properties, which has limited effect on the aggregate demand for glass products of the real estate industry. Generally, the real estate industry, automobile industry, furniture and decoration industry have the greatest product demand for the glass products. The Group offers a wide variety of products and nearly 42% of its products are coated and coloured glass, with commercial property projects as its main target market, the Group is less affected by the residential commodity property market. At the same time, nearly 30% of the Company's products are exported to international markets. Therefore, the Group will continue to offset fluctuations brought by future properties by optimizing product structure and providing a variety of products.

One of the reasons for the rising prices of glass is the sustained increase in production costs of glass enterprises, which has adversely affected the profits of enterprises. In recent years, the price of heavy oil and soda ash, raw materials of glass products has been on the rise, which has led to a continual increase in manufacturing costs of the Company. Heavy oil represents approximately 26% of the costs. Since the beginning of last year, international crude oil prices for the medium to short run has continued to rise or linger around high level, and as the price of heavy oil is highly correlated to the price of crude oil, we expect the price of heavy oil to continue rising in 2008 in the same matter as other energy materials. Soda ash represents 21% of the cost of glass. The demand in the PRC soda ash market has been on an upward trend, therefore pushing up the price of soda ash. In November 2007, the average price of soda ash rose to RMB1,715 per ton (including value added tax). With international prices standing high, the PRC soda ash enterprises are already producing at full capacity but are still unable to satisfy market demand. There will not be additional production capacity for soda ash until the end of 2008 and the strained demand and supply situation will not see any improvement. Therefore, it is expected that the price of soda ash will remain high in 2008. Considering the earnings of the PRC float glass industry, there is a close link between earnings and expansion of production capacity. It is expected that the price of heavy oil and soda ash, which represents the largest part of the cost structure, will increase further in 2008. This is a common factor faced by the whole glass industry and presents challenges in terms of earnings for the entire industry. In this regard, the Group has started using other fuel alternatives in order to reduce costs.

From the perspective of the future development of the sheet glass industry, the demand and supply pattern and spending structure of the glass industry is transiting from low grade plain float glass to high grade and high quality float glass, and is transiting from whole-piece spending to high value-added deep-processed products, with high quality special float glass as the focus of future development and direction of development specifically stipulated for the adjustment of PRC industry structure. According to the "11th Five-Year Plan" planned objective, the percentage of high quality float glass will increase from 20% at present to approximately 40% and deep-processed glass will increase from 25% to over 40%. Although glass production volume in the PRC has ranked first in the world for many years, most products are plain float glass, and only 25% of the products are high quality float glass in 2006. Besides, production technology of special float glass such as ultra-thick, ultra-thin, ultra-white float glass is not advanced enough. According to PRC guidance opinion, high quality float glass will represent 40% of the glass produced by the PRC by 2010. The implementation of the policies and laws such as "Certain Opinion related to the Promotion of Structural Adjustment of the Sheet Glass Industry", "Medium to Long Term Project Planning on Energy Saving", "Energy Saving Works of Government Organizations" has specified the direction and trend for future development of the sheet glass industry. From the perspective of the development trend of product structure, it is expected that high grade glass with energy saving and environmental protection functions will have a positive growth and a bright prospect in 2008 and some time after. The market of low grade plain float glass will shrink relatively. This will bring better business opportunities to the future development by manufacturers of high value-added products such as high quality, high grade float glass, energy saving glass and special glass.

It is expected that energy saving glass such as hollow glass and Low-e coated glass will have the fastest promotion and application among PRC deep-processed glass in the future. For usual constructions, door and window areas account for 30% of the surrounding structural area of construction, but up to 40%-50% of the energy consumption of the surrounding structural area. With glass area covering 58%-87% of the door and window area, the focus of energy saving construction is to improve the heat-proof properties of doors and windows. At present, less than 10% energy saving glass such as hollow glass and Low-E hollow is used in construction in the PRC, much lower than the usage rate of over 50% in Europe and the United States. Apart from the demand for energy saving glass in newly constructed structures, there will be imminent demand for energy saving glass in the reconstruction of existing residential structures. Currently, less than 10% hollow glass is used in newly constructed structures and less than 1% of hollow glass is used in existing structures. It is estimated that the additional energy saving construction will be increased to approximately 3,000 million square metres in the following years, of which 600 million square metres will require the installation of energy saving glass; the annual demand for energy saving glass is approximately 120 million square metres.

As the PRC government exerts greater efforts in promoting energy saving and discharge reduction, much more attention is paid on the energy saving condition of PRC structures. In the future, green and energy saving structures will become the mainstream and the energy saving glass market will expand gradually. Under the state policies on setting up energy saving industries, separate energy saving enterprises shall be given more space for development. As an important construction material, glass is playing an ever more important role in the promotion of energy saving construction. The Group's energy saving products such as low radiation low-e coated glass, solar control coated glass, solar power generation glass, high grade and high quality float glass will have better development opportunities in the future. The solar cell ultra-clear glass production line in Taichang, jointly owned by the Company and Pilkington International BV, has commenced production in April 2008.

As the PRC economy continues its healthy development, large international glass companies will put their business focus on the PRC, which may intensify market competition, and can facilitate adjustment of PRC industry structure at the same time.

We will continue to consistently implement the development strategy of product diversity, and will establish a regulated and modern enterprise through technological and product innovation, craftsmanship innovation, management innovation, market innovation and the materialization of management information system.

We will also reasonably allocate existing resources, optimize product structure, increase our product innovation ability, enhance the added value of our products, foster product competitiveness, brand competitiveness and marketing competitiveness through product diversity in order to push forward our corporate development and growth.

The Group and the Company will closely monitor and make good use of market movements in 2008 to ensure a positive growth of revenue and profits.

RESULTS AND APPROPRIATIONS

On 28 April 2008, the Board recommends a final dividend of HK$0.0614 per ordinary share (2006: HK$Nil per ordinary share) to the equity shareholders of the Company whose names appear on the registrar of the Company on 3 June, 2008. The total dividend amounts to HK$25.5 million (equivalent to approximately RMB23.9 million).

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non-executive Directors. The current audit committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2007.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2007, the Group had employed a total of approximately 6,410 employees in the PRC and Hong Kong (31 December 2006: about 2,610 employees). Under the relevant market situation, the Group's employees' remuneration level had maintained at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contributions to the above schemes were forfeited for the year ended 31 December 2007. Details of staff costs and pension schemes were set out in Note 6(b).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CCGP"), as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2007.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct rules (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code.

As at the date of this announcement, the Board comprises: Mr. Zhou Cheng, Mr. Zhang Zhaoheng, Mr. Li Ping and Mr. Cui Xiangdong as Executive Directors; Mr. Zhao John Huan, Mr. Liu Jinduo, Mr. Eddie Chai and Mr. Guo Wen as Non-Executive Directors; and Mr. Sik Siu Kwan, Mr. Song Jun and Mr. Zhang Baiheng as Independent Non-Executive Directors.

By Order of the Board
China Glass Holdings Limited
Zhou Cheng
Chairman

Hong Kong, 28 April 2008

* *For identification purposes only*