CHINA GLASS HOLDINGS LIMITED

中 國 玻 璃 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

Stock Code: 3300

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 together with the comparative figures for the corresponding year in 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

(Expressed in Renminbi ("RMB"))

	Note	**2010** **RMB'000**	2009 RMB'000
Turnover	5	**3,154,796**	2,078,408
Cost of sales		**(2,293,413)**	(1,613,726)
Gross profit		**861,383**	464,682
Other revenue		**33,024**	19,009
Other net income		**8,107**	955
Distribution costs		**(77,486)**	(62,183)
Administrative expenses		**(205,989)**	(179,726)
Profit from operations		**619,039**	242,737
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	14	**78,025**	–
Finance (costs)/income	6(a)	**(94,275)**	34,344
Profit before taxation	6	**607,397**	256,188
Income tax	7	**(100,637)**	(38,772)
Profit for the year		**506,760**	217,416
Attributable to:			
Equity shareholders of the Company		**304,751**	135,610
Non-controlling interests		**202,009**	81,806
Profit for the year		**506,760**	217,416
Basic and diluted earnings per share (RMB)	8	**0.644**	0.326

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010
(Expressed in RMB)

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**506,760**	217,416
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**(623)**	2,394
Total comprehensive income for the year	**506,137**	219,810
Attributable to:		
Equity shareholders of the Company	**304,549**	137,920
Non-controlling interests	**201,588**	81,890
Total comprehensive income for the year	**506,137**	219,810

CONSOLIDATED BALANCE SHEET
At 31 December 2010
(Expressed in RMB)

	Note	**2010**	2009
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**2,798,556**	2,319,947
Lease prepayments		**321,752**	304,662
Intangible assets		**58,148**	70,063
Receivables from related companies		**19,645**	–
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**74,410**	62,156
		3,273,511	2,757,828
Current assets			
Inventories		**342,180**	312,057
Trade and other receivables	10	**538,475**	473,138
Cash and cash equivalents		**827,927**	291,037
		1,708,582	1,076,232
Current liabilities			
Trade and other payables	11	**1,561,920**	1,274,906
Bank and other loans		**292,560**	273,616
Income tax payable		**43,487**	27,123
		1,897,967	1,575,645
Net current liabilities		**(189,385)**	(499,413)
Total assets less current liabilities		**3,084,126**	2,258,415
Non-current liabilities			
Bank and other loans		**467,526**	479,937
Amounts due to a related company		**81,276**	76,928
Unsecured notes	12	**541,757**	405,472
Deferred tax liabilities		**50,262**	58,591
		1,140,821	1,020,928
NET ASSETS		**1,943,305**	1,237,487
CAPITAL AND RESERVES			
Share capital	15	**66,422**	43,856
Reserves	15	**1,385,231**	517,421
Total equity attributable to equity shareholders of the Company		**1,451,653**	561,277
Non-controlling interests		**491,652**	676,210
TOTAL EQUITY		**1,943,305**	1,237,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserves	Other reserve	Exchange reserve	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Note 15(b))	*RMB'000* (Note 15(b))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2009	43,856	410,482	9,189	23,240	(44,948)	(2,333)	(44,651)	394,835	605,866	1,000,701
Changes in equity for 2009:										
Profit for the year	–	–	–	–	–	–	135,610	135,610	81,806	217,416
Other comprehensive income	–	–	–	–	–	2,310	–	2,310	84	2,394
Total comprehensive income for the year	–	–	–	–	–	2,310	135,610	137,920	81,890	219,810
Written put option over non-controlling interests	–	–	–	–	23,124	–	–	23,124	–	23,124
Equity-settled share-based transactions (Note 13)	–	–	5,113	–	–	–	285	5,398	–	5,398
Appropriations to reserves	–	–	–	17,545	–	–	(17,545)	–	–	–
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(11,546)	(11,546)
Transactions with equity holders of the Group	–	–	5,113	17,545	23,124	–	(17,260)	28,522	(11,546)	16,976
Balance at 31 December 2009	43,856	410,482	14,302	40,785	(21,824)	(23)	73,699	561,277	676,210	1,237,487

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000* (Note 15(b))	Share premium *RMB'000* (Note 15(b))	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Other reserve *RMB'000*	Exchange reserve *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2010	43,856	410,482	14,302	40,785	(21,824)	(23)	73,699	561,277	676,210	1,237,487
Changes in equity for 2010:										
Profit for the year	–	–	–	–	–	–	304,751	304,751	202,009	506,760
Other comprehensive income	–	–	–	–	–	(202)	–	(202)	(421)	(623)
Total comprehensive income for the year	–	–	–	–	–	(202)	304,751	304,549	201,588	506,137
Issuance of shares (Note 15(b))	22,566	985,792	–	–	–	–	–	1,008,358	–	1,008,358
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	11,236	11,236
Effect on equity arising from the acquisitions of non-controlling interests	–	–	–	–	(425,180)	–	–	(425,180)	(459,436)	(884,616)
Effect on equity arising from the acquisition of a subsidiary	–	–	–	–	–	–	–	–	61,000	61,000
Effect on equity arising from the disposal of controlling equity interests in a subsidiary	–	–	–	–	–	–	–	–	1,054	1,054
Equity-settled share-based transactions (Note 13)	–	–	2,649	–	–	–	–	2,649	–	2,649
Transfer between reserves	–	–	–	–	(10,286)	–	10,286	–	–	–
Transactions with equity holders of the Group	22,566	985,792	2,649	–	(435,466)	–	10,286	585,827	(386,146)	199,681
Balance at 31 December 2010	66,422	1,396,274	16,951	40,785	(457,290)	(225)	388,736	1,451,653	491,652	1,943,305

NOTES

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 STATEMENT OF COMPLIANCE

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

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

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2010 comprise the Group and the Group's interest in an associate.

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

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

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

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of revised HKFRSs, 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 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 operations – 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 Group's 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.

- HK (Int) 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*. The issuance of HK (Int) 5 has had no material impact on the Group's financial statements as the conclusions of HK (Int) 5 were consistent with policies already adopted by the Group.

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

5 TURNOVER

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

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

6 PROFIT BEFORE TAXATION

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

(a) Finance costs/(income):

	2010	2009
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**92,452**	96,089
Bank charges and other finance costs	**23,413**	8,211
Total borrowing costs	**115,865**	104,300
Less: amounts capitalised*	**(8,227)**	(9,216)
Net borrowing costs	**107,638**	95,084
Net foreign exchange (gain)/loss	**(13,363)**	1,220
Net gain on redemption of unsecured notes	**–**	(130,648)
	94,275	(34,344)

* The borrowing costs have been capitalised at 5.96% per annum for the year ended 31 December 2010 (2009: 7.62% per annum).

(b) Staff costs #:

	2010	2009
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**234,413**	168,549
Contributions to defined contribution retirement plans	**26,363**	19,599
Equity-settled share-based payment expenses (see Note 13)	**2,649**	5,398
	263,425	193,546

(c) Other items:

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories#	**2,293,413**	1,613,726
Auditors' remuneration – audit services	**7,000**	7,300
Depreciation and amortisation #	**225,145**	186,834
(Reversal of impairment loss)/impairment loss on trade and other receivables	**(5,603)**	2,205
Operating lease charges in respect of #		
– land	**328**	737
– plant and buildings	**4,690**	3,464
– motor vehicles	**1,396**	1,172
Research and development costs (other than amortisation costs)	**2,425**	1,681

Cost of inventories includes RMB360.1 million (2009: RMB279.5 million) for the year ended 31 December 2010, relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2010 *RMB'000*	2009 *RMB'000*
Current tax – The People's Republic of China (the "PRC") income tax		
– Provision for the year	**112,378**	38,308
– Under-provision in respect of prior year	**3,423**	–
	115,801	38,308
Deferred tax		
– Origination and reversal of temporary differences	**(7,332)**	464
– Write-down of deferred tax assets	**3,722**	–
– Recognition of prior years' tax losses and impairment losses previously not recognised	**(11,554)**	–
	(15,164)	464
	100,637	38,772

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

	2010 *RMB'000*	2009 *RMB'000*
Profit before taxation	**607,397**	256,188
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	**133,592**	48,636
Tax effect of non-deductible expenses	**4,394**	3,038
Tax effect of unused tax losses not recognised	**5,335**	7,142
Tax credit (Notes (iv) and (v))	**(38,275)**	(20,044)
Tax effect of recognition of prior years' tax losses and impairment losses previously not recognised (Note (vi))	**(11,554)**	–
Tax effect of write-down of deferred tax assets (Note (vii))	**3,722**	–
Under-provision in respect of prior year	**3,423**	–
Income tax	**100,637**	38,772

Notes:

(i) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong SAR did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2010 (2009: RMBNil).

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

(iii) The PRC subsidiaries of the Group are subject to PRC Enterprise Income Tax rates ranging from 15% to 25% (2009: 15% to 25%).

(iv) Certain PRC subsidiaries of the Group are registered as foreign investment enterprises, and according to the relevant income tax rules and regulations applicable to enterprise 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 in Note 7(b)(v) below.

(v) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which takes effect on 1 January 2008. According to the new tax law, the applicable income tax rate of the PRC subsidiaries of the Group has changed to 25% with effect on 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%.

(vi) Previously unrecognised tax losses and impairment losses are recognised in 2010, following a change in estimates of the future operating results of a PRC subsidiary of the Group.

(vii) Previously recognised tax losses were written-down in 2010, following a change in estimates of the future operating results of a PRC subsidiary of the Group.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to ordinary equity shareholders of the Company of RMB304.8 million (2009: RMB135.6 million) and the weighted average of 473,331,000 ordinary shares (2009: 416,000,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2010	2009
	'000	*'000*
Issued ordinary shares at 1 January	**416,000**	416,000
Effect of shares issued on 26 January 2010 (Note 15(b))	**43,157**	–
Effect of shares issued on 8 December 2010 (Note 15(b))	**14,174**	–
Weighted average number of ordinary shares at 31 December	**473,331**	416,000

(b) Diluted earnings per share

There were no dilutive potential ordinary shares as at 31 December 2010 and 2009.

9 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 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, net gain from disposal of controlling equity interests in a subsidiary, net gain from disposal of equity interests in an associate, director's 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 and impairment losses, and additions to non-current segment assets used by the segments in their operations. No inter-segment sales have occurred for the years ended 31 December 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 years ended 31 December 2010 and 2009 is set out below.

	Low value-added glass products		High value-added glass products		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers and reportable segment revenue	**1,722,534**	1,078,705	**1,432,262**	999,703	**3,154,796**	2,078,408
Reportable segment profit (adjusted EBITDA)	**442,095**	198,596	**427,495**	244,145	**869,590**	442,741
Interest income	**1,021**	1,913	**984**	1,111	**2,005**	3,024
Interest expenses (net of amounts capitalised)	**(49,164)**	(48,519)	**(27,812)**	(25,614)	**(76,976)**	(74,133)
Depreciation and amortisation	**(121,831)**	(94,177)	**(102,272)**	(91,388)	**(224,103)**	(185,565)
Reportable segment assets	**2,350,262**	1,590,575	**2,547,662**	2,228,174	**4,897,924**	3,818,749
Additions to non-current segment assets during the year	**318,177**	29,263	**436,679**	424,833	**754,856**	454,096
Reportable segment liabilities	**1,527,305**	1,132,584	**1,516,679**	1,382,611	**3,043,984**	2,515,195

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

	2010 *RMB'000*	2009 *RMB'000*
Profit		
Reportable segment profit derived from the Group's external customers	**869,590**	442,741
Share of losses of an associate	**–**	(20,893)
Net gain from disposal of controlling interests in a subsidiary	**4,608**	–
Net gain from disposal of equity interests in an associate	**78,025**	–
Interest income	**2,012**	3,031
Depreciation and amortisation	**(225,145)**	(186,834)
Finance (costs)/income	**(94,275)**	34,344
Unallocated head office and corporate expenses	**(27,418)**	(16,201)
Consolidated profit before taxation	**607,397**	256,188

	2010 *RMB'000*	2009 *RMB'000*
Assets		
Reportable segment assets	**4,897,924**	3,818,749
Available-for-sale investment	**1,000**	1,000
Deferred tax assets	**74,410**	62,156
Unallocated head office and corporate assets	**701,053**	560,763
Elimination of receivables between segments, and segments and head office	**(692,294)**	(608,608)
Consolidated total assets	**4,982,093**	3,834,060

	2010 *RMB'000*	2009 *RMB'000*
Liabilities		
Reportable segment liabilities	**3,043,984**	2,515,195
Income tax payable	**43,487**	27,123
Deferred tax liabilities	**50,262**	58,591
Unallocated head office and corporate liabilities	**593,349**	604,272
Elimination of payables between segments, and segments and head office	**(692,294)**	(608,608)
Consolidated total liabilities	**3,038,788**	2,596,573

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenues from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets and goodwill (the "specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and lease prepayments, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (including Hong Kong SAR) (place of domicile)	**2,453,253**	1,653,269	**3,178,456**	2,694,672
Middle East	**279,116**	256,919	**–**	–
South Korea	**87,661**	23,107	**–**	–
Brazil	**42,209**	13,400	**–**	–
Nigeria	**13,522**	3,252	**–**	–
Malaysia	**13,453**	10,115	**–**	–
India	**5,626**	12,739	**–**	–
Other countries	**259,956**	105,607	**–**	–
	701,543	425,139	**–**	–
	3,154,796	2,078,408	**3,178,456**	2,694,672

10 TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivable from:		
– Third parties	**133,263**	77,736
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**62,977**	42,909
– Companies under common significant influence	**147**	322
Bills receivable	**69,103**	167,825
	265,490	288,792
Less: allowance for doubtful debts	**(20,346)**	(28,435)
	245,144	260,357
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**4,140**	2,353
– Non-controlling equity holders of subsidiaries of the Group	**446**	142
– An associate of the Group	**198**	4,735
– Companies under common significant influence	**48,312**	44,264
	53,096	51,494
Less: allowance for doubtful debts	**(3,074)**	(2,990)
	50,022	48,504
Prepayments, deposits and other receivables	**247,060**	173,795
Less: allowance for doubtful debts	**(3,751)**	(9,518)
	243,309	164,277
	538,475	473,138

All of the trade and other receivables are expected to be recovered or recognised as expense 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:

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**136,910**	55,043
More than 1 month but less than 3 months	**57,650**	68,893
More than 3 months but less than 6 months	**40,461**	119,540
Over 6 months	**10,123**	16,881
	245,144	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.

11 TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payable to:		
– Third parties	**339,670**	374,154
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**3,895**	8,148
– Companies under common significant influence	**3,681**	2,070
Bills payable	**124,516**	59,874
	471,762	444,246
Amounts due to related companies:		
– An equity shareholder of the Company	**4,829**	5,180
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**14**	13,268
– Companies under common significant influence	**35,612**	47,146
	40,455	65,594
Accrued charges and other payables	**938,530**	659,386
Financial liabilities measured at amortised cost	**1,450,747**	1,169,226
Advances received from customers	**111,173**	105,680
	1,561,920	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:

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**367,246**	393,586
Due after 1 month but within 6 months	**104,516**	50,660
	471,762	444,246

12 UNSECURED NOTES

	2010	2009
	RMB'000	*RMB'000*
Unsecured notes 9.625% 2012 (Note (i))	**396,857**	405,472
Unsecured notes 4.95% 2013 (Note (ii))	**144,900**	–
	541,757	405,472

Notes:

(i) On 12 July 2007, the Company issued unsecured senior notes with an aggregate principal amount of USD100.0 million at par on the Singapore Exchange Securities Trading Limited. The unsecured notes bear interest at 9.625% per annum, and interest is payable on 12 January and 12 July of each year, beginning on 12 January 2008.

On 31 July 2009, the Company redeemed an aggregate principal amount of USD39.11 million (equivalent to RMB267.2 million) of the unsecured notes with a cash consideration of USD19.56 million (equivalent to RMB133.6 million). The outstanding unsecured notes will mature on 12 July 2012, and are jointly and severally guaranteed by certain subsidiaries of the Group.

(ii) On 27 October 2010, a subsidiary of the Group issued unsecured notes with an aggregate principal amount of RMB150.0 million at par on the PRC inter-bank bonds market. The unsecured notes bear interest at 4.95% per annum, and interest is payable monthly beginning on 2 November 2010. The unsecured notes will mature on 27 October 2013 and are guaranteed by a third party.

13 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 30 May 2005 whereby the directors of the Company are authorised, at their discretion, to invite (i) any executive director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity, to take up options at HK$1.00 as consideration to subscribe for shares of the Company. For the options granted, 40% will vest after one year from the date of grant; another 30% will vest after two years from the date of grant; and the remaining 30% will vest after three years from the date of grant. The options will lapse on 29 May 2015. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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

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

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

	2010		2009	
	Weighted average exercise price	**Number of options** ***'000***	Weighted average exercise price	Number of options *'000*
Outstanding at the beginning of the year	**HK$3.50**	**19,300**	HK$3.50	20,000
Forfeited during the year	**–**	**–**	HK$3.50	(700)
Outstanding at the end of the year	**HK$3.50**	**19,300**	HK$3.50	19,300
Exercisable at the end of the year	**HK$3.50**	**13,510**	HK$3.50	7,720

The options outstanding at 31 December 2010 had an exercise price of HK$3.50 (31 December 2009: HK$3.50) and a weighted average remaining contractual life of 4.42 years (31 December 2009: 5.42 years).

14 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"), previously an associate of the Group, to Pilkington International. By virtue of the share transfer agreement, the sale of the 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.

Subsequent to the above transaction, the Group entered into various agreements to further acquire the controlling equity interests of JV Investments. Further details are set out in Note 15(b).

15 CAPITAL AND RESERVES

(a) Dividends

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$0.03 per ordinary share (before the proposed share split mentioned in Note 16(c)) (2009: HK$Nil per ordinary share)	**17,305**	–

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

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

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: HK$Nil).

(b) Share capital

(i) Authorised and issued share capital

	2010		2009	
	No. of shares ***('000)***	***HK$'000***	No. of shares *('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**700,000**	**70,000**	700,000	70,000

	2010		2009	
	No. of shares ***('000)***	***RMB'000***	No. of shares *('000)*	*RMB'000*
Ordinary shares, issued and fully paid				
At 1 January	**416,000**	**43,856**	416,000	43,856
Shares issued	**261,900**	**22,566**	–	–
At 31 December	**677,900**	**66,422**	416,000	43,856

(ii) 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. The above shares were issued on 26 January 2010 and 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 Company's share premium account.

In a special general meeting held on 3 December 2010, the Company's shareholders approved the issuance of 123,069,529 ordinary shares (the "JVI Acquisition Shares") to the then non-controlling equity holders of JV Investments as consideration for the Group's acquisitions of 42.10% of equity interests in JV Investments. At the same time, the Company's shareholders also approved the placing of 9,500,000 ordinary shares to an equity shareholder of the Company and 83,000,000 ordinary shares to independent third parties at a price of HK$4.50. The above shares were issued and placed on 8 December 2010, and the combined deemed proceeds of the JVI Acquisition Shares (determined based on the closing trading price of the Company's shares on 8 December 2010) and cash proceeds of the share placements of HK$21.6 million (equivalent to approximately RMB18.5 million), representing the par value, were credited to the Company's share capital. The remaining deemed and cash proceeds, net of transaction costs, of HK$1,128.6 million (equivalent to approximately RMB969.8 million) were credited to the Company's share premium account.

Upon completion of the issuance of above ordinary shares, the Company's number of shares in issue increased from 416,000,000 to 677,899,529.

16 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Acquisition of non-controlling interests in a subsidiary of the Group

On 22 December 2010, the Company, through a wholly-owned subsidiary of the Group, has entered into a series of share transfer agreements to acquire an aggregate of 17.44% equity interests in Linyi Blue Star from the current non-controlling equity holders of Linyi Blue Star at a combined consideration of RMB16.31 million. Upon completion of the above share transfers, the Group's effective interest in Linyi Blue Star will increase from 43.11% to 60.55%. Up to the date of issue of these financial statements, these transactions have not been completed.

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

(b) Proposed exercise of an option to acquire the non-controlling interests in a subsidiary of the Group

Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD and Keen Moral Investment Limited ("Keen Moral"), both wholly-owned subsidiaries of the Group, with Jiangsu Glass Group, a related party under common significant influence, on 25 May 2009, Jiangsu Glass Group has granted Keen Moral or its nominee an exclusive and irrevocable option (the "Buy-back Option") to acquire the whole of or part of its 49% equity interests in Dongtai Glass Company at specified terms and conditions.

On 28 February 2011, the Company announced that Jiangsu SHD, as a nominee of Keen Moral, will exercise the Buy-back Option to request Jiangsu Glass Group to transfer the 49% equity interests in Dongtai Glass Company at a consideration of RMB69.1 million. The completion of the exercise of the Buy-back Option is subject to the approval of the independent shareholders of the Company in a special general meeting to be held at a future date. Upon completion of the above transaction, Dongtai Glass Company will become a wholly-owned subsidiary of the Group. Up to the date of issue of these financial statements, this transaction has yet to be completed.

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

(c) Proposed increase in the Company's authorised share capital and share split

On 28 February 2011, the Company announced that the directors of the Company have proposed to increase the authorised share capital of the Company from HK$70.0 million (divided into 700,000,000 ordinary shares) to HK$180.0 million (divided into 1,800,000,000 ordinary shares) by creating an additional 1,100,000,000 unissued ordinary shares. The additional 1,100,000,000 ordinary shares, when issued, will rank pari passu with all existing ordinary shares. The increase in authorised share capital of the Company is subject to the approval of the Company's shareholders in a special general meeting to be held at a future date. Up to the date of issue of these financial statements, this transaction has yet to be completed.

On 10 March 2011, the directors of the Company have further proposed a one-to-one share split on the Company's share capital, i.e. each existing ordinary share of HK$0.1 will be split into two ordinary shares of HK$0.05 each. The proposed share split will result in the above proposed change of the Company's authorised share capital to an increase from HK$70.0 million (divided into 1,400,000,000 ordinary shares) to HK$180.0 million (divided into 3,600,000,000 ordinary shares). The proposed share split on the Company's share capital is subject to the approval of the Company's shareholders in a special general meeting to be held at a future date. Up to the date of issue of these financial statements, this transaction has yet to be completed.

(d) Proposed final dividends

On 10 March 2011, the directors of the Company have proposed a final dividend. Further details are disclosed in Note 15(a).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Being affected by growth in the economy, the glass market sustained its upward momentum in 2010. As early as the beginning of 2010, the price of glass remained high despite it being a low season for sales. During the second quarter, with the resumption of activity in previously suspended production lines increasing supply to the market, prices fell temporarily. However, demand increased from the introduction of a large amount of social security housing. This also continuously drove the price up.

According to statistics from a PRC authority, glass output in 2010 rose substantially compared with last year as a result of the resumption of activity in previously suspended production lines. 630.26 million weight cases of glass were produced in aggregate in the PRC for the year, an increase of 61.93 million weight cases from the same period last year, or a year-on-year increase of 10.90%. However, the rate of increase in output was very close to the rate of increase in market demand. According to the statistics from this source, the output-to-sales ratio for major glass enterprises in the PRC (those which accounted for 56.67% of total glass output in the PRC) reached 97.81% as a whole for 2010 and stayed high. Thus, the glass industry experienced a rise in both output and price in 2010. Both production and sales resumed booming growth. The increase in consolidated average selling price of glass products was greater than the increase in the costs for the supply of raw materials and fuels. At the same time, the industry increased focus on new energy and energy saving glass products, with particular reference to the development of the industry in the Twelfth Five-Year Plan. The public at large also became more familiar with energy saving glass products. It is believed that such changes will later effectively restructure demand in the glass market and reorient the industry as a whole towards energy saving products.

BUSINESS REVIEW

Overview

As at the end of 2010, the Group had 16 glass production lines, of which there were 14 float glass production lines and 2 sheet glass production lines. The melting capacity amounted to 6,770T/D. There was also 1 offline Low-E coated glass production line with an output of 3 million square meters per annum and 1 amorphous silicon thin-film battery production line with production capacity of 12MW per annum. The Group had 13 glass production lines, an offline Low-E coated glass production line and an amorphous silicon thin-film battery production line in operation during the year. There were two new production lines of high end products added during the year that adopted low-cost energy. These two production lines are Dongtai 2nd Line (which commenced operation in April 2010) and Linyi 1st Line (still in construction at the end of 2010, and officially commenced production in February 2011). During the year, production also resumed at the SHD 2nd Line and Nanjing 1st Line (which was successfully upgraded to produce solar photovoltaic products). Operations at the float glass production line in Qinchang, Beijing were still suspended, and Nanjing 2nd Line of patterned glass production line suspended operations for overhaul.

As the largest producer of painted glass and coated glass in the PRC, the Group focused in the development of the following products during 2010:

1. Glass of high value-added for construction, which is mainly comprised of online coated products, including online energy saving glass products (e.g. online Low-E coated glass), online sunshine-controlled coated glass and glass products with online functions, such as online easy cleaning coated glass. The aforementioned products are all produced from

patented technologies for which the Group has proprietary intellectual property rights. The Group also produces complementary offline energy saving glass products, such as offline Low-E glass, according to market demand.

2. Glass of general added value for construction, which is mainly comprised of various clear and painted float glass.

3. New energy products: They can be classified into two categories: one is produced from new energy based materials, including solar power ultra-clear photovoltaic glass (which is used in poly-silicon solar power batteries) and online TCO glass (which is used in thin film solar power batteries, and is produced from patented technologies that the Group has proprietary intellectual property rights). The other category is new energy products, including amorphous-silicon solar power thin film batteries and BIPV solar photovoltaic units.

In 2010, the Group produced 35.51 million weight cases of glass in different categories, an increase of 37.68% compared with last year. The output-to-sales ratio was 99.07%. Revenue from principal operations amounted to RMB3,154.80 million, an increase of 51.79% from last year. Profit after tax was RMB506.76 million, an increase of 133.08% from last year.

Raw materials prices and production costs

In 2010, the price of raw materials for the glass industry surged. During the first half of 2010, prices fell after an earlier rise. By the third quarter, the trend became steady. Not until October 2010 did the price of certain major raw materials rise substantially. In particular, the price of soda ash demonstrated an explosive surge in the fourth quarter, which reached 50% higher than at the same period last year, as a result of the control measures over the industry. After the revision to the related control measures, the production capability of enterprises producing soda ash was substantially recovered, and the price of soda ash fell gradually. To date, the price of soda ash has decreased by over 25% from its highest levels. According to the statistics, the price of raw materials and fuel for the glass industry rose by over 20% in 2010 compared with the same period last year.

In 2010, the consolidated average cost of sales for the glass products of the Group was RMB65.19/weight case, an increase of RMB5.24/weight case or 8.74% from last year. The Group's increase in costs were less than its peers, which was mainly due to the following two reasons:

I. The Group achieved initial success in the strategy of substitutes in energy. During the year, the share by application of low cost energy in the production lines increased. At the same time, the Group devoted its efforts to market the new solid fuel spraying and blowing technology that was proprietarily developed by the Group. New fuels with midrange costs were substituted for the high-cost traditional fuels. All of these contributed significantly to reduce fuel costs

II. The operation model of the Group currently through the management centre accelerated the timing in response to the changes faced by the enterprise. Remarkable results were achieved in centralised purchasing, which contributed to cost control of the Group, to a certain extent.

Production, sales and selling price

In 2010, the production lines that were put in operation under the Group maintained sound operating conditions. A total of 35.51 million weight cases of glass of different types were produced, an increase of 9.72 million weight cases or 37.68% compared with the same period last year.

In 2010, the Group sold a total of 35.18 million weight cases of glass in different types. The output-to-sales ratio was 99.07%. The consolidated average selling price of glass products for the year was RMB86.46/weight case, an increase of RMB11.41/weight case or 15.20% compared with last year.

There was a relatively significant increase in the selling price of the Group's products in 2010 for two major reasons:

I. The Group adjusted its product mix during the year. Efforts were devoted to market products of advanced and new technologies with patents so as to increase its share in the Group's product mix as a whole.

II. The remarkable performance of the glass market as a whole, which laid a good foundation for the increase in selling price by the enterprise.

Profit for the year

In 2010, the profit after tax of the Group was RMB506.76 million, an increase of RMB289.34 million or 133%. The increase in profit was mainly due to the increase in gross profit margin. The gross profit increased by RMB396.70 million or 85% due to the combined effect of the increase in average selling price by 15% and the increase in unit cost by 8%.

Implementation of strategic plans

At the beginning of 2010, the Group proposed the strategic plan of "Two High and One Low" as the direction for its development. "Two High and One Low" refers to maintaining the leading edge in "High" technologies, increasing the share of "High" added value products in the overall mix and adopting substitute energies and new technologies to achieve "Low" costs. The Company aims to become one of the largest producers of energy saving and new energy glass products in the PRC within three years. The initiatives the Company took in 2010 pursuant to such plans were set out below:

I. To rationalize the capital structure of the Group

The Group increased its shareholding in JV Investments Limited ("JV Investments") at the end of 2010 with the support of its shareholders, as well as the equity interests in certain well-performing subsidiaries, such as Weihai Blue Star Glass Co., Ltd. ("Weihai Blue Star"), the controlling entity for its operations in the PRC. The Group also increased its share in core assets and reduced our reliance on intermediate holding companies. These efforts effectively laid the fundamentals of the Group's capital structure in high technology products.

II. *To promote the adoption of advanced and new technologies in the production lines*

The Group expanded the application of high technologies in its production lines and completed the construction of the following production lines:

1. Dongtai 2nd Line, the online Low-E dedicated production line (600T/D), which will produce Low-E products in 2011

2. Linyi 1st Line, the online TCO and Low-E dedicated production line (500T/D), which commenced operation in 2011

3. The production base of solar power ultra-clear photovoltaic glass at Nanjing. Nanjing 1st Line (100T/D) commenced production in mid-2010, the performance of which was outstanding. Nanjing 2nd line is still under construction and will commence operations during the first half of 2011. By then, the production base of solar power products at Nanjing will have a production capability of 420T/D

4. An expansion in the production capability of amorphous silicon thin film solar power batteries production line. Weihai China Glass Solar Co., Ltd ("Weihai Solar"), a subsidiary of the Group, expanded the capability of the production line from the technologies researched and developed proprietarily. At the beginning of 2011, the capability of the solar power thin film production line will be expanded to 12MW. The subsidiary was also awarded "Top Ten Branded Enterprises of Solar Power and Energy Saving Architectures for the Eleventh Five-Year Period" by a credential authority of the State.

III. *To expand the research and development for advanced and new technologies*

1. To perfect and improve technologies for online Low-E coated glass, online TCO coated glass and online easy cleaning coated glass, so that these technologies can adapt to the requirements in scale of operation

2. To continue in the research and development of online titanium sunlight controlled coated technology so that such technology can become more perfect and improved

3. To research and develop ultra-clear patterned coated reduced radiation technology for which preliminary results were obtained

4. To expand research in the techniques critical to amorphous-silicon batteries for which a major breakthrough was achieved in the efficiency of power generation and stable conversion.

IV. To pursue for finalising the implementation of the strategy in substituting with energies of low cost

As of the end of 2010, the Group continued to pursue implementing low-cost energies. New production lines that use low-cost coke gas were built. At the same time, equipment that applies the new solid fuel spraying and blowing technology, for which the Group owns a patent, was installed at the float glass production lines that originally used higher-cost energy. This allowed these production lines to reduce energy costs.

In addition, the Group also devoted more resources to promote energy saving and reducing emissions in 2010. The Group's base at Weihai, Shandong, upgraded the desulphurisation devices and dust removers in existing production lines. Apart from reducing emissions to the designated benchmark, the substances derived from desulphurisation were also recycled, and became a classic model for the local green economy. The Group's production base in Suqian, Jiangsu also upgraded energy saving and environmental protection technologies during its scheduled overhaul. The Group also passed the energy saving audit conducted by the Ministry of Finance and the National Development and Restructuring Commission, and obtained energy finance and saving awards from the State.

OUTLOOK

The Group sees a number of challenges and opportunities in the economic environment in 2011. The uncertainties in the course of economic recovery, inflation and expectations as well as the control measures over commodity residential units in the PRC will be challenges to the development of the Company. The introduction of social security housing by the State, the trend of environmental protection and energy saving construction materials and the evolution of the relevant legislation, which will provide construction materials to rural areas and policy support for new energy, will be opportunities for the development of the Company.

These are analysed in detail as follows:

1. Development in the macro-economic environment in the international market and the PRC

The high level impact brought by the international financial crisis has not yet been overcome. The growth of global economy is expected to slow down in 2011. However, taking into account that 2011 is the first year for the Twelfth Five-Year Plan period of the PRC, the PRC will further accelerate the change in the course of development according to the outline of the Twelfth Five-Year Plan. Development plans for seven strategic emerging industries in energy saving, environmental protection, next-generation information technology, biomedicine, manufacturing for sophisticated equipment, new energy, new materials and new energy cars will be executed in full force so as to achieve strategic restructuring of the economy. The core operations of the Group are shifting towards energy saving and new energy glass products. By then, the Group will produce energy saving and new energy products from technologies researched and developed proprietarily in its production lines according to the market demand. The market share of the Group's products will increase upon revisions in the industry's policies.

2. Directions for the policies related to the real estate and the glass industries

The State Council introduced eight new measures in January 2011 to implement control over the real estate market so as to curb the demand for acquisition of housing properties. The State also increased the construction of social security housing. In 2011, it planned to construct 10 million units of welfare housing, an increase of 72% compared with last year. At the same time, Wen Jiabo, the Premier of the PRC, stated that the State will construct 36 million units of welfare housing in the coming five years.

The trend of the development in the real estate industry will create promising opportunities for the glass industry and the operations of the Group. The future development will be demonstrated from two aspects:

I. Strong growth in the demand for glass from strong growth in the demand for residential properties

There has been strong growth in the demand for housing, in accordance with the urbanization process in China. Whilst the government will introduce various measures to curb the soaring prices of residential property, the government is expected to allocate unprecedented resources to the construction of low rent and social security housing to satisfy demands from the public. This will sustain the growth in demand for glass products.

II. Energy saving and environmental protection products becoming popular as a result of Investment by the government

Currently, energy saving glass, such as hollow gas and Low-E, are widely applied in architecture in Europe and the United States, for which the utilisation rate exceeds 90%. The utilisation rate in the PRC is still less than 10%. With the emphasis placed by the PRC government on environmental protection and energy saving, the Energy Conservation Law requires that energy saving architecture will be a trend dominating society. Under the Twelfth Five-Year Plan, the development of the glass industry will be guided by the government through its investment. Being driven by the social security housing introduced by the government, energy saving construction materials such as Low-E glass will be widely applied in new construction projects and growth will be exponential. This will bring rapid growth to the market demand for energy saving glass products. By leveraging its industry-leading production capability and reserve, the Group will achieve further progress in the research and development of technologies and the optimisation of the industry with respect to energy saving glass. Therefore, the revision in the macro-economic control measures and the related implementation policies by the State will not adversely affect the industry, but prove beneficial to the development of the Group.

3. Demand from glass market

According to the historical figures and the forecasts for the coming years, 80% of the sheet glass will be sold in the PRC and the remaining 20% will be exported or exported by way of processing. The real estate industry is a key industry that has demand for glass, representing 60% of the entire demand for glass.

(1) Real estate market

According to the information published by authorities, such as National Bureau of Statistics, the Group forecasts that the area of new construction projects that began construction in 2011 will at least increase by 10% against that of 2010. This has already taken into account housing properties that began construction in 2010 and the plan of the State to build social security housing. Correspondingly, the demand for glass by the real estate industry in 2011 is expected to increase by over 10%.

(2) Exports market

In the exports market, Europe still remains sluggish whilst Africa and South America are demonstrating growth. Among South American countries, Brazil will be particularly outstanding, as its economy will be driven by the upcoming World Cup and Olympics. According to industry planning and the analysis on exports to international markets, exports of glass are still expected to grow by 10% in 2011.

(3) Other market

Automobile glass market: According to the statistics of State authorities automobiles sales reached 18.65 million units in 2010, an increase of 31.90%. However, with the control measures imposed by the State to curb the excessive growth in automobiles future sales growth of automobiles is expected to fall to 10%. The total demand for automobile glass will be affected, to a certain extent. However, the demand for high-end automobile glass, in particular whole-sheet high-end automobile glass, will still increase. At present, this product is still imported from other countries.

Market of glass for solar power: According the forecast of iSuppli, the installation of photovoltaic (PV) solar power units will increase by 39.3% in 2011. This will lead to rapid growth in the solar power industry, which will also drive the demand for solar power glass up by about 40%. At the same time, due to the issue of pollution in the production and processing of silicon materials, with ongoing breakthroughs in thin film solar power technology, the thin film solar power industry will also demonstrate exponential growth. This lays a market foundation for the sales of the Group's online TCO coated glass (thin film solar power battery racks) and thin film battery racks.

To sum up from the above, the Group conservatively forecasts that the demand for glass in 2011 will increase by 10% compared from that in 2010.

4. Supply to glass market

According to the statistics forecast compiled by State authorities, the Group expects there to be approximately 15-18 new float glass production lines in the PRC in 2011, and production capabilities will increase by about 8%. Taking into account that the production lines for solar power ultra-clear glass will also increase, production capability of sheet glass is expected to increase by more than 49 million weight cases for both types, representing an increase of approximately 7-8% from production capability in 2010. Output and sales in the glass market will still reach an equilibrium as a whole.

5. Supply of raw materials and fuels

Raw materials and fuel for the glass industry are primarily soda ash, silicon sand, heavy oil, coal, natural gas and petroleum powder, which are mostly products from natural resources. Since the fourth quarter of 2010, their prices stayed high. In 2011, subject to international and domestic supply and demand, limitations in exploration of resources, surges in transportation and labour costs and output restrictions imposed on the industry to secure prices, the prices of such materials are expected to further increase from those in 2010.

Thus, the Group expects the glass market to generally reach an equilibrium in 2011. However the focus of competition will be changed and characterised by the following:

1. Competition among producers using traditional techniques to produce ordinary glass products will become intense and profit margins will fall substantially

2. The proportion of energy products with high technology content (mainly featuring Low-E) and new energy products (mainly featuring ultra-clear glass and TCO glass) in the market as a whole will increase. The producers of such products will enjoy a higher rate of return and output-to-sales ratio with mild competition.

3. Enterprises that warrant the quality of products and reduce prices through improvement of techniques from new technologies, substitute energy or scale of economy will enjoy advantages in competition over their peers.

2011 will be a year full of opportunities and challenges. The Group will focus its efforts in the following areas:

I. ***To further the operation strategy of "product differentiation" consistently, to adjust the product mix and to increase the weighting of high added value products such as energy saving and new energy glass in the total output.***

The Group has operated under the "product differentiation" strategy for a number of years. The competitive edge of the Group is derived from its advanced technology. In 2011, the Group will continue to spread the operation strategy of "product differentiation" consistently so as to fully realise its competitive edge in technology for energy saving construction materials and new energy products. The Group aims to:

1. **Convert existing production capabilities to the production of high end products and increase the proportion of energy saving products:**

   The output of energy saving products, such as sunlight controlled coated glass, easy cleaning coated glass, and Low-E glass will increase through technology transfer and reproduction, increasing the proportion of energy saving products by over 50% in 2011 as compared with that of 2010.

2. **Further construction of production capability for new energy products so as to speed up the achievement of desired product mix:**

   By utilizing the new production lines in Nanjing, China Glass Blue Star (Linyi) Glass Company Limited ("Linyi Blue Star") and Wehai Solar to increase the production of solar power ultra-clear photovoltaic glass, online TCO glass, amorphous silicon solar power batteries and BIPV units. Competitiveness in the market will be promptly built up and the Group seeks to increase the output of new energy products by over 100% in 2011.

II. ***To speed up efforts integrating research and development results, to enhance technology innovation and to provide technology support to the "Three Years' Plan".***

1. To continually enhance the existing technologies of the Group. By capitalising on the in-depth research by the Group in "online Low-E coated glass and titanium series sunlight easy clean coated glass", emphasis will be placed on enhancing the continuous, steady, and high-quality production capabilities of online Low-E coated glass and online titanium series sunlight coated glass. This will lay the foundation for the reproduction of high end products by the Group's production lines.

2. To prepare research and development of new products in the pipeline. The Company will leverage on its technology resources and continue to develop energy saving products and new energy products so as to build up the technology bank for the development of the Company. The competitiveness of its products in the market will increase through capturing the technical advantages of the products.

3. To continue in the research and development of technologies in energy saving, environmental protection and low carbon. The research will also combine with innovative views at efficiency in structural combustion and wider use of substitute energy. Full oxygen combustion and heat transfer methods inside the furnace will be studied in depth. New melting technologies will be explored to complement the materials and measures for energy saving, and reducing emissions during the course of producing glass will be reviewed. This will ensure that the Company occupies a leading position in the related fields.

III. To apply substitute fuels extensively for reducing production costs

Since energy prices are expected to continue to rise, the Group will persistently implement the "Two High One Low" strategy of substituting low-cost energy. Apart from continuing to enhance the utilisation rate of its proprietary solid fuel spraying and blowing technology, the Group will also increase the proportion of low-cost fuel in its production lines. The Group will strive to preliminarily complete its initiative to substitute energy by the end of 2011, and realise the target in Phase 1 of the "One Low" strategy. This will reduce the costs of the Company substantially and expand its edge in costs above its peers. Subsequently, the Group will continue to reduce its costs through optimising the composition of the furnace and enhancing the melting technology.

IV. To consolidate the internal management of the Group and to fully realise the competitive advantage of the Group:

1. To integrate the marketing of energy saving and new energy products produced by different subsidiaries of the Group. The market for high end products will be integrated so that there will be one brand in consistent quality through one single channel at one price and having single source to provide after-sales services.

2. To continue perfecting the optimisation of the Group's management mechanisms. By consolidating the actual situations faced by the Company, the governance structure at different levels of the Group will be standardised so as to form a flexible and effective control and management mechanism.

3. To continue in rationalising the asset structure of the Group, it will selectively increase its holding in core assets, emphasising strategic resources that are meaningful to support the development of the Group. The Group will quickly intervene as appropriate to improve its profitability and ability to mitigate risk and lay the foundation for achieving the strategic objectives regarding its capital structure.

RESULTS AND APPROPRIATIONS

The board recommends a final dividend of HK$0.03 per ordinary share for the year ended 31 December 2010 (31 December 2009: Nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a 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 granted share options under the share option scheme. Details of the share options granted are set out in Note 13 above. No options was granted under the share option scheme during the year ended 31 December 2010.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company comprises three non-executive Directors, two of whom are independent non- executive Directors. The current committee members are Mr. Sik Siu Kwan (Chairman), Mr. Song Jun and Mr. Zhao John Huan. The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2010.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2010, the Group had employed a total of approximately 6,933 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 has maintained at a competitive level and is adjusted in accordance with the employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. Details of staff costs and pension schemes were set out in Note 6(b) above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices (the "CCGP"), as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct rules (the "Code of Conduct") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules, and that having made specific enquiry of all the Directors, the Company confirms that all the Directors have complied with the required standard set out in the Code of Conduct and the Model Code during the financial year ended 31 December 2010.

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

Hong Kong, 10 March 2011

As at the date of this announcement, the Board comprises Mr Zhang Zhaoheng, Mr Li Ping and Mr Cui Xiangdong as executive directors, Mr. Zhou Cheng, Mr Zhao John Huan, Mr Liu Jinduo, Mr Chen Shuai and Mr Eddie Chai 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*