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 2010

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010 together with the comparative figures for the corresponding period in 2009.

Consolidated Income Statement
For the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Turnover	3	**1,422,543**	882,153
Cost of sales		**(1,038,319)**	(771,970)
Gross profit		**384,224**	110,183
Other revenue		**20,062**	7,763
Other net income/(loss)		**2,921**	(522)
Distribution costs		**(34,689)**	(31,926)
Administrative expenses		**(87,563)**	(80,942)
Profit from operations		**284,955**	4,556
Share of losses of an associate		**–**	(20,893)
Net gain from disposal of controlling equity interests in a subsidiary		**4,608**	–
Net gain from disposal of equity interests in an associate	9	**78,025**	–
Finance costs	4	**(52,207)**	(54,606)
Profit/(loss) before taxation	4	**315,381**	(70,943)
Income tax	5	**(50,945)**	3,251
Profit/(loss) for the period		**264,436**	(67,692)
Attributable to:			
Equity shareholders of the Company		**166,220**	(73,482)
Non-controlling interests		**98,216**	5,790
Profit/(loss) for the period		**264,436**	(67,692)
Basic and diluted earnings/(loss) per share (RMB)	6	**0.365**	(0.177)

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) for the period	**264,436**	(67,692)
Other comprehensive income for the period (before and after tax):		
Exchange differences on translation into presentation currency	**2,316**	826
Total comprehensive income for the period	**266,752**	(66,866)
Attributable to:		
Equity shareholders of the Company	**168,090**	(72,646)
Non-controlling interests	**98,662**	5,780
Total comprehensive income for the period	**266,752**	(66,866)

Consolidated Balance Sheet
At 30 June 2010 – unaudited
(Expressed in RMB)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment		**2,466,067**	2,319,947
Lease prepayments		**297,388**	304,662
Intangible assets		**64,106**	70,063
Receivables from related companies		**21,182**	–
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**63,841**	62,156
		2,913,584	2,757,828
Current assets			
Inventories		**321,336**	312,057
Trade and other receivables	7	**719,802**	473,138
Cash and cash equivalents		**347,651**	291,037
		1,388,789	1,076,232
Current liabilities			
Trade and other payables	8	**1,527,153**	1,274,906
Bank and other loans		**297,918**	273,616
Income tax payable		**24,540**	27,123
		1,849,611	1,575,645
Net current liabilities		**(460,822)**	(499,413)
Total assets less current liabilities		**2,452,762**	2,258,415
Non-current liabilities			
Bank and other loans		**466,888**	479,937
Amounts due to a related company		**80,572**	76,928
Unsecured notes		**404,284**	405,472
Deferred tax liabilities		**51,690**	58,591
		1,003,434	1,020,928
NET ASSETS		**1,449,328**	1,237,487

Consolidated Balance Sheet (continued)
At 30 June 2010 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2010** **RMB'000**	At 31 December 2009 *RMB'000*
CAPITAL AND RESERVES	10		
Share capital		**47,927**	43,856
Reserves		**703,500**	517,421
Total equity attributable to equity shareholders of the Company		**751,427**	561,277
Non-controlling interests		**697,901**	676,210
TOTAL EQUITY		**1,449,328**	1,237,487

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 30 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 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 2009 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 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 April 2010.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of revised HKFRSs and amendments to HKFRSs, and one new Interpretation 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 3 (revised 2008), *Business combinations*, Amendments to HKAS 27, *Consolidated and separate financial statements* and Amendments to HKFRS 5*, Non-current assets held for sale and discontinued operation – plan to sell the controlling interest in a subsidiary.* HKFRS 3 (revised 2008), amendments to HKAS 27 and HKFRS 5 have been early adopted by the Group in the 2008 financial statements.

- Improvements to HKFRSs (2009). The "Improvements to HKFRSs (2009)" comprise a number of 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 Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

The Group manages its businesses by products. 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.

- High value-added glass products: this segment produces, markets and distributes high value-added glass products such as painted glass, coated glass, ultra clear glass and photovoltaic battery module products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, 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, non-current 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 borrowings 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 interest income and "depreciation and amortisation" is regarded as including impairment losses on tangible 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, net gain from disposal of controlling equity interests in a subsidiary, net gain from disposal of equity interests in an associate, directors' 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 interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have occurred for the six months ended 30 June 2010 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 six months ended 30 June 2010 and 2009 is set out below.

	Low value-added glass products		**High value-added glass products**		**Total**	
	Six months ended 30 June 2010	Six months ended 30 June 2009	**Six months ended 30 June 2010**	Six months ended 30 June 2009	**Six months ended 30 June 2010**	Six months ended 30 June 2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers and reportable segment revenue	**742,510**	440,775	**680,033**	441,378	**1,422,543**	882,153
Reportable segment profit (adjusted EBITDA)	**192,905**	11,801	**206,771**	92,541	**399,676**	104,342
Additions to non-current segment assets during the period	**246,718**	1,730	**39,917**	339,782	**286,635**	341,512

	Low value-added glass products		**High value-added glass products**		**Total**	
	At 30 June 2010	At 31 December 2009	**At 30 June 2010**	At 31 December 2009	**At 30 June 2010**	At 31 December 2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment assets	**2,293,865**	1,590,575	**1,989,118**	2,228,174	**4,282,983**	3,818,749
Reportable segment liabilities	**1,666,402**	1,132,584	**1,114,731**	1,382,611	**2,781,133**	2,515,195

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit		
Reportable segment profit derived from the Group's external customers	**399,676**	104,342
Share of losses of an associate	**–**	(20,893)
Net gain from disposal of controlling equity interests in a subsidiary	**4,608**	–
Net gain from disposal of equity interests in an associate	**78,025**	–
Other revenue and net income	**732**	7,803
Depreciation and amortisation	**(107,712)**	(95,075)
Finance costs	**(52,207)**	(54,606)
Unallocated head office and corporate expenses	**(7,741)**	(12,514)
Consolidated profit/(loss) before taxation	**315,381**	(70,943)

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Assets		
Reportable segment assets	**4,282,983**	3,818,749
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**63,841**	62,156
Unallocated head office and corporate assets	**568,658**	560,763
Elimination of receivables between segments, and segments and head office	**(614,109)**	(608,608)
Consolidated total assets	**4,302,373**	3,834,060

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Liabilities		
Reportable segment liabilities	**2,781,133**	2,515,195
Income tax payable	**24,540**	27,123
Deferred tax liabilities	**51,690**	58,591
Unallocated head office and corporate liabilities	**609,791**	604,272
Elimination of payables between segments, and segments and head office	**(614,109)**	(608,608)
Consolidated total liabilities	**2,853,045**	2,596,573

4 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2010 *RMB'000*	2009 *RMB'000*
Finance costs:		
Interest on bank advances and other borrowings	**45,623**	52,742
Bank charges and other finance costs	**14,558**	3,892
Total borrowing costs	**60,181**	56,634
Less: amounts capitalised	**(5,476)**	(2,921)
Net borrowing costs	**54,705**	53,713
Net foreign exchange (gain)/loss	**(2,498)**	893
	52,207	54,606

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Staff costs:		
Salaries, wages and other benefits	**97,680**	77,210
Contributions to defined contribution retirement plans	**12,985**	10,704
Equity-settled share-based payment expenses (see Note 10(c))	**2,002**	3,222
	112,667	91,136

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Other items:		
Cost of inventories	**1,038,319**	771,970
Depreciation and amortisation	**107,712**	95,075
(Reversal)/provision of impairment loss on trade and other receivables	**(876)**	2,202
Operating lease charges in respect of		
– land	**109**	108
– plant and buildings	**2,446**	1,543
– motor vehicles	**649**	578
Research and development costs (other than amortisation costs)	**438**	301
Net gain on disposal of property, plant and equipment	**(894)**	(40)
Interest income	**(734)**	(1,278)

5 INCOME TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Provision for income tax on the estimated taxable profits for the period		
– The People's Republic of China (the "PRC") Income Tax	**54,112**	4,762
Deferred taxation	**(3,167)**	(8,013)
	50,945	(3,251)

No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong Special Administrative Region ("Hong Kong SAR") did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2010 (six months ended 30 June 2009: RMBNil).

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 rates ranging from 15% to 25% for the six months ended 30 June 2010 (six months ended 30 June 2009: 15% 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, or if the PRC subsidiary is entitled but has not commenced in enjoying the tax holiday, the tax holiday must commence immediately in 2008 under 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 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%.

6 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earning per share for the six months ended 30 June 2010 is based on the profit attributable to the equity shareholders of the Company of RMB166.2 million (six months ended 30 June 2009: loss of RMB73.5 million) and the weighted average of 455,931,000 ordinary shares (six months ended 30 June 2009: 416,000,000 ordinary shares) in issue during the six months ended 30 June 2010, calculated as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Issued ordinary shares at 1 January	**416,000**	416,000
Effect of shares issued on 26 January 2010 (Note 10(b))	**39,931**	–
Weighted average number of ordinary shares at 30 June	**455,931**	416,000

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares as at 30 June 2010 and 2009.

7 TRADE AND OTHER RECEIVABLES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Trade receivable from:		
– Third parties	**144,376**	77,736
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**52,880**	42,909
– Companies under common significant influence	**315**	322
Bills receivable	**332,653**	167,825
	530,224	288,792
Less: allowance for doubtful debts	**(20,427)**	(28,435)
	509,797	260,357
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**4,111**	2,353
– Non-controlling equity holders of subsidiaries of the Group	**142**	142
– Associates of the Group	**3,532**	4,735
– Companies under common significant influence	**44,120**	44,264
	51,905	51,494
Less: allowance for doubtful debts	**(2,901)**	(2,990)
	49,004	48,504
Prepayments, deposits and other receivables	**170,362**	173,795
Less: allowance for doubtful debts	**(9,361)**	(9,518)
	161,001	164,277
	719,802	473,138

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

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 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Within 1 month	**161,745**	55,043
More than 1 month but less than 3 months	**143,463**	68,893
More than 3 months but less than 6 months	**182,338**	119,540
More than 6 months	**22,251**	16,881
	509,797	260,357

Trade and bills receivables that were not impaired relate to a wide range of customers for whom there was no recent history of default and has 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 2010	At 31 December 2009
	RMB'000	*RMB'000*
Trade payable to:		
– Third parties	**509,623**	374,154
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**4,497**	8,148
– Companies under common significant influence	**2,163**	2,070
Bills payable	**77,700**	59,874
	593,983	444,246
Amounts due to related companies:		
– An equity shareholder of the Company	**5,101**	5,180
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**14**	13,268
– Companies under common significant influence	**39,583**	47,146
	44,698	65,594
Accrued charges and other payables	**725,026**	659,386
Financial liabilities measured at amortised cost	**1,363,707**	1,169,226
Advances received from customers	**163,446**	105,680
	1,527,153	1,274,906

All of the trade and other payables are expected to be settled or recognised as revenue 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 2010	At 31 December 2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**546,283**	393,586
Due after 1 month but within 6 months	**47,700**	50,660
	593,983	444,246

9 NET GAIN FROM DISPOSAL OF EQUITY INTERESTS IN AN ASSOCIATE AND ACQUISITION OF ADDITIONAL CONTROLLING EQUITY INTERESTS IN A SUBSIDIARY OF THE GROUP

On 31 December 2009, the Company and Jade Vision Investments Limited ("Jade Vision"), a wholly owned subsidiary of the Group, entered into an equity transfer agreement and a share transfer agreement with Pilkington International Holdings BV ("Pilkington International") and Pilkington Italy Limited ("Pilkington"). According to the equity transfer agreement, Jade Vision has agreed to sell all of its 50% equity interests in Taicang Pilkington China Glass Special Glass Limited ("Taicang Special Glass") to Pilkington International. By virtue of the share transfer agreement, the sale of above equity interests in Taicang Special Glass will be settled by the transfer of 14.68% equity interests of JV Investments Limited ("JV Investments"), a non-wholly owned subsidiary of the Group, from Pilkington to the Company. Upon completion of the equity transfer of Taicang Special Glass on 15 April 2010, Taicang Special Glass ceased to be an associate of the Group. The Group's share of Taicang Special Glass' net assets immediately before the equity transfer was RMBNil. The Group recognised a net gain of RMB78.0 million on disposal.

In addition, upon completion of the share transfer of JV Investments from Pilkington to the Company on 10 May 2010, the Group's effective interests in JV Investments increased from 43.22% to 57.90%. Consequently, the Group recognised a decrease in non-controlling interests of RMB78.0 million.

10 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 2010 (six months ended 30 June 2009: HK$Nil).

(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 2009 (year ended 31 December 2008: HK$Nil).

(b) Issuance of ordinary shares

In a special general meeting held on 24 April 2009, the Company's shareholders approved the placing of 46,330,000 ordinary shares of HK$0.53 per share to certain senior management of the Group. Upon completion of the issuance of the above shares on 26 January 2010, the Company's number of shares in issue increased from 416,000,000 to 462,330,000. The proceeds of HK$4.6 million (equivalent to approximately RMB4.1 million), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of transaction costs, of HK$18.2 million (equivalent to approximately RMB16.0 million) were credited to the share premium account.

(c) 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 2010 and 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.

No share options previously granted to directors of the Company and employees of the Group have been forfeited during the six months ended 30 June 2010 (six months ended 30 June 2009: 700,000 share options).

No share options were exercised during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

11 NON-ADJUSTING POST BALANCE SHEET EVENTS

Acquisition of controlling equity interests

On 30 June 2010, the Company announced that the Company, through a subsidiary, has entered into various equity transfer agreements to acquire an aggregate of 39.6% equity interests in Linyi Bulusida Special Glass Company Limited ("Linyi Bulusida") from the then equity holders of Linyi Bulusida, with the consideration being the subsidiary taking up the obligation to fulfil the outstanding capital contribution requirement of RMB40.0 million into Linyi Bulusida.

At the same time, the same subsidiary has entered into a capital increase agreement with Linyi Bulusida to subscribe for an additional 31.76% equity interests in Linyi Bulusida for a consideration of RMB47.0 million.

Upon completion of the above equity transfers and capital increase, the Group's effective interests in Linyi Bulusida will be 18.57% and Linyi Bulusida will become a non wholly-owned subsidiary of the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the first half of 2010, production and sales for the Chinese glass market remained strong as a whole upon the steady growth of the national economy. In the first quarter of 2010, the selling price of glass declined from its peak in second half of 2009 but still stayed at a high level, being driven by the real estate market boom since the second half of last year and the rapid development of the automobile industry, as well as market movement. In the second quarter, the sold area of commodity properties in May and June recorded negative growth on a year-on-year basis because of the promulgation of the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" by the State Council on 17 April 2010. This resulted in a fall in demand on glass products. At the same time, the market supply of glass products increased due to the commencement of production of new lines and resumption of production lines that had previously suspended production. As such, the selling price of glass declined from the high level of the first quarter, but sustained a normal profitability level.

During the first half of 2010, the supply of raw materials and fuel for the glass production was abundant, as the economy was stabilized and picking up in growth. The price of raw materials and fuel rose at the beginning of the year but then fell gradually.

Compared with the same period last year, the rise in the average selling price of glass was far greater than the rise in the price of raw materials and fuel. This was also a major reason for the improvement in profitability of glass industry as a whole during the first half of 2010.

BUSINESS REVIEW

Overview

The Group currently has 17 glass production lines. These include 13 float glass production lines, 2 sheet glass production lines, 1 patterned glass and 1 off-line low-emissions ("Low-E") coated glass production line. The Group also has an amorphous silicon thin-film battery production line which has an annual production of 3MW.

During the first half of 2010, the Group had 14 glass production lines in operation, which produced 16.19 million weight cases of various types of glass, recording an increase of 3.46 million weight cases or 27.18% as compared to that of the same period of last year. The increase in production volume was mainly attributable to the commencement of production of two 600T/D float glass production lines in Dongtai, Jiangsu Province in the second half of 2009 and the first half of 2010 respectively, and the resumption of Suqian second production line and Nanjing first production line after overhauled in the first half of 2010.

During the first half of 2010, the Group proactively deployed its strategies. The Group allocated resources according to its three-year development plan formulated at the beginning of the year, the plan focused on the "Two High One Low" strategy, which is to maintain the advantages in high technology, increase the proportion of high value-added products, as well as pursuing low cost advantages. Product sale price, production to sales ratio and market share were improved through the increase in production volume, enhancement of product quality, development of new products, adjustment of product mix and exploration of new markets. Costs and expenses were reduced through the upgrading and innovation of technology, strategic purchasing and reducing consumption and waste of fuels.

Raw materials prices and production costs

During the first half of 2010, the market prices of major raw materials and fuel for the production of glass had been affected by many different factors, such as supply and demand in the international and China markets, the State's macro-economic control measures and limits on production by upstream industries to uphold the price levels. There was a continuing upward trend of prices since the end of last year until the beginning of this year, and the prices gradually declined after rising to the peak at the end of the first quarter. Accordingly, production costs in the industry increased from that of the same period of last year. However, the Group's unit cost in glass production only increased by 3%, mainly attributable to impact of market price change as mentioned above, the use of cheaper fuel such as coke oven gas and application of solid fuel spraying and blowing technology to more production lines of the Group.

Production, sales and selling price

During the first half of 2010, the Group's 14 glass production lines in normal operation maintained good operating conditions, safety and stable quality. The Group produced 16.19 million weight cases of glass during the first half of the year. The Group sold 16.23 million weight cases of glass in aggregate with a production to sales ratio of 100.25%. The overall selling price of the Group's glass products was RMB86 per weight case, representing an increase of 25% from that of the same period in last year.

Profitability analysis

During the first half of 2010, the Group's profit after tax was RMB264 million, representing an increase of RMB332 million from that of the same period of last year. This was mainly driven by the increase in profit from operations from RMB5 million in the same period of last year to RMB285 million in the first half of 2010. The significant increase in profit from operations was mainly due to three reasons: Firstly, three of the Group's production lines successively commenced production during the first half of the year. Concurrently, the demand from customers was strong. Sales volume increased by 29% during the first half of the year from that of last year. Secondly, the favourable conditions prevailed in the glass market. This, together with more high value added glass products were produced and sold by the Group, increased the average selling price of the Group's products by 25% during the first half of the year from that of last year. Thirdly, the Group continued to implement measures by reducing consumption and waste of fuels, tapping into new sources of income and cost-saving, implementing technology innovation and technique optimization for reducing the consumption in energy. Packaging costs were reduced by introducing simplified packaging. Purchase costs were reduced through strategic purchasing.

Energy saving and emission reduction

The Group continued to devote more efforts to save energy and reduce emissions in its operations during the first half of the year. Improvement was achieved with the desulphurization devices and dust removers for the existing production lines in the Group's production base at Weihai, Shandong Province. While achieving the benchmarks for emissions, the products from desulphurization were also fully recycled. This perfectly exemplifies the local cyclic economy. During the course of an overhaul conducted at the Group's one production line in Suqian, Jiangsu Province, a series of initiatives were undertaken to save energy and reduce emissions. The Group adopted 15 new technologies and techniques, which will save approximately 7,600 tonnes of fuel oil per annum. The improvements also received the State's incentive award for technology upgrade for energy saving initiatives. In addition, the Group also achieved prominent progresses with research and development in enhancing burning efficiency.

The price of heavy oil, a key fuel used by the glass industry, continued to increase. However, the Group adopted its own proprietary solid fuel spraying and blowing technology which employs low cost fuels such as petroleum powder and coal. This greatly reduced fuel costs and achieved excellent efficiency in substituting fuel. In addition, certain production lines of the Group also used cheaper fuel such as coke oven gas. The Group will continue to seek opportunities to reduce energy consumption and achieve cost savings from every possible perspective.

Implemented the "Two High One Low" strategy

I. Maintaining advantages in high technology

During the first half of the year, the Group continued to maintain its strength in the research and development of new and high technologies. The Group devoted more efforts on the research and development of energy saving glass products, new energy glass products and their industrialization, in order to be prepared for its use in new production lines.

II. Increasing proportion of high value-added products

According to the plan formulated by the Group at the beginning of the year, the Group takes the following measures in respect of the production of high value added products:

A. Energy saving glass products

The production volume and the resources allocated to the production of on-line Low-E coated glass increased according to the market demand. In particular, the installation of Low-E technology equipment designated for use by two production lines at the production base of Dongtai, Jiangsu Province was in process as planned.

B. New energy glass products

Production of ultra clear glass for solar power: At present, the Company has upgraded its first production line at Nanjing into an ultra clear glass production line. The yield ratio for the first three months of production was better than expected. The market has good feedbacks on the products, and the demand of the products was higher than supply.

Production of on-line transparent conducting oxide (TCO) glass: The products from trial production were used in the solar power demonstration project of the State and the results were promising. The first on-line TCO glass production line is now under construction in Linyi, Shandong Province, which will commence operation by the end of the year.

C. Amorphous silicon thin film batteries

A subsidiary of the Group specializing in the production of amorphous silicon thin film batteries is expanding production capacity as planned and the annual production capacity will be increased to 12MW after the expansion.

III. Pursuing low costs advantages

The Group promoted the adoption of its self-developed proprietary solid fuel spraying and blowing technology within the Group. For the time being, several production lines that originally adopted high-cost energy are now equipped with the special spray equipment to replace the high-cost energy. Additionally, the Group will actively explore new sources of low-cost energy. For example, the production line which is under construction in Linyi, Shandong Province will use cheap coke oven gas resource that is abundant in local supply as its fuel. The above measures together with the advantages of the Group in procurement of key raw materials will allow the Group to lower its costs in the future.

Outlook

The Group is of the view that with the slow recovery of global economy and the steady development of the economy in China, the glass market for the second half of 2010 will rise further before stabilizing. Details of the analysis are as follows:

Impact from policies:

From a policy perspective, the promulgation of the "Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities" by the State Council on 17 April 2010 was only intended to suppress the surge in housing price but not to curb the development of real estate sector. In the meantime, the State is also placing more emphasis on the construction of affordable housings, low-rent housings and housings of "two limits" so as to meet the strong growth in the demand for housing. Taking into account the lagging effect in the construction of affordable housings, low-rent housings, the force generating therefrom to drive the demand in the glass market will emerge gradually in the second half of the year. This will also compensate for the fall in demand previously attributed to the decline in the construction of normal residential properties and commercial properties.

Despite the State's cancellation of the export tax refund policy for float glass from July 2010, based on the analysis of composition and market environment on high value added glass products for exports, it is expected that the cost of high value-added floating glass will be able to be shifted to the overseas downstream sellers. Therefore, it is expected that the profit margin on these products will not be materially affected.

As the Chinese government becomes increasingly focused on environmental protection and energy conservation, energy-saving construction will inevitably be a dominant trend in society as a whole. At present, energy-saving glass such as hollow and Low-E hollow glass, are widely adopted in constructions throughout Europe and the United States. The usage rate of these energy-saving glass in Europe and the United States exceeds 50%, while it is less than 10% for those in China. Pursuant to the requirements of the Energy Conservation Law, energy saving construction materials such as Low-E glass will be widely used in new construction projects and redevelopment projects. Extensive use of energy saving construction materials, including Low-E glass will bring a rapid growth in the demand of energy saving glass. This will facilitate the Group to capitalize from the advantages in the research and development of technologies for energy saving glass.

Hence, the macro-economic control measures of the State and the specific adjustment in policies may adversely affect enterprises that primarily manufacture low value-added products in the industry. However, these policy adjustments are in line with the Group's strategy of increasing the proportion of high value-added products and will be beneficial to the development of the Group.

Impact from demand:

From a demand perspective, approximately 90% of sheet glass produced in China is sold in the domestic market and 10% is exported. For the demand for sheet glass in China, uses in real estate industry accounted for 70%, automobile industry accounted for 15%, internal decoration accounted for 10% and other uses accounted for 5%.

Taking into account investments in the real estate industry, land acquisition and area of housing that commenced and completed construction in the first half of the year, the demand for glass in the second half of the year is expected to increase to a certain extent from the first half of the year and that of last year.

In the automobile industry, the State launched the "Plan on Adjusting and Revitalizing the Automobile Industry" in 2009. Over 10 million units of automobiles were planned for production and sales in 2009, with an average growth of 10% during a period of three years. In 2009, the sales of automobiles in China exceeded the sales in the United States and China had become the largest automobile market in the world. It is expected that the demand for glass by the automobile industry will continue to grow in 2010 and afterwards.

As to the interior decoration market, glass has recently become a widely-used material in interior decoration in airports, office lobbies, glass doors, sanitary wares and artistic glass, and the consumption volume has been rising. In 2009, the sales of normal residential properties increased by 51% from that in 2008. As the usage of glass in interior decoration and renovation is lagging behind the use of glass in construction, glass demand for interior decoration in 2010 is expected to exceed that of 2009.

As for the international market, while the gradual recovery in the international financial market is ongoing, the global economy is still subject to the post-financial crisis era. International market currently remains uncertain.

Impact from supply:

For the supply of glass products, there were a total of 209 sheet glass production lines in China at the beginning of 2010. At present, there are over 30 float glass production lines under construction. It is expected that the production volume of sheet glass in the second half of the year will be over 360 million weight cases, representing an increase of over 15% from the first half of the year, and an increase of over 15% from that of the same period in last year.

As the demand for high quality float glass and further-processed glass featuring environmental protection functions, such as coated glass, hollow glass, and particularly Low-E glass will become more widely accepted, the normal float glass market will become very competitive.

Raw materials market:

Prices of raw materials and fuels used in the production of glass are expected to mildly increase in the second half of 2010 as compared to the first half of 2010.

Soda ash: The price of soda ash is expected to increase in the second half of the year as a result of increased production costs and an increase in demand in downstream industries such as the glass, chemical, washing agent and dyeing industries. Also, over a long period of time in the past, the industry had tended to stabilize selling price by adopting effective measures of limited production. Therefore, the price of soda ash is expected to increase slightly in the second half of the year.

Fuel oil: As international crude oil prices rose and the demand from domestic market increased, domestic fuel oil prices are expected to increase slightly in the second half of the year.

Coal: The price of coal is expected to increase slightly in the second half of the year and reach a peak in the fourth quarter.

Petroleum powder: Petroleum powder is a fuel substitute and its price is closely related to those of coal and coal tar. Due to refineries' resource limits and the impact of low cost imported petroleum powder, and taking into account the downturn in the downstream aluminum electrode and silicon metal industries, the price of petroleum powder in the second half of the year is expected to fluctuate within the price range in the first half of the year.

Silicon sand and stones: The prices of these materials in the short term mainly depend on the fluctuation in transportation costs. It is expected that prices will rise slightly in the second half of the year following the rise in fuel oil prices.

To conclude from the above, the Group expects the demand for sheet glass will increase significantly during the second half of 2010 as compared with that of the first half of the year and that of last year. Equilibrium in supply and demand will generally be achieved and there will be a trend of increased competition for normal glass products. However, the market demand for high value-added products, such as energy saving and new energy glass, as well as other coated products, will continue to have a rapid growth. Selling price is subject to seasonality factors, which is expected to increase and then stabilize in the second half of 2010 and slightly increase in the peak season.

Faced with market prospects in the second half of the year, the Group will focus its activities on the steady implementation of the strategy "Two High One Low".

Firstly, the Group will continue to execute the strategy of product differentiation, so as to flexibly accommodate the change in demand arising from the market. In fully leveraging on the Group's technological and product advantages in new energy glass and energy saving glass products, the proportion of high value-added products such as energy saving glass, high end coated glass and new energy products in the total production volume will increase gradually.

The Group will adopt a number of methods to ensure the increase in the production of high value-added products, including:

- Increasing the production proportion for high value-added products, particularly energy saving glass products according to the market demand;

- According to the market demand, adopting technologies used in the production of high value-added products to the production lines of normal products through the overhaul of the production lines.

The production capabilities of the Group in high value-added products will increase, in order to be able to fulfill market demand arising from the rapid growth of the energy saving and new energy glass markets in future. For examples, the first production line in Nanjing has been upgraded for the production of ultra clear glass for solar power during the first half of the year. The second production line will be upgraded following the success in the first production line, so that Nanjing will become a special production base of the Group for the production of ultra clear glass for solar power.

Moreover, production lines for high value-added products will be built upon the opportunities in relocation and new construction projects. Resources will also be devoted to the construction of production lines of new energy products, such as those for on-line TCO glass which is under construction in Linyi, Shandong Province and solar power thin film battery production line which is under expansion. These are also important strategies of the Group to increase its proportion of high value-added products.

Furthermore, the Group will continue to devote more efforts to the research of new and high technology, so as to enhance the core competitiveness of the Group, such measures including:

- Extending the research for on-line coated technologies, particularly the research and development for upgrading on-line Low-E coating technology and on-line TCO glass technology. This will provide a solid technological foundation for the expansion of production capacity of energy saving and new energy products.

- Increasing its investments in the research and development of technologies to reduce fuel consumption. Fuel consumption of the production lines will be reduced so as to achieve environmental-friendly production and to provide benefits to both the society and the Group.

In addition, more efforts will be deployed to promote the adoption of fuel substitutes so as to reduce production costs, including:

- Continuing to replace traditionally used fuels in our production lines with solid fuel spraying and blowing technology, in order to maximize the reduction in production costs;

- Increasing the use of other energy sources with lower costs (e.g. coke oven gas) in relocated production lines and new production lines;

- Increasing efforts in research and development of technology, in order to improve efficiency of furnace.

In addition, the Group will continue to optimize the business models of our operating centre, improve its internal control system, create highly efficient resources allocation system, improve operation efficiency of the Group, in the hope that the Group will achieve a better performance in the second half of 2010.

FINANCIAL REVIEW

For the first six months of 2010, the turnover of the Group increased by 61% to RMB1,422.5 million as compared to RMB882.2 million in the first six months of 2009. The increase was attributable to the increase in both sales volume and average selling price. The increase in sales volume was mainly attributable to the commencement of production of two production lines in Dongtai, Jiangsu Province and the resumption of production of two production lines in Nanjing and Suqian, respectively. The increase in average selling price was mainly due to the change in market price and increase in the Group's sales volume of high value-added glass products. The gross profit margin increased to approximately 27.0% from 12.5% compared to the corresponding period last year. The increase was mainly due to increase in average selling price.

The Group's profit for the period amounted to approximately RMB264.4 million, representing an increase of RMB332.1 million as compared to a loss of RMB67.7 million for the first six months of 2009. The increase was mainly attributable to the increase in gross profit and the net gain from disposal of equity interests in an associate.

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

As at 30 June 2010, the Group's cash and cash equivalents amounted to RMB347.7 million (31 December 2009: RMB291.0 million), of which 79% were denominated in Renminbi ("RMB"), 13% in United States Dollars ("USD") and 7% in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB764.8 million (31 December 2009: RMB753.6 million), of which 79% (31 December 2009: 80%) were denominated in RMB and 21% (31 December 2009: 20%) were denominated in USD, and outstanding unsecured notes amounted to RMB404.3 million (31 December 2009: RMB405.5 million) which were denominated in USD. As at 30 June 2010, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 29% (31 December 2009: 32%). As at 30 June 2010, the Group's current ratio (current assets divided by current liabilities) was 0.75 (31 December 2009: 0.68). The Group recorded net current liabilities amounting to RMB460.8 million as at 30 June 2010 (31 December 2009: RMB499.4 million). As at 30 June 2010, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.66 (31 December 2009: 0.68).

EXCHANGE RATE RISK AND RELATED HEDGING

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

During the six months ended 30 June 2010, 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 2010 (Dividend for the six months ended 30 June 2009: HK$Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2010.

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 Directors of the Company and certain employees of the Group were granted share options under the share option scheme. Details of the share options granted were set out in Note 10(c).

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on information that 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 2010, the Group had employed a total of approximately 6,652 employees in the PRC and Hong Kong (31 December 2009: about 6,184 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 2010. Details of staff costs and pension schemes were set out in Note 4.

MATERIAL ACQUISITIONS OR DISPOSALS

On 10 January 2008, Weihai Blue Star Glass Co., Ltd. ("Weihai Blue Star"), an indirect non-wholly-owned subsidiary of the Company, entered into a share transfer agreement with Mr. Xu Yulin ("Mr. Xu") to dispose of its 45% equity interests in Beijing Zhonghai Xingye Safety Glass Company Limited. On 24 April 2010, Weihai Blue Star and Mr. Xu entered into a supplemental agreement to vary certain terms of the share transfer agreement, among others, the consideration for the share transfer shall be RMB1,444,000, which was determined with reference to the independent valuation of the equity interests as at 30 June 2009. The disposal has been completed on 11 June 2010.

On 31 December 2009, the Company and Jade Vision Investments Limited ("Jade Vision"), a wholly owned subsidiary of the Group, entered into an equity transfer agreement with Pilkington International Holding BV ("Pilkington International") and a share transfer agreement with Pilkington International and Pilkington Italy Limited ("Pilkington"). According to the equity transfer agreement, Jade Vision has agreed to sell all of its 50% equity interests in Taicang Pilkington China Glass Special Glass Limited ("Taicang Special Glass") to Pilkington International. According to the share transfer agreement, the sale of above equity interests in Taicang Special Glass would be settled by the transfer of 14.68% equity interests of JV Investments Limited ("JV Investments"), a non-wholly owned subsidiary of the Group, from Pilkington to the Company. The equity transfer of Taicang Special Glass has been completed on 15 April 2010 and the share transfer of JV Investments has been completed on 10 May 2010.

ISSUANCE OF NEW SHARES

In a special general meeting held on 24 April 2009, the Company's shareholders approved the placing of 46,330,000 ordinary shares of HK$0.53 per share to certain senior management of the Group. Upon completion of the issuance of the above shares on 26 January 2010, the Company's number of shares in issue increased from 416,000,000 to 462,330,000.

POST BALANCE SHEET EVENTS

Details of post balance sheet events of the Group were set out in Note 11.

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 2010.

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 as set out in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2010.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to 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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and published on the Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk) and the Company's website (www.chinaglassholdings.com) in due course.

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

Hong Kong, 30 August 2010

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*