**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 2008

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 together with the comparative figures for the corresponding year in 2007.

## CONSOLIDATED INCOME STATEMENT

**For the year ended 31 December 2008**

*(Expressed in Renminbi ("RMB"))*

| | Note | 2008 RMB'000 | 2007 RMB'000 |
|---|---|---|---|
| **Turnover** | 5 | **2,289,941** | 2,212,324 |
| Cost of sales | | **(2,078,045)** | (1,821,647) |
| **Gross profit** | | **211,896** | 390,677 |
| Other revenue | | **19,398** | 16,400 |
| Other net (loss)/income | | **(5,164)** | 583 |
| Distribution costs | | **(82,879)** | (71,927) |
| Administrative expenses | | **(219,588)** | (144,921) |
| Other expenses | 6(c) | **(60,061)** | — |
| **(Loss)/profit from operations** | | **(136,398)** | 190,812 |
| Share of losses of an associate | | **(41,999)** | — |
| 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 |
| Gain from issuance of shares by subsidiaries | | **—** | 5,646 |
| Finance costs | 6(a) | **(66,001)** | (84,354) |
| **(Loss)/profit before taxation** | 6 | **(244,398)** | 132,898 |
| Income tax | 7(a) | **26,990** | 6,033 |
| **(Loss)/profit for the year** | | **(217,408)** | 138,931 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(189,343)** | 82,773 |
| Minority interests | | **(28,065)** | 56,158 |
| **(Loss)/profit for the year** | | **(217,408)** | 138,931 |
| **Dividends payable to equity shareholders of the Company attributable to the year:** | | | |
| Final dividend proposed after the balance sheet date | 8 | **—** | 23,917 |
| *Basic and diluted (loss)/earnings per share (RMB)* | 9 | ***(0.455)*** | *0.208* |

**CONSOLIDATED BALANCE SHEET**
**At 31 December 2008**
*(Expressed in RMB)*

| | Note | 2008 RMB'000 | 2007 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,116,809** | 1,971,995 |
| Lease prepayments | | **307,426** | 255,891 |
| Intangible assets | | **81,978** | 116,388 |
| Interest in an associate | | **20,893** | 63,828 |
| Available-for-sale investment | | **1,000** | 1,000 |
| Goodwill | | **—** | 14,113 |
| Deferred tax assets | | **65,557** | 41,912 |
| | | **2,593,663** | 2,465,127 |
| **Current assets** | | | |
| Inventories | | **402,535** | 344,159 |
| Trade and other receivables | 10 | **277,389** | 388,887 |
| Prepaid income tax | | **1,900** | — |
| Cash and cash equivalents | | **279,503** | 355,855 |
| Assets classified as held-for-sale | | **—** | 4,413 |
| | | **961,327** | 1,093,314 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **1,334,463** | 1,194,627 |
| Bank and other loans | | **249,038** | 225,960 |
| Income tax payable | | **1,257** | 5,286 |
| | | **1,584,758** | 1,425,873 |
| **Net current liabilities** | | **(623,431)** | (332,559) |
| **Total assets less current liabilities** | | **1,970,232** | 2,132,568 |

| | Note | 2008 RMB'000 | 2007 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank and other loans | | **198,657** | 35,000 |
| Amounts due to a related company | | **40,103** | 37,695 |
| Unsecured notes | | **669,243** | 705,006 |
| Deferred tax liabilities | | **61,528** | 70,827 |
| | | **969,531** | 848,528 |
| **NET ASSETS** | | **1,000,701** | 1,284,040 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 13 | **43,856** | 43,856 |
| Reserves | 13 | **350,979** | 565,821 |
| **Total equity attributable to equity shareholders of the Company** | | **394,835** | 609,677 |
| **Minority interests** | 13 | **605,866** | 674,363 |
| **TOTAL EQUITY** | | **1,000,701** | 1,284,040 |

## 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 2008 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 or available for early adoption 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 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 2008 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 HKFRSs, amendments to HKFRSs and Interpretations that are first effective or available for early adoption 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 the adoption of the amendments to HKFRSs and new Interpretations that are first effective for the current accounting period.

The Group has not applied any new HKFRSs, amendment to HKFRSs or Interpretation that is not yet effective for the current accounting period except for HKFRS 3 (as revised in 2008), *Business combinations*, which applies to business combinations for which the acquisition date is on or after the beginning of the first annual accounting period on or after 1 July 2009; and HKAS 27 (as amended in 2008), *Consolidated and separate financial statements*, which is effective for accounting periods beginning on or after 1 July 2009.

**(a) Estimated effect of changes in accounting policies on the current period**

The following tables provide estimates of the extent to which each of the line items in the consolidated income statement for the year ended 31 December 2008 and consolidated balance sheet as at 31 December 2008 is higher or lower than it would have been had the previous policies still been applied in the year, where it is practicable to make such estimates.

(i) Estimated effect on the consolidated income statement for the year ended 31 December 2008:

| | **Estimated effect of new policies (decrease/(increase) in loss for the year)** ***HKFRS 3 (as revised in 2008)*** **and** ***HKAS 27 (as amended in 2008)*** *(Note 4(b))* *RMB'000* |
|---|---|
| Excess of the net fair value of the acquired net assets over cost | (9,072) |
| Loss from issuance of shares by subsidiaries | 2,343 |
| **Loss for the year** | (6,729) |
| **Attributable to:** | |
| Equity shareholders of the Company | (839) |
| Minority interests | (5,890) |
| **Loss for the year** | (6,729) |
| *Basic and diluted loss per share (RMB)* | *(0.002)* |

(ii) Estimated effect on the consolidated balance sheet at 31 December 2008:

| | Estimated effect of new policies (increase/(decrease) in net assets *HKFRS 3 (as revised in 2008)* and *HKAS 27 (as amended in 2008)* *(Note 4(b))* *RMB'000* |
|---|---|
| **Non-current assets** | |
| Goodwill | (9,178) |
| **Net assets** | (9,178) |
| **Capital and reserves** | |
| Attributable to equity shareholders of the Company | (13,217) |
| Attributable to minority interests | 4,039 |
| | (9,178) |

**(b) Consolidation procedures for changes in the Group's ownership interests in subsidiaries (HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008))**

In prior years, changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as follows:

- Increase in the Group's ownership interests in a subsidiary

  The excess of the cost of a business combination over the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities was recorded as goodwill. Any excess of the Group's interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination was recognised immediately in the consolidated income statement.

- Decrease in the Group's ownership interests in a subsidiary

  The surplus or deficit between the proceeds on the Group's disposal of a portion of its interests in a subsidiary and the share of the carrying amount of the subsidiary's net assets disposed was recorded as gain or loss, respectively, in the consolidated income statement.

- Issuance of additional shares by a subsidiary

  The issuance of additional shares by a subsidiary may result in a reduction of the Group's interest in the subsidiary. The Group recognised gain or loss in the consolidated income statement based on the Group's share of the carrying amount of the subsidiary's net assets immediately before and after the issuance of additional shares by the subsidiary.

In preparation of the Group's consolidated financial statements for the current accounting period, the Group has early adopted HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008). Under the Group's new accounting policies, changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions between equity shareholders in their capacity as equity shareholders).

The new accounting policies have been applied prospectively for changes in the Group's ownership interests in a subsidiary on or after 1 January 2008 in accordance with the transitional arrangements under HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008). As a result, comparative amounts have not been restated. The adjustments for each financial statement line item affected for the year ended 31 December 2008 are set out in Note 4(a).

## 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 (LOSS)/PROFIT BEFORE TAXATION

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

### (a) Finance costs:

| | **2008** | **2007** |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank advances and other borrowings | **99,299** | 89,014 |
| Finance charges on convertible notes | **—** | 1,559 |
| Bank charges and other finance costs | **14,864** | 11,586 |
| Total borrowing costs | **114,163** | 102,159 |
| Less: amounts capitalised* | **(10,789)** | (4,942) |
| Net borrowing costs | **103,374** | 97,217 |
| Net foreign exchange gain | **(37,373)** | (12,863) |
| | **66,001** | 84,354 |

* The borrowing costs have been capitalised at 7.26% per annum for the year ended 31 December 2008 (2007: 6.53% per annum).

**(b) Staff costs:**

| | 2008 | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, wages and other benefits | **171,481** | 134,418 |
| Contributions to defined contribution retirement plans | **17,500** | 14,654 |
| Equity settled share-based payment expenses (see Note 12) | **9,189** | — |
| | **198,170** | 149,072 |

**(c) Other expenses:**

| | 2008 | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Impairment loss on property, plant and equipment | **19,252** | — |
| Impairment loss on intangible assets | **26,696** | — |
| Impairment loss on goodwill | **14,113** | — |
| | **60,061** | — |

**(d) Other items:**

| | 2008 | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories # | **2,078,045** | 1,821,647 |
| Auditors' remuneration | **7,500** | 7,000 |
| Depreciation and amortisation # | **182,479** | 159,615 |
| Impairment loss on assets classified as held-for-sale | **—** | 5,277 |
| Impairment loss on trade and other receivables | **13,827** | 755 |
| Operating lease charges in respect of # | | |
| – land | **1,602** | 985 |
| – plant and buildings | **3,164** | 2,014 |
| – motor vehicles | **820** | 968 |
| Research and development costs | **3,805** | 890 |

# Cost of inventories includes RMB256.4 million (2007: RMB221.1 million) for the year ended 31 December 2008, 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:

| | 2008<br>*RMB'000* | 2007<br>*RMB'000* |
|---|---|---|
| **Provision for income tax on the estimated taxable profits for the year** | | |
| – Hong Kong Profits Tax | **47** | 11 |
| – The People's Republic of China (the "PRC") Income Tax | **5,907** | 6,581 |
| | **5,954** | 6,592 |
| **Deferred taxation** | | |
| Origination and reversal of temporary differences | **(40,887)** | 3,257 |
| Effect on deferred tax balances at 1 January resulting from a change in tax rate | **—** | (15,882) |
| Write-down of deferred tax assets | **7,943** | — |
| | **(32,944)** | (12,625) |
| | **(26,990)** | (6,033) |

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

| | 2008<br>*RMB'000* | 2007<br>*RMB'000* |
|---|---|---|
| (Loss)/profit before taxation | **(244,398)** | 132,898 |
| Expected tax on (loss)/profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii)) | **(36,345)** | 27,771 |
| Tax effect of non-deductible expenses | **5,500** | 2,794 |
| Tax effect of unused tax losses not recognised | **12,264** | 5,494 |
| Tax credit (Note (iv)) | **(16,352)** | (26,210) |
| Tax effect of change in tax rate (Note (v)) | **—** | (15,882) |
| Tax effect of write-down of deferred tax assets (Note (vi)) | **7,943** | — |
| Income tax | **(26,990)** | (6,033) |

Note (i): In February 2008, the Hong Kong SAR Government announced a decrease in the Hong Kong Profits Tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong Special Administrative Region ("Hong Kong SAR") as from the year ended 31 December 2008. This decrease is taken into account in the preparation of the Group's consolidated financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits of a subsidiary of the Group incorporated in Hong Kong SAR for the year.

Note (ii): The Company and its subsidiaries incorporated in countries other than 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 15% to 25% (2007: 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, but subject to the new tax law mentioned in Note 7(b)(v) below.

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 of the Group has changed to 25% with effect 1 January 2008; or gradually increase to 25% over a five-year period if the PRC subsidiary was previously enjoying a preferential tax rate of below 25%; or if the PRC subsidiary is entitled but has not commenced in enjoying the tax holiday mentioned in Note 7(b)(iv) above, the tax holiday will commence immediately in 2008. The new tax law has been applied when measuring the Group's deferred tax assets and liabilities as at 31 December 2007 and 2008.

Note (vi): Previously recognised tax losses were written-down in 2008, following a change in estimates of the future operating results of certain PRC subsidiaries of the Group.

## 8 DIVIDENDS

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

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: RMB23.9 million).

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

| | **2008** | **2007** |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend in respect of the previous financial year, approved during the year, of HK$0.0614 per ordinary share (2007: HK$Nil per ordinary share) | **22,938** | — |

## 9 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year ended 31 December 2008 is based on the loss attributable to equity shareholders of the Company of RMB189.3 million (2007: profit attributable to equity shareholders of the Company of RMB82.8 million) and the weighted average number of 416,000,000 ordinary shares (2007: 398,088,000 ordinary shares) in issue during the year, calculated as follows:

| | **2008** | **2007** |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **416,000** | 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 | **416,000** | 398,088 |

### (b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares as at 31 December 2007 and 2008.

## 10 TRADE AND OTHER RECEIVABLES

| | 2008 | 2007 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivable from: | | |
| – Third parties | **65,984** | 73,396 |
| – Minority equity holders of subsidiaries of the Group and their affiliates | **43,557** | 38,743 |
| – Companies under common significant influence | **337** | — |
| Bills receivable | **26,611** | 44,500 |
| | **136,489** | 156,639 |
| Less: allowance for doubtful debts | **(26,627)** | (23,041) |
| | **109,862** | 133,598 |
| Amounts due from related companies: | | |
| – Equity shareholders of the Company | **2,215** | 327 |
| – Minority equity holders of subsidiaries of the Group | **142** | 3,152 |
| – An associate of the Group | **3,246** | 840 |
| – Companies under common significant influence | **45,448** | 125,780 |
| | **51,051** | 130,099 |
| Less: allowance for doubtful debts | **(3,824)** | — |
| | **47,227** | 130,099 |
| Prepayments, deposits and other receivables | **129,766** | 128,560 |
| Less: allowance for doubtful debts | **(9,466)** | (3,370) |
| | **120,300** | 125,190 |
| | **277,389** | 388,887 |

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:

| | 2008 | 2007 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 month | **43,462** | 51,663 |
| More than 1 month but less than 3 months | **23,573** | 27,036 |
| More than 3 months but less than 6 months | **30,249** | 40,556 |
| Over 6 months | **12,578** | 14,343 |
| | **109,862** | 133,598 |

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

| | 2008 | 2007 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payable to: | | |
| – Third parties | **328,733** | 327,872 |
| – Minority equity holders of subsidiaries of the Group and their affiliates | **8,270** | 16,876 |
| – Companies under common significant influence | **2,163** | — |
| Bills payable | **278,620** | 169,000 |
| | **617,786** | 513,748 |
| Amounts due to related companies: | | |
| – An equity shareholder of the Company | **4,267** | — |
| – Minority equity holders of subsidiaries of the Group and their affiliates | **13,268** | 15,100 |
| – Companies under common significant influence | **52,712** | 129,395 |
| | **70,247** | 144,495 |
| Advances received from customers | **83,424** | 67,940 |
| Accrued charges and other payables | **563,006** | 468,444 |
| | **1,334,463** | 1,194,627 |

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:

| | 2008 | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Due within 1 month or on demand | **401,380** | 318,279 |
| Due after 1 month but within 6 months | **216,406** | 195,469 |
| | **617,786** | 513,748 |

## 12 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 30 May 2005 whereby the directors of the Company are authorised, at their discretion, to invite (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, to take up options at HK$1.00 from each option holder to subscribe for shares of the Company. For the options granted, 40% will vest after one year from the date of grant; another 30% will vest after two years from the date of grant; and the remaining 30% will vest after three years from the date of grant. The options will lapse on 29 May 2015. Each option gives the holder the right to subscribe for one ordinary share in the Company.

### (a) The terms and conditions of the grants are as follows:

| | Number of instruments | Vesting conditions | Contractual life of options |
|---|---|---|---|
| **Options granted to directors:** | | | |
| - on 29 February 2008 | 2,140,000 | One year from the date of grant | 7.25 years |
| - on 29 February 2008 | 1,605,000 | Two years from the date of grant | 7.25 years |
| - on 29 February 2008 | 1,605,000 | Three years from the date of grant | 7.25 years |
| **Options granted to employees:** | | | |
| - on 29 February 2008 | 5,860,000 | One year from the date of grant | 7.25 years |
| - on 29 February 2008 | 4,395,000 | Two years from the date of grant | 7.25 years |
| - on 29 February 2008 | 4,395,000 | Three years from the date of grant | 7.25 years |
| Total share options | 20,000,000 | | |

**(b) The number and weighted average exercise price of share options are as follows:**

| | 2008 Weighted average exercise price | Number of options *'000* |
|---|---|---|
| Outstanding at the beginning of the year | — | — |
| Granted during the year | **HK$3.50** | **20,000** |
| Outstanding at the end of the year | **HK$3.50** | **20,000** |
| Exercisable at the end of the year | — | — |

The options outstanding at 31 December 2008 had an exercise price of HK$3.50 and a weighted average remaining contractual life of 6.42 years.

## 13 CAPITAL AND RESERVES

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve | Statutory reserves | Other reserve | Exchange reserve | Retained profits/ (accumulated losses) | 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 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 and minority interests | – | – | – | – | – | – | – | – | 265,181 | 265,181 |
| 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 |
| 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 |
| **At 1 January 2008** | **43,856** | **410,482** | **22,000** | **30,608** | **(68,570)** | **(2,961)** | **174,262** | **609,677** | **674,363** | **1,284,040** |
| **Contributions from minority interests** | **–** | **–** | **–** | **–** | **(1,301)** | **–** | **–** | **(1,301)** | **28,468** | **27,167** |
| **Decrease in minority interests through acquisitions of minority interests** | **–** | **–** | **–** | **–** | **(11,077)** | **–** | **–** | **(11,077)** | **(65,835)** | **(76,912)** |
| **Transfer between reserves** | **–** | **–** | **(22,000)** | **(14,000)** | **36,000** | **–** | **–** | **–** | **–** | **–** |
| **Equity settled share-based transactions** | **–** | **–** | **9,189** | **–** | **–** | **–** | **–** | **9,189** | **–** | **9,189** |
| **Loss for the year** | **–** | **–** | **–** | **–** | **–** | **–** | **(189,343)** | **(189,343)** | **(28,065)** | **(217,408)** |
| **Appropriations to reserves** | **–** | **–** | **–** | **6,632** | **–** | **–** | **(6,632)** | **–** | **–** | **–** |
| **Dividends approved during the year** | **–** | **–** | **–** | **–** | **–** | **–** | **(22,938)** | **(22,938)** | **–** | **(22,938)** |
| **Exchange differences on translation into presentation currency** | **–** | **–** | **–** | **–** | **–** | **628** | **–** | **628** | **(3,065)** | **(2,437)** |
| **At 31 December 2008** | **43,856** | **410,482** | **9,189** | **23,240** | **(44,948)** | **(2,333)** | **(44,651)** | **394,835** | **605,866** | **1,000,701** |

## 14 SEGMENT REPORTING

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

| | PRC | | Overseas | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Turnover | **1,549,401** | 1,542,084 | **740,540** | 670,240 | **2,289,941** | 2,212,324 |
| Segment results | **127,879** | 273,946 | **31,778** | 68,903 | **159,657** | 342,849 |
| Unallocated operating income and expenses | | | | | **(296,055)** | (152,037) |
| (Loss)/profit from operations | | | | | **(136,398)** | 190,812 |
| Share of losses of an associate | | | | | **(41,999)** | — |
| 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 |
| Gain from issuance of shares by subsidiaries | | | | | **—** | 5,646 |
| Finance costs | | | | | **(66,001)** | (84,354) |
| Income tax | | | | | **26,990** | 6,033 |
| (Loss)/profit for the year | | | | | **(217,408)** | 138,931 |

# Management Discussion and Analysis

## MARKET REVIEW

In 2008, the glass industry encountered various adverse factors in an extremely challenging market environment. Increased production volume and unit costs combined with lower sales volume and unit selling price resulted in an apparent decline in economic efficiency and brought difficulties to production and operations.

Entering 2008, the PRC glass market lingered in a state of recession, and the financial storm triggered by the sub-prime crisis spread all over the globe from July 2008. The intensifying global financial crisis, an overall slowdown in national economic growth and a slump in real estate sales caused a sharp demand contraction in the glass market. Due to the impact of, among other things, the export tax rate adjustment, the appreciation of the RMB and particularly the economic recession in the second half of 2008, which caused a dramatic fluctuation in the values of the currencies of many countries and regions, export sales of glass were severely hampered. As a consequence, the Group's export sales volume of glass in 2008 decreased by 3% compared to the previous year. Meanwhile, due to the dramatic fluctuation in the prices of energy resources and raw materials and the increase in transportation expenses, labor costs, the manufacturing cost of glass increased. Although the prices of major fuels and raw materials such as oil, coal and soda ash fell in the second half of 2008, the selling price of glass suffered decreases due to stagnant sales and sluggish demand for glass. As such, the profit margin of the industry narrowed. Apart from the sluggish demand, the increase in production capacity of glass products also caused an intensified clash between the supply and demand in the industry, which was also a major contributor to the slow down of the industry.

According to the statistics released by the Information Department of the China Building Materials Federation and the China Architectural and Industrial Glass Association, the glass producers in the PRC produced an aggregate of 574.23 million weight cases of sheet glass in 2008, representing an increase of 5.1% as compared to that of 2007. The accumulative production and sales rate of sheet glass was 97.47%, representing a decrease of 0.9% as compared to that of 2007, and the accumulative production and sales rate of float glass was 97.44%, representing a decrease of 0.4% as compared to that of 2007.

As at the end of 2008, there were a total of 190 production lines for float glass in the PRC, of which 4 were newly added in 2008. Currently, 43 production lines for float glass with an aggregate production capacity of approximately 100 million weight cases have suspended production due to market reasons and some glass processing enterprises have suspended production or are running at half capacity. It appears that this trend for large scale suspension of production will continue in the first half of 2009.

## BUSINESS REVIEW

**Overview**: The Group currently has 15 glass production lines (same as that in 2007), 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. In 2008, due to the ending of lifespan of furnaces and adverse market conditions, 1 patterned glass, 2 float glass and 2 sheet glass production lines have stopped production. As a result, the glass production lines of the Group still in operation are 10 float glass production lines.

In addition, the Group also owns 1 glass processing line and one 3MW photovoltaic battery module production line, which was put into production in 2008.

The Group produced a total of 27.75 million weight cases of various types of glass, an increase of 0.43 million weight cases or 1.58% over last year; sold 27.22 million weight cases of glass, representing a production and sales rate of 98.10% which was higher than the industry average; and recorded a sales revenue of RMB2.29 billion, representing an increase of 4% over last year, and a loss after tax of RMB217 million.

In 2008, affected by various adverse factors including a decline in market demand in the glass industry, the increase in unit selling price of glass products was less than the increase in price of raw materials. The Group has taken certain measures such as adjustment to product mix and renovation of fuel system for energy-saving and consumption-reduction, which were quite effective, but could not entirely offset the adverse impact imposed by the market and hence, unable to turn operating losses into gains.

**Raw materials price and production cost**: The price of major raw materials from January to September 2008 increased by more than 40% over that of the same period of 2007; since mid-September though, the price of major raw materials declined as international oil prices slumped due to the weak demand for fuels and raw materials amid the international financial crisis. The price of soda ash, heavy oil, coal tar and petroleum powder fell by about 50% in only two months to a level lower than the price at the beginning of 2008. The average unit production cost for glass products of the Group was RMB76 in 2008, a rise of RMB11 or 17% over last year. The increase in consolidated average unit production cost was mainly due to (1) the increase in prices of raw materials, (2) a higher proportion of high value-added products (being high cost products) being produced and (3) the increase in non-deductible VAT rate for export sales from 6% to 12% since July 2007.

**Production, sales and selling price**: In 2008, the 10 float glass production lines of the Group in normal operation maintained safe production with stable quality. The Group produced 27.75 million weight cases of various types of glass during the year, with a gross rate of finished products of 86.56% and a consolidated rate of finished products of 82.38%.

The Group consistently adheres to an operational strategy of "product diversity" in its production and operations. At present, the Group's most competitive products in China are various types of on-line coated glass, particularly the on-line low-emissions ("Low-E") coated glass. The Group possesses the most advanced production technology for on-line coated glass and is the sole producer who possesses the intellectual property rights to the "manufacturing technology for on-line Low-E coated float glass". The Group also has the largest production base for painted glass and coated glass in China. On-line coated glass, particularly the on-line Low-E coated glass, involves higher technology and added-value, has less competitors, lower conflict between supply and demand and a more stable selling price. The Group sold 11.91 million weight cases of painted glass in 2008, which accounted for 44% of our total sales, of which coated glass amounted to 4.57 million weight cases, accounting for 38% of our total sales of painted glass and ranking among the top of the glass producers in China, in terms of quantity, and this was the biggest contributor to the Group's profit.

The Group sold a total of 27.22 million weight cases of various types of glass in 2008, representing a production and sales rate of 98.10%, of which export sales accounted for 7.40 million weight cases, accounting for 27% of total sales, a drop of 3% as compared to that of last year; export delivery value amounted to RMB728 million, an increase of RMB58 million or 8.58% over that of last year.

The unit selling price of the glass products of the Group was RMB82 per weight case, an increase of RMB4 per weight case over that of last year.

In 2008, the Group's revenue from exports increased despite the decrease in export volume, as the unit selling price increased compared to that of 2007, mainly due to a higher proportion of high value-added products.

**Loss for the year:** In 2008, the Group recorded a loss after tax of RMB217.41 million, a decrease of RMB356.34 million as compared to last year. The significant decrease in profit was mainly due to:

1. Rising raw material prices caused the increase in manufacture costs to surpass the increase in the products' selling price, which greatly narrowed the profit margin of the Group;

2. The suspension of some production lines resulted in a higher proportion of operating costs for the Group;

3. The impairment made on certain of the Group's property, plant and equipment, intangible assets and goodwill of RMB66.00 million; and

4. Share of losses of an associate of the Group of RMB42.00 million.

**New product development and technological advancement**: In 2008, the production volume and quality of solar easy-to-clean glass, a new product jointly developed by the Group's research branch and the Weihai production base, made great progress with coating circle extended and coating quality reaching the standards.

The Group's Weihai production base has successfully developed a series of on-line Low-E coated glass products with extended coating circle and improved quality. Such products have been used in landmark buildings, which have become symbolic construction projects in such cities.

Furthermore, the "new-type solid fuel spraying and blowing technology" independently developed by the Group's Weihai production base finally became a success in 2008, after two years' work. This technology replaces the heavy oil previously powering glass furnaces with coal (carbon) power so as to reduce fuel costs. This project has been awarded a national utility model patent and a patent for invention. In view of its satisfactory performance during its practical application at the Weihai production base, we intend to promote application of the technology in the Group's other production lines which currently use heavy oil. We expect that it will markedly reduce the overall manufacturing cost of the Company.

**The result of the antidumping investigation in South Korea**: The antidumping investigation conducted by South Korea came to an end in April 2008. In South Korea, the rate of antidumping duty ranges from 12.73% to 36.01%, and the Group was levied an antidumping duty at the lowest rate of 12.73%. This rate will further enhance the Group's competitive strength over many glass exporters in China. However, the depreciation of KRW in the second half of 2008 offsets to some extent the advantage gained from the antidumping investigation. The Group is currently vigorously changing its product mix for export to high-end products with high profit margin in an effort to offset the loss in quantity.

**Investment activities**: In February 2008, the Group invested additional capital of RMB28.60 million in Wuhai Blue Star Glass Co., Ltd., which increased the Group's effective shareholding from 34.16% to 50.63%.

In March 2008, the Group acquired 22.5% equity interests in Weihai Blue Star New Technology Glass Co., Ltd., for a consideration of RMB52.91 million, which increased the Group's effective shareholding from 12.03% to 17.34%.

In August 2008, the Group acquired 9.90% equity interests in Sugian Huayi Coated Glass Company Limited for a consideration of RMB24.00 million, which increased the Group's effective shareholding from 90.1% to 100%.

In July 2008, the two 600T/D on-line Low-E glass production line of Dongtai China Glass Special Glass Company Limited, a company newly established by the Group, commenced construction in Dongtai City, Jiangsu Province. These production lines are expected to be put into operation this year and have the following features: (1) they will use coke-oven gas from nearby coke plants as fuel and have the advantage of low cost; (2) they will produce on-line Low-E glass, a kind of energy-saving glass, and have the advantage of high added-value; and (3) they root themselves in the economically developed regions of Yangtze River Delta and thereby achieve a geographical advantage.

**Development of new business**: the 3MW photovoltaic battery module production line of Weihai China Glass Solar Company Limited, a company established by the Group with a registered capital of US$10 million, was put into commercial operation in 2008, which reached its production capacity and recorded a profit in the same year. The project of "film photovoltaic integrated construction system" (2008-D1-4) of this company was listed in the 2008 technological project program of the Ministry of Housing and Urban-Rural Development — industrial base (green construction), and won a number of awards from municipal government, provincial government and national ministries and commissions for its energy-saving effects. The company applied for 8 utility model patents in 2008 and its products will become a new driver for the Group's revenue.

## OUTLOOK

In 2009, due to the spread of the impact of the global financial crisis and the slowdown in economic growth, the property development industry and automobile industry closely related to the glass industry demonstrated an overall depression trend across the world. In this environment, the glass industry will face more difficulties and severe competition. The Group believes that favorable opportunities for the growth and upgrading of the glass industry will still exist amid various adverse factors in 2009, which are detailed as follows:

The healthy and steady development of the property development industry is of the utmost importance to the industry. Unsold real estates in the PRC has increased since 2008. According to the data published by the National Bureau of Statistics of China, it will take at least 14.5 months for the current unsold real estates to be sold out, based on the sales pace in December 2008, assuming no effective stimulus plans are to be implemented in the property development industry. Therefore, it is almost certain that the property development industry will be sluggish in the short term. Meanwhile, the export volume of glass will be reduced to a certain extent as a result of the decrease in demand from the international market.

However, the increased supply of social housing provides a new opportunity for the stabilization and development of the glass industry. With the launch of the low-income housing project totalling RMB900 billion, which will in turn stimulate the demands for glass products.

Besides, energy saving construction will be the focus of new residential units for the upcoming 3 years which will open up good opportunities for the development of energy saving glass and solar photovoltaic materials production. Relevant authorities, including the Ministry of Housing and Urban-Rural Development of the PRC and the National Development and Reform Commission have clearly declared to strictly implement compulsory energy saving standards and promote energy saving construction in the PRC. On 23 March 2009, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the Trial Management Rules for Subsidies Granted to Photovoltaic Solar Buildings, pursuant to which the central finance authority will allocate special funds to support the demonstrative promotion of application of solar photovoltaic materials in urban and rural buildings.

Overall, the sluggish economy has not only created difficulties for the entire glass industry's operations, it also provides opportunity for an overall upgrade of the industry. Those manufacturers that owning high-end technology and advanced production processes will be in a better position amid the industry crisis. The technological resources and advanced production processes earlier conserved by the Group strengthened our risk resistance.

It is expected that the RMB exchange rate against USD will be stable in 2009. Factors affecting export due to the appreciation of RMB will therefore be excluded.

It is expected that prices of raw materials and fuels will stabilize or fluctuate slightly in 2009. By the end of 2008, the price of high-quality soda ash in China had decreased by 50% from its peak in July 2008 due to the decrease in demand from such downstream industries as the glass industry, the aluminium oxide industry, the lotion industry and the chemical industry, which was in turn a result of the economic slowdown. The utilization rate of soda ash producers was about 60% and the price still maintained at the level in the beginning of the year. However, the export tax refund rate of soda ash was raised from 0% to 9%, effective 1 April 2009. Implementation of this policy will increase the export volume of soda ash which will in turn put an upward pressure on the price of soda ash. However, the increase in sales volume will certainly result in an improvement in utilization rate and counter-elimination. Thus the current price of soda ash is expected to be stabilized for quite a long time. In respect of heavy oil, the price of heavy oil in the PRC is closely correlated with the price of crude oil and fuel oil in the international market. As the effect of the financial crisis is continuously deepening, it is expected that there will be a slight possibility for international oil price to rise within a short period of time. With effect from 1 January 2009, a fuel oil tax of RMB0.80/liter was imposed on domestic fuel oil. As a result, some oil refineries were forced to limit their production or change their lines of production due to the increased cost of RMB800-900/ton and the decrease in demand. The trend for the upcoming period is that the utilization rate will be improved as demand increases. Therefore, the price of heavy oil will not be significantly different from the current level. By the end of the year, coal prices also decreased by 40% from its peak in July 2008 due to the sharp decrease in demand from downstream industries such as the power industry, the iron and steel industry, the construction material industry and the chemical industry, which was also a result of macroeconomic conditions. The costs of the coal industry were increased due to the raise of VAT for the coal industry from 13% to 17% with effect from 1 January 2009. Mainly due to this factor and such issues as the production safety of the industry, some enterprises were forced to reduce or suspend production and the price of coal increased slightly in first three months of 2009. After the resumption of production of small and medium coal pits, we think there is slight possibility for coal prices to rise in the near future.

While the tendency for the shutdown of production lines in the glass industry continues, and though the economy is gradually stabilizing, its fundamentals are far from sound. The Group believes that the sales price of the glass industry will undergo a process of stabilization and recovery in the first half of the year. Although the recovery extent is limited, it can basically meet the requirement of those producers which have survived. We expect that this will continue until the end of 2009, after which the market is expected undergo a process of significant improvement.

In the face of market conditions where difficulties and opportunities co-exist, the Group will mainly adopt the following policies:

1. **Continue to implement the operation strategy of "product diversity", adjust product mix and improve the production percentage of energy saving glass.**

Currently, the excess production of sheet glass in the PRC is structural, i.e. absolute excess production of plain sheet glass and relatively short supply of high quality float glass, especially versatile glass featuring environmental protection and energy saving functions. Energy saving glass mainly includes coated glass, hollow glass and particularly Low-E glass. Due to such reasons as complex production technology and high production costs, the utilization rate of these categories of glass in China is still low. According to the statistics of China Architectural and Industrial Glass Association, the utilization rate of energy saving glass such as hollow glass and Low-E hollow glass in buildings in the PRC is less than 10%, while the use of hollow glass is basically common in the US and European countries and Low-E hollow glass accounts for more than 50% of hollow glass. According to the requirements of the new Energy Conservation Law, energy saving construction materials such as Low-E glass will be used in substantial amounts in new buildings and renovation projects of existing buildings. The Ministry of Housing and Urban-Rural Development of the PRC and the National Development and Reform Commission will also strictly implement compulsory energy saving standards. According to the statistics of the Ministry of Housing and Urban-Rural Development of the PRC, there will be additional construction of 20 billion square meters in the PRC by 2012. Construction energy consumption accounts for more than 50% of the total social consumption. Currently, the increasing promotion of environmentally friendly construction standards for new buildings and implementation of energy saving measures favoring for environmentally friendly buildings are defined by relevant authorities, including the Ministry of Housing and Urban-Rural Development of the PRC and the Ministry of Science and Technology of the PRC. They consider these of the utmost importance to the construction of properties for the time being and in the future. The Chinese government implemented the Appraisal Standards for Environmental Friendly Buildings on 1 June 2006. In the future, construction of public and private residential units will have to comply with the above-mentioned standards by using substantial amounts of energy saving construction materials, including hollow glass and Low-E glass.

The considerable demand from the low-income housing project to be fully launched for energy saving glass, especially Low-E glass, is no doubt a good business opportunity for the Group. The solar control coated glass, low-emissions Low-E coated glass, titanium coated glass, solar easy-to-clean coated glass and solar power generation glass produced by the Group enjoy absolute advantages compared with those produced by our domestic competitors in terms of quality, output, category and after-sales services, and enjoy considerable advantages compared with imported products in terms of price.

In 2009, the Group will fully adjust its product mix and all its production lines will be used for the production of solar control coated glass and Low-E glass. Meanwhile, the Group will increase its investment in scientific research activities, accelerate the development of new products, conduct technological improvement for existing products, continuously improve the technological contents and add value to the Group's products and secure the technological advantages and dominant market position of the Group's products.

**2. Conduct technological improvement in entities which are currently not in production, resume production within the year and improve the market share of the Group's products**

In 2008, a total of five production lines of the Group, including Beijing Qinchang Line, Jiangsu Suqian 2nd Line, the sheet glass production line and patterned glass production line in Nanjing of Jiangsu and the sheet glass production line in Wuhai, Inner Mongolia were forced to suspend production due to such reasons as maturity of kiln life and operating loss incurred as a result of production of low grade products. The Group has decided to conduct technological upgrade and improvement for certain of these production lines within the year. Upon completion of technological improvement, some of these production lines will be able to produce super white glass, Low-E glass and super white patterned glass and will strive to resume production before overall market recovery within the year.

Following commencement of full production of the Group's new and technologically improved production lines, the Group's daily melting capacity will reach 6,430 tons and its production capacity will increase by 23% from the current capacity.

### 3. Fully promote and apply the "new-type solid fuel spraying and blowing technology" within the Group, introduce new package methods and reduce production costs

The "new-type solid fuel spraying and blowing technology" independently developed by the Group's production base in Weihai, Shandong Province is mature and has obtained patent right. The Group has decided to fully promote and apply this technology within the Group during the year, with a goal of reducing the fuel costs of our products.

Depending on product category, transportation means and transportation distance, the Group will also actively improve the current wood box packing method and fully promote a variety of packages, including plain packaging, bare packaging and plastic packaging instead of wood box and iron frame packaging. Meanwhile, the Group will conduct research on new packaging materials and methods, so as to save energy while reducing packaging costs.

The Group will strictly implement and constantly revise its established parity procurement system and material inventory management system, strictly monitor the procurement process, closely focus on the market development, keep inventory in a reasonable level, improve the utilization efficiency of funds and reduce production costs.

### 4. Expand the production capacity of photovoltaic glass and make it a new source of revenue

The production line for 3 MW PV panels of Weihai China Glass Solar Company Limited, a subsidiary of the Group, commenced operation in 2008. Due to stable production, satisfactory product quality and smooth sales channels as well as the government subsidies received, this production line enjoys very good economic benefits. Lacking an economy of scale, the existing operation scale of this production line cannot meet market demand. The Group will closely monitor the development trend of photovoltaic glass and seek every opportunity to further expand its scale, so as to expand this segment and make it a new source of revenue for the Group.

## RESULTS AND APPROPRIATIONS

The board does not recommend the payment of final dividend for the year ended 31 December 2008 (31 December 2007: HK$0.0614 per ordinary share).

## SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares.

On 29 February 2008, the Board of the Company granted share options under the share option scheme. Details of the share options granted were set out in Note 12.

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

During the year ended 31 December 2008, 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 together with the Company's management and the external auditors, reviewed 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 2008.

## HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2008, the Group had employed a total of approximately 6,476 employees in the PRC and Hong Kong (31 December 2007: about 6,410 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 2008. 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 2008.

## 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. Chen Shuai 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, 27 April 2009

* *For identification purposes only*