CHINA GLASS HOLDINGS LIMITED
中 國 玻 璃 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)
Stock Code: 3300

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008.

Consolidated Income Statement
for the six months ended 30 June 2009 - unaudited
(Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Turnover	3	**882,153**	1,221,587
Cost of sales		**(771,970)**	(1,080,923)
Gross profit		**110,183**	140,664
Other revenue		**7,763**	7,059
Other net loss		**(522)**	(858)
Distribution costs		**(31,926)**	(39,207)
Administrative expenses		**(80,942)**	(80,183)
Profit from operations		**4,556**	27,475
Share of losses of an associate		**(20,893)**	(5,646)
Finance costs	4	**(54,606)**	(15,873)
(Loss)/profit before taxation	4	**(70,943)**	5,956
Income tax	5	**3,251**	5,537
(Loss)/profit for the period		**(67,692)**	11,493
Attributable to:			
Equity shareholders of the Company		**(73,482)**	(22,240)
Minority interests		**5,790**	33,733
(Loss)/profit for the period		**(67,692)**	11,493
Basic and diluted loss per share (RMB)	6	**(0.177)**	(0.053)

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2009 - unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(67,692)**	11,493
Other comprehensive income for the period (after tax):		
Exchange differences on translation into presentation currency	**826**	3,816
Total comprehensive (expense)/income for the period	**(66,866)**	15,309
Attributable to:		
Equity shareholders of the Company	**(72,646)**	(16,520)
Minority interests	**5,780**	31,829
Total comprehensive (expense)/income for the period	**(66,866)**	15,309

Consolidated Balance Sheet
at 30 June 2009 - unaudited
(Expressed in RMB)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment		**2,332,790**	2,116,809
Lease prepayments		**303,849**	307,426
Intangible assets		**76,021**	81,978
Interest in an associate		**—**	20,893
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**72,267**	65,557
		2,785,927	2,593,663
Current assets			
Inventories		**349,037**	402,535
Trade and other receivables	7	**377,248**	277,389
Prepaid income tax		**993**	1,900
Cash and cash equivalents		**390,743**	279,503
		1,118,021	961,327
Current liabilities			
Trade and other payables	8	**1,556,384**	1,334,463
Bank and other loans		**301,188**	249,038
Income tax payable		**2,466**	1,257
		1,860,038	1,584,758
Net current liabilities		**(742,017)**	(623,431)
Total assets less current liabilities		**2,043,910**	1,970,232

Consolidated Balance Sheet (continued)
at 30 June 2009 - unaudited
(Expressed in RMB)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current liabilities			
Bank and other loans		**337,753**	198,657
Amounts due to a related company		**37,282**	40,103
Unsecured notes		**671,593**	669,243
Deferred tax liabilities		**60,225**	61,528
		1,106,853	969,531
NET ASSETS		**937,057**	1,000,701
CAPITAL AND RESERVES			
Share capital		**43,856**	43,856
Reserves		**281,555**	350,979
Total equity attributable to equity shareholders of the Company		**325,411**	394,835
Minority interests		**611,646**	605,866
TOTAL EQUITY		**937,057**	1,000,701

Notes

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 21 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 April 2009.

2 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*
- Amendments to HKFRS 2, *Share-based payment – vesting conditions and cancellations*

The amendments to HKAS 23 and HKFRS 2 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see Note 3). As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. These amendments have had no material impact on the Group's financial statements.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries and associate, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3 Segment reporting

The Group manages its businesses by products. On first-time adoption of HKFRS 8, *Operating segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Low value-added glass products: this segment produces, markets and distributes low value-added glass products such as clear glass and painted glass.

- High value-added glass products: this segment produces, markets and distributes high value-added glass products such as tinted glass, coated glass and A-Si solar cell products.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, available-for-sale investment, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to the production, marketing and distribution activities of the individual segments and bank and other loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured. In particular, all research and development facilities and activities and patents are allocated to the high value-added glass products segment.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of losses of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have incurred during the six months ended 30 June 2008 and 2009.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Low value-added glass products		High value-added glass products		Total	
For the six months ended	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers and reportable segment revenue	**440,775**	691,426	**441,378**	530,161	**882,153**	1,221,587
Reportable segment profit (adjusted EBITDA)	**11,801**	51,260	**92,541**	70,789	**104,342**	122,049
Reportable segment assets	**1,652,443**	1,627,568	**2,225,505**	1,843,984	**3,877,948**	3,471,552
Additions to non-current segment assets during the period	**1,730**	11,099	**339,782**	81,335	**341,512**	92,434
Reportable segment liabilities	**1,249,509**	1,177,712	**1,583,244**	1,224,173	**2,832,753**	2,401,885

(b) Reconciliations of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Profit		
Reportable segment profit derived from the Group's external customers	**104,342**	122,049
Share of losses of an associate	**(20,893)**	(5,646)
Other revenue and net loss	**7,803**	7,359
Depreciation and amortisation	**(95,075)**	(89,475)
Finance costs	**(54,606)**	(15,873)
Unallocated head office and corporate expenses	**(12,514)**	(12,458)
Consolidated (loss)/profit before taxation	**(70,943)**	5,956

	At	At
	30 June	**31 December**
	2009	**2008**
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**3,877,948**	3,471,552
Interest in an associate	**—**	20,893
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**72,267**	65,557
Prepaid income tax	**993**	1,900
Unallocated head office and corporate assets	**728,595**	737,777
Elimination of receivables between segments, and segments and head office	**(776,855)**	(743,689)
Consolidated total assets	**3,903,948**	3,554,990

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Liabilities		
Reportable segment liabilities	**2,832,753**	2,401,885
Income tax payable	**2,466**	1,257
Deferred tax liabilities	**60,225**	61,528
Unallocated head office and corporate liabilities	**848,302**	833,308
Elimination of payables between segments, and segments and head office	**(776,855)**	(743,689)
Consolidated total liabilities	**2,966,891**	2,554,289

4 (Loss)/profit before taxation

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

	Six months ended 30 June 2009 *RMB'000*	2008 *RMB'000*
Finance costs:		
Interest on bank advances and other borrowings	**52,742**	47,345
Bank charges and other finance costs	**3,892**	5,467
Total borrowing costs	**56,634**	52,812
Less: amounts capitalised	**(2,921)**	(520)
Net borrowing costs	**53,713**	52,292
Net foreign exchange loss/(gain)	**893**	(36,419)
	54,606	15,873

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Staff costs:		
Salaries, wages and other benefits	**77,210**	79,348
Contributions to defined contribution retirement plans	**10,704**	9,005
Equity settled share-based payment expenses (see note 9(b))	**3,222**	3,652
	91,136	92,005

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Other items:		
Cost of inventories	**771,970**	1,080,923
Depreciation and amortisation	**95,075**	89,475
Impairment loss on trade and other receivables	**2,202**	2,888
Operating lease charges in respect of		
– land	**108**	346
– plant and buildings	**1,543**	1,196
– motor vehicles	**578**	400
Research and development costs (other than amortisation)	**301**	624
Net gain on disposal of property, plant and equipment	**(40)**	(300)
Interest income	**(1,278)**	(3,098)

5 Income tax

	Six months ended 30 June	
	2009	**2008**
	RMB'000	*RMB'000*
Provision for income tax on the estimated taxable profits for the period		
– Hong Kong Profits Tax	**—**	47
– The People's Republic of China (the "PRC") Income Tax	**4,762**	5,482
Deferred taxation	**(8,013)**	(11,066)
	(3,251)	(5,537)

The provision of Hong Kong Profits Tax was calculated at 16.5% (six months ended 30 June 2008: 16.5%) of the estimated assessable profits of a subsidiary of the Group incorporated in Hong Kong Special Administrative Region ("Hong Kong SAR") for the six months ended 30 June 2009.

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.

The subsidiaries of the Group established in the PRC (the "PRC subsidiaries") were subject to PRC Enterprise Income Tax rate ranging from 15% to 25% for the six months ended 30 June 2009 (six months ended 30 June 2008: 18% to 25%). Certain PRC subsidiaries 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, these 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 below.

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 either 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 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 2008 and 30 June 2009.

6 Loss per share

(a) Basic loss per share

The calculation of basic loss per share for the six months ended 30 June 2009 is based on the loss attributable to the equity shareholders of the Company of RMB73,482,000 (six months ended 30 June 2008: RMB22,240,000) and the weighted average number of 416,000,000 ordinary shares (six months ended 30 June 2008: 416,000,000 ordinary shares) in issue during the six months ended 30 June 2009.

(b) Diluted loss per share

There were no dilutive potential ordinary shares as at 30 June 2008 and 2009.

7 Trade and other receivables

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Trade receivable from:		
– Third parties	**121,641**	65,984
– Minority equity holders of subsidiaries of the Group and their affiliates	**46,276**	43,557
– Companies under common significant influence	**328**	337
Bills receivable	**42,278**	26,611
	210,523	136,489
Less: allowance for doubtful debts	**(28,458)**	(26,627)
	182,065	109,862
Amounts due from related companies:		
– Equity shareholders of the Company	**2,355**	2,215
– Minority equity holders of subsidiaries of the Group	**694**	142
– An associate of the Group	**4,666**	3,246
– Companies under common significant influence	**44,575**	45,448
	52,290	51,051
Less: allowance for doubtful debts	**(2,990)**	(3,824)
	49,300	47,227
Prepayments, deposits and other receivables	**155,624**	129,766
Less: allowance for doubtful debts	**(9,741)**	(9,466)
	145,883	120,300
	377,248	277,389

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:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Within 1 month	**68,939**	43,462
More than 1 month but less than 3 months	**52,078**	23,573
More than 3 months but less than 6 months	**36,923**	30,249
More than 6 months	**24,125**	12,578
	182,065	109,862

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.

8 Trade and other payables

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Trade payable to:		
– Third parties	**359,795**	328,733
– Minority equity holders of subsidiaries of the Group and their affiliates	**5,838**	8,270
– Companies under common significant influence	**2,412**	2,163
Bills payable	**185,340**	278,620
	553,385	617,786
Amounts due to related companies:		
– An equity shareholder of the Company	**5,154**	4,267
– Minority equity holders of subsidiaries of the Group and their affiliates	**20,918**	13,268
– Companies under common significant influence	**41,622**	52,712
	67,694	70,247
Advances received from customers	**89,259**	83,424
Accrued charges and other payables	**846,046**	563,006
	1,556,384	1,334,463

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:

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Due within 1 month or on demand	**413,225**	401,380
Due after 1 month but within 6 months	**140,160**	216,406
	553,385	617,786

9 Capital, reserves and dividends

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: RMBNil).

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

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2008 (year ended 31 December 2007: HK$0.0614 per ordinary share (equivalent to RMB0.0541 per ordinary share)).

(b) Equity settled share-based transactions

On 29 February 2008, 20,000,000 share options were granted to directors of the Company and employees of the Group under the Company's employee share option scheme (no share options were granted during the six months ended 30 June 2009). 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. The exercise price is HK$3.50.

700,000 share options previously granted to certain employee of the Group have been forfeited during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

No options were exercised during the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

10 Non-adjusting post balance sheet events

(a) Disposal of equity interests in a subsidiary of the Group

On 10 January 2008, the Company, through a subsidiary, has entered into a share transfer agreement to dispose of its 45% equity interests in one of the Group's subsidiaries, Beijing Zhonghai Xingye Safety Glass Company Limited ("Zhonghai Xingye"), to the then minority equity holder of Zhonghai Xingye for a consideration of RMB6.2 million. Upon completion of the above share transfer, the Group's effective interest in Zhonghai Xingye will decrease from 17.69% to 7.08%, and Zhonghai Xingye will cease to be a subsidiary of the Group. Up to the date of this report, the above transaction has not been completed.

The Directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above disposal but is not yet in a position to determine the potential financial impact of the above disposal on the Group's results of operations in future periods and financial position at future dates.

(b) Issuance of new shares

On 19 March 2009, the Company announced that the Directors of the Company has resolved to place a total of 46,330,000 new shares to certain senior management of the Group at a price of HK$0.53 per ordinary share (the "Placing"). The Placing has been approved by the Company's shareholders in a special general meeting held on 24 April 2009. Upon completion of the Placing, the number of shares issued by the Company will increase from 416,000,000 to 462,330,000, and the Company shall receive HK$24.6 million (equivalent to RMB21.7 million) as proceeds from the issuance of such shares.

(c) Disposal of equity interests in a subsidiary of the Group

Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD New Materials Company Limited ("Jiangsu SHD") and Keen Moral Investment Limited ("Keen Moral"), both wholly-owned subsidiaries of the Group, with Jiangsu Glass Group on 25 May 2009, Jiangsu SHD and Keen Moral agreed to transfer a total of their 49% equity interests ("Equity Interest") in Dongtai China Glass Special Glass Company Limited ("Dongtai Company") to Jiangsu Glass Group. Jiangsu Glass Group agreed to make up the outstanding capital contribution in an amount of RMB73.5 million to obtain the Equity Interest. Upon completion of this transaction on 10 July 2009, the Group's effective interest in Dongtai Company decreased from 100% to 51%.

Included in the same equity transfer agreement, Jiangsu Glass Group has granted Keen Moral an exclusive and irrevocable option (the "Buy-back Option") to acquire the whole of or part of the Equity Interest held by Jiangsu Glass Group at specified terms and conditions. The Buy-back Option is granted at nil consideration, and is exercisable by Keen Moral or its nominee at any time after the equity transfer completion date up to the third anniversary of the equity transfer completion date (the "Exercise Period"). However, if at any time during the Exercise Period, a general offer to acquire the shares of the Company is made, or there is a change in the ultimate controlling shareholders of the Company, Jiangsu Glass Group shall be entitled to demand Keen Moral or its nominee to exercise the Buy-back Option subject to compliance with the relevant laws and regulations and other contractual obligations of the Company, Keen Moral and/or its nominee.

The Directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above disposal but is not yet in a position to determine the potential financial impact of the above disposal on the Group's results of operations in future periods and financial position at future dates.

(d) Redemption of unsecured notes

On 4 June 2009, the Company launched an invitation to the note holders of the USD100,000,000 unsecured notes due 2012 to offer to sell their notes to the Company for cash (the "Redemption"). At 31 July 2009, note holders of an aggregate principal amount of USD39.11 million (equivalent to RMB267.2 million) of the unsecured notes have accepted the Redemption at USD19.56 million (equivalent to RMB133.6 million). Upon completion of the Redemption, the aggregate principal amount of unsecured notes remains outstanding will be USD60.89 million (equivalent to RMB416.0 million).

The Directors of the Company have confirmed that the Group has commenced considering the potential financial impact of the above Redemption but is not yet in a position to determine the potential financial impact of the above Redemption on the Group's results of operations in future periods and financial position at future dates.

11 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2009, the PRC's glass industry saw a downturn before it bottomed out and slowly recovered. Product demand dropped sharply in the first quarter due to the increasing impact of the financial crisis and the worsen domestic and overseas market environments. Due to weakened consumption power, the property and auto markets declined and the downstream glass industry was also affected. As demand for plain glass products in the international market decreased significantly, glass producers, who previously exported most of their products modified their strategy and focused more on the domestic market, resulting in more severe competition among glass producers in the domestic market. In the second quarter, the demand for glass revived as property developers expedited their construction projects due to the recovery of the property market. The balance of demand and supply was also gradually restored from the impact of the suspension of certain production lines from the beginning of the year. Glass price rebounded considerably in June and our operation results improved significantly though losses were still recorded for the first half of the year.

There were a total of 194 float glass production lines in the PRC with an annual capacity of 552 million weight cases as at 31 December 2008, of which 47 lines (with an annual capacity of 130 million weight cases) suspended production. In the first half of 2009, 7 new float glass production lines with an annual capacity of 30 million weight cases came into operation and only a limited number of the suspended production lines resumed operation.

According to the China Building Materials Federation, an aggregate of 146.88 million and 150.25 million weight cases of flat glass were produced and sold respectively in the PRC, representing respective decreases of 13.01% and 5.26% as compared to the corresponding period of last year. The overall production-sales rate (total sales volume divided by total production volume) was 102.29%.

BUSINESS REVIEW

Overview: The Group currently has 15 glass production lines (same as that in 2008), including 12 float glass production lines, two sheet glass production lines and one patterned glass production line, with a daily melting capacity of 5,230 tons. In the first half of 2009, the Group continued to suspend the operation of two float glass production lines, two sheet glass production lines and one patterned glass production lines due to adverse market conditions and overhaul being carried out. The Group operated 10 float glass production lines during the first half of 2009. One more float glass production line of the Group was suspended in June 2009 for relocation and upgrading and is expected to resume operation in second half of 2009.

Two more float glass production lines of the Group each with a daily melting capacity of 600 tons were under construction during the first half of 2009, one of which was expected to be put into operation in the second half of 2009.

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

The Group produced a total of 12.73 million weight cases of various types of glass in the first half of 2009, a decrease of 2.88 million weight cases or 18.45% over the corresponding period of last year. The decrease was mainly attributable to suspension of operation of three glass production lines in the second quarter of 2008.

In the first half of 2009, while facing various adverse factors including shrinking market demand and declines in price, the Group adjusted its product mix and implemented a number of energy saving and consumption reduction measures such as the development and adoption of a new-type solid fuel spraying and blowing technology in certain production lines. The Group was committed to reduce its production cost and achieve satisfactory results without affecting its product quality. Nevertheless, the impact of adverse market conditions could not be entirely offset and operating losses were recorded.

Raw materials price and production cost: In the first half of 2009, the prices of major raw materials and fuels for glass production decreased by an average of over 40% as compared with that in the corresponding period in 2008. At the beginning of 2009, international cruel oil prices slumped due to weak demand for fuels and raw materials amid the international financial crisis. Since April, the price of fuels and raw materials picked up gradually in light of the steady economic recovery in the PRC driven by the national economic stimulus measures. The Group observed a quick increase of heavy oil price in the second quarter of 2009. The prices of soda ash, petroleum powder and coal fluctuated within a narrow band of 10%.

For the first half of 2009, owing to the Company's efforts on energy saving and consumption improvement through the implementation of our new-type solid fuel spraying and blowing technology, together with the decline in the price of raw materials, the average unit production cost for the Group's glass products recorded substantial decrease over the corresponding period last year. The successful application of energy-saving technology on certain production lines laid a solid foundation for the extensive use of the technology in our other production lines.

Production, sales and selling price: For the first half of 2009, the 10 float glass production lines of the Group in normal operation maintained safe production with stable quality. The Group produced a total of 12.73 million weight cases of various types of glass for the first half of the year, with a gross rate of finished products of over 85%.

For the first half of 2009, the Group continued to adhere to its operational strategy of "product diversity". The Group has the intellectual property rights to the "manufacturing technology for on-line low-emissions ("Low-E") coated float glass". It also possessed the largest production base for painted glass and coated glass. Fully leveraging its self-developed intellectual property rights in the manufacturing technology for online coated glass, the Group strategically increased the proportion of various types of online coated glass, particularly the online Low-E coated glass, in its production and operation. On-line coated glass, particularly the on-line Low-E coated glass, involves higher technology and know-how on which the Group currently has greater competition advantages.

For the first half of 2009, the Group sold a total of 12.54 million weight cases of various types of glass, representing a production-sales rate of 98.5%. The average selling price of the glass products of the Group was RMB69 per weight case, representing a decrease of RMB13 per weight case, or 15.85%, over the corresponding period last year.

For the first half of 2009, the Group sold 6.12 million weight cases of painted glass, accounting for 49% of our total sales, of which coated glass amounted to 3.01 million weight cases, accounting for 24% of our total sales and ranked amongst the top of Chinese glass producers in terms of market share. These products, which were of higher added values, were the largest contributors to the Group's profits.

OUTLOOK

The domestic property market stabilised during the second quarter of 2009 and total property investment in the PRC reached 434 billion in June, representing a period-on-period growth of 18%, which directly pushed up the demand of architectural glass products. Demand for architectural glass is expected to keep growing as investments in the property market continues to increase and more construction projects take place. The Group's export sales volume which represented 25% of the total sales volume in the first half of 2008 dropped to 22% in the first half of 2009. Nonetheless, the export market is expected to improve with the recovery of the global economy in the coming year. In addition, the turnaround in the automobile industry will facilitate growth in the glass industry. Therefore, the glass industry will witness a turnaround but its sustainability depends on the developments of the global economy as well as domestic and international economic policies.

Last year, 47 production lines for float glass in the PRC suspended operations and less than 10 have resumed operation so far. Despite the establishment of 7 new production lines, the supply of float glass is still tight in the PRC. The suspended production lines require 3 to 4 months to prepare for resumption of operation. Therefore, the total supply of float glass in the PRC in 2009 is expected to grow slowly.

With respect to cost, the Group expects the prices of raw materials and fuel to increase with great volatility in the second half of 2009.

Soda ash: Increase in demand for soda ash is driven by the recovery of glass markets and prices of soda ash in certain regions have slightly increased. However, as downstream industries such as the aluminium oxide industry are undergoing recoveries, utilization rate of domestic soda ash producers is approximately 80% and its export market is still not favourable. It is expected that prices of soda ash will display limited growth corresponding with the turnaround of the downstream industries.

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. Under the global economic recovery, demands and prices of crude oil and fuel oil in the international market are expected to increase. Therefore, the price of heavy oil in the PRC is expected to increase in the second half of the year.

Coal: Although the PRC economy witnessed a favourable development, its foundation is not solid and demand for the downstream industries of coal (such as the power industry), iron, steel and the architectural material and chemical, have yet to recover. Coal prices in the first half of 2009 were steady while the price trend in the second half, which largely depends on the downstream demand and price of crude oil in the international market, is expected to remain steady based on the current demand conditions.

The Group will proactively control its raw materials costs according to the changes in the raw materials markets.

The focus of the Group for the second half of the year will continue to be as follows:

1. Strengthening the internal restructuring:

   The Group will strengthen internal restructuring within the Group according to the development needs of the entity. In our operating system, we have commenced the establishment of two operation centres in Weihai and Suqian with designated functions since second half 2009. Based on the geographical and products strategies, the two operation centres are responsible for centralized procurement and sales, so as to reduce operation costs and to enhance the flexibility of the Group in response to changes in the market.

2. Maintain the product diversity operation strategy

   Despite the current recovery of market demand for common glass products along with the market revival, the Group continues to uphold the product diversity policy for the long term development. We believe that the development of higher value added products will always be the key to our success. Therefore, as scheduled, we will promote the application of production techniques for higher value-added products, including Low-E glass, solar control coated glass, titanium coated glass and easy-to-clean coated glass and increase the ratio of higher value added products in the Group's product mix.

3. Continue to promote new technology to reduce fuel cost

   Along with the successful application in certain production lines of the Group, the Group will continue to promote the use of energy saving technologies, like "solid fuel spraying and blowing technology" according to our plan formulated at the beginning of the year, so as to reduce the production fuel costs.

4. Maintain production capacity and market share

   The Group will maintain production capacity level through the relocation of a production line and the establishment of two production lines. We will carry out technological improvement on the new production capacity for higher value added products so as to secure the Group's market share. Meanwhile, the Group may resume production of certain suspended production lines according to market changes.

5. Make more efforts on technology improvement and new products research

   We will maintain our research policy on new technology and new products. We will strive to achieve technological breakthroughs in high end coating technology and photovoltaic products and put our results into production in the second half of the year.

6. Actively improve the financial structure of the Company

   We will continue to improve our financial structure, including the completion of redemption of certain United States Dollars ("USD") unsecured notes at the end of July, so as to reduce operation costs as a whole.

FINANCIAL REVIEW

For the first six months of 2009, the turnover of the Group decreased by 28% to RMB882.2 million as compared to RMB1,221.6 million in the first six months of 2008. The decrease was due to decreases in sales volume and average selling price. The gross profit margin increased to approximately 12.5% from 11.5% compared to the corresponding period last year. The increase was primarily due to the decrease in costs of fuel and raw materials such as heavy oil and soda ash.

The Group's loss for the period amounted to approximately RMB67.7 million, representing a decrease of RMB79.2 million as compared to a profit of RMB11.5 million for the first six months of 2008. The decrease was mainly attributable to the increase in share of losses of an associate and the decrease in net foreign exchange gain arising from the senior notes denominated in USD issued in July 2007, as a result of stablised exchange rate between RMB and USD.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS-LIABILITIES RATIO

As at 30 June 2009, the Group's cash and cash equivalents amounted to RMB390.7 million (31 December 2008: RMB279.5 million), of which 92% were denominated in Renminbi ("RMB"), 5% in USD and 3% in Hong Kong dollars ("HKD"). Outstanding bank and other loans amounted to RMB638.9 million (31 December 2008: RMB447.7 million), of which 76% (31 December 2008: 66%) were denominated in RMB and 24% (31 December 2008: 34%) were denominated in USD, and outstanding unsecured notes amounted to RMB671.6 million (31 December 2008: RMB669.2 million) which were denominated in USD. As at 30 June 2009, the gearing ratio (total interest-bearing debts divided by total assets) was 34% (31 December 2008: 32%). As at 30 June 2009, the Group's current ratio (current assets divided by current liabilities) was 0.60 (31 December 2008: 0.61). The Group recorded net current liabilities amounting to RMB742.0 million as at 30 June 2009 (31 December 2008: RMB623.4 million). Assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.76 (31 December 2008: 0.72).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's sales transactions and monetary assets were primarily denominated in RMB, HKD, USD and Euro Dollars. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future appreciation of RMB will closely associate with the development of the PRC economy. Our net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate.

During the six months ended 30 June 2009, the Group had not adopted any derivatives for hedging purposes.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2009 (Dividend for the six months ended 30 June 2008 : Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2009.

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 9(b).

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

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On 31 July 2009, the Company redeemed USD39,110,000 of its outstanding USD100,000,000 9.625% Senior Notes due in 2012 (the "Notes"). The Notes were issued by the Company on 12 July 2007 and are listed on the Singapore Exchange Securities Trading Limited.

The aggregate consideration paid by the Company is USD19,560,000 and the redeemed Notes had been cancelled. Following completion of the redemption, the aggregate principal amount of the Notes outstanding is USD60,890,000.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Company has maintained the prescribed public float of no less than 25% under the Listing Rules.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2009, the Group had employed a total of approximately 6,246 employees in the PRC and Hong Kong (31 December 2008: about 6,476 employees). According to the relevant market situation, the Group's employees' remuneration level remains at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contributions to the above schemes were forfeited for the six months ended 30 June 2009. Details of staff costs and pension schemes were set out in Note 4.

MATERIAL ACQUISITIONS OR DISPOSALS

On 10 January 2008, the Group has entered into a share transfer agreement to dispose of its 45% equity interests in Beijing Zhonghai Xingye Safety Glass Company Limited. As at the date of this announcement, the disposal has yet to be completed.

On 25 May 2009, the Group entered into an equity transfer agreement to dispose of its 49% equity interests in Dongtai China Glass Special Glass Company Limited ("Dongtai Company") to Jiangsu Glass Group Company Limited ("Jiangsu Glass Group"). In addition, Jiangsu Glass Group granted to the Group an exclusive and irrevocable option to acquire part of or the whole of the equity interest in Dongtai Company held by Jiangsu Glass Group. The option is exercisable by the Group at any time after the completion of the disposal for a period of three years. Upon completion of this transaction on 10 July 2009, the Group's effective interests in Dongtai Company decrease from 100% to 51%.

Other than disclosed above, the Group did not have any material investments or capital assets, or material acquisitions and disposals of subsidiaries and affiliated companies during the six-month period ended 30 June 2009.

ISSUANCE OF NEW SHARES

During the first half of 2009, the Board resolved to place, on a conditional basis, a total of 46,330,000 new shares ("Placing Shares") to members of its senior management at a price of HK$0.53 per ordinary share. The Placing Shares represented approximately 11.14% of the existing issued shares of the Company and approximately 10.02% of the issued shares of the Company as enlarged by the placing. The consideration represents an average of the closing prices of the shares of the Company for the 30 trading days ended 19 March 2009.

As at 30 June 2009, the placement had not been completed.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group were set out in Note 10.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non-executive Directors. The current 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 unaudited interim financial report for the six months ended 30 June 2009.

Remuneration Committee

The Company has set up a remuneration committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of the Directors and senior management. The committee is comprised of one non-executive Director, namely Mr. Zhao John Huan, and two independent non-executive Directors, namely Mr. Song Jun and Mr. Sik Siu Kwan. The chairman of the remuneration committee is Mr. Zhao John Huan.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development.

COMPLIANCE WITH 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 period of six months ended 30 June 2009.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code contained in the Listing Rules. Having made specific enquiries of all the directors, the Company confirms that the Board has strictly complied with the Model Code during this reporting period.

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

Hong Kong, 21 September 2009

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. Song Jun, Mr. Sik Siu Kwan and Mr. Zhang Baiheng as Independent Non-Executive Directors.

* *For identification purpose only*