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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 2011

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 2011 together with the comparative figures for the corresponding period in 2010.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
		2011	2010
	<i>Note</i>	RMB’000	RMB’000
Turnover	3	1,552,392	1,422,543
Cost of sales		<u>(1,232,734)</u>	<u>(1,038,319)</u>
Gross profit		319,658	384,224
Other revenue		48,418	20,062
Other net income		5,254	2,921
Distribution costs		(41,955)	(34,689)
Administrative expenses		<u>(101,425)</u>	<u>(87,563)</u>
Profit from operations		229,950	284,955
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
Finance costs	4	<u>(44,105)</u>	<u>(52,207)</u>
Profit before taxation	4	185,845	315,381
Income tax	5	<u>(36,871)</u>	<u>(50,945)</u>
Profit for the period		<u>148,974</u>	<u>264,436</u>
Attributable to:			
Equity shareholders of the Company		125,956	166,220
Non-controlling interests		<u>23,018</u>	<u>98,216</u>
Profit for the period		<u>148,974</u>	<u>264,436</u>
Earnings per share (RMB)			
Basic	6(a)	<u>0.090</u>	<u>0.182</u>
Diluted	6(b)	<u>0.089</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2011 – unaudited**(Expressed in RMB)*

	Six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	148,974	264,436
Other comprehensive income for the period		
(before and after tax):		
Exchange differences on translation into presentation currency	<u>(5,577)</u>	<u>2,316</u>
Total comprehensive income for the period	<u>143,397</u>	<u>266,752</u>
Attributable to:		
Equity shareholders of the Company	120,379	168,090
Non-controlling interests	<u>23,018</u>	<u>98,662</u>
Total comprehensive income for the period	<u>143,397</u>	<u>266,752</u>

CONSOLIDATED BALANCE SHEET*At 30 June 2011 – unaudited**(Expressed in RMB)*

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		2,969,211	2,798,556
Lease prepayments		317,848	321,752
Intangible assets		52,191	58,148
Receivables from related companies		15,506	19,645
Available-for-sale investment		1,000	1,000
Deferred tax assets		74,828	74,410
		3,430,584	3,273,511
Current assets			
Inventories		513,486	342,180
Trade and other receivables	7	838,584	538,475
Cash and cash equivalents		1,106,163	827,927
		2,458,233	1,708,582
Current liabilities			
Trade and other payables	8	1,752,513	1,561,920
Bank and other loans		465,785	292,560
Income tax payable		14,703	43,487
		2,233,001	1,897,967
Net current assets/(liabilities)		225,232	(189,385)
Total assets less current liabilities		3,655,816	3,084,126
Non-current liabilities			
Bank and other loans		482,279	467,526
Amounts due to a related company		17,481	81,276
Unsecured notes		536,070	541,757
Deferred tax liabilities		41,985	50,262
		1,077,815	1,140,821
NET ASSETS		2,578,001	1,943,305
CAPITAL AND RESERVES	10		
Share capital		74,553	66,422
Reserves		2,140,080	1,385,231
Total equity attributable to equity shareholders of the Company		2,214,633	1,451,653
Non-controlling interests		363,368	491,652
TOTAL EQUITY		2,578,001	1,943,305

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 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 2010 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 2010 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 10 March 2011.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

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

HK(IFRIC) 19 has not yet had a material impact on the Group’s financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have had no material impact on the contents of this interim financial report.

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: the operations in this segment produce, market and distribute low value-added glass products such as clear glass.
- High value-added glass products: the operations in this segment produce, market and distribute 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 results 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 2011 and 2010.

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 2011 and 2010 is set out below.

	Low value-added glass products		High value-added glass products		Total	
	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000	Six months ended 30 June 2011 RMB'000	Six months ended 30 June 2010 RMB'000
Revenue from external customers and reportable segment revenue	<u>609,637</u>	<u>742,510</u>	<u>942,755</u>	<u>680,033</u>	<u>1,552,392</u>	<u>1,422,543</u>
Reportable segment profit (adjusted EBITDA)	<u>133,001</u>	<u>192,905</u>	<u>221,068</u>	<u>206,771</u>	<u>354,069</u>	<u>399,676</u>
Additions to non-current segment assets during the period	<u>13,408</u>	<u>246,718</u>	<u>272,069</u>	<u>39,917</u>	<u>285,477</u>	<u>286,635</u>
	Low value-added glass products		High value-added glass products		Total	
	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Reportable segment assets	<u>1,679,490</u>	<u>2,350,262</u>	<u>3,830,160</u>	<u>2,547,662</u>	<u>5,509,650</u>	<u>4,897,924</u>
Reportable segment liabilities	<u>857,842</u>	<u>1,527,305</u>	<u>2,687,946</u>	<u>1,516,679</u>	<u>3,545,788</u>	<u>3,043,984</u>

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	354,069	399,676
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
Interest income	3,741	732
Depreciation and amortisation	(120,115)	(107,712)
Finance costs	(44,105)	(52,207)
Unallocated head office and corporate expenses	(7,745)	(7,741)
Consolidated profit before taxation	<u>185,845</u>	<u>315,381</u>

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Assets		
Reportable segment assets	5,509,650	4,897,924
Available-for-sale investment	1,000	1,000
Deferred tax assets	74,828	74,410
Unallocated head office and corporate assets	1,218,600	701,053
Elimination of receivables between segments, and segments and head office	(915,261)	(692,294)
Consolidated total assets	5,888,817	4,982,093

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Liabilities		
Reportable segment liabilities	3,545,788	3,043,984
Income tax payable	14,703	43,487
Deferred tax liabilities	41,985	50,262
Unallocated head office and corporate liabilities	623,601	593,349
Elimination of payables between segments, and segments and head office	(915,261)	(692,294)
Consolidated total liabilities	3,310,816	3,038,788

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Finance costs:		
Interest on bank advances and other borrowings	51,618	45,623
Bank charges and other finance costs	9,334	14,558
Total borrowing costs	60,952	60,181
Less: amounts capitalised	(6,163)	(5,476)
Net borrowing costs	54,789	54,705
Net foreign exchange gain	(10,684)	(2,498)
	44,105	52,207

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Staff costs:		
Salaries, wages and other benefits	123,055	97,680
Contributions to defined contribution retirement plans	15,766	12,985
Equity-settled share-based payment expenses (<i>see Note 10(e)</i>)	969	2,002
	<u>139,790</u>	<u>112,667</u>

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Other items:		
Cost of inventories	1,232,734	1,038,319
Depreciation and amortisation	120,115	107,712
Provision/(reversal) of impairment loss on trade and other receivables	1,773	(876)
Operating lease charges in respect of		
– land	109	109
– plant and buildings	2,016	2,446
– motor vehicles	602	649
Research and development costs (other than amortisation costs)	1,792	438
Net loss/(gain) on disposal of property, plant and equipment	2,604	(894)
Interest income	(3,741)	(734)
	<u>(3,741)</u>	<u>(734)</u>

5 INCOME TAX

	Six months ended 30 June	
	2011	2010
	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	45,566	54,112
Deferred taxation	(8,695)	(3,167)
	<u>36,871</u>	<u>50,945</u>

No provision for Hong Kong Profits Tax has been made, as the Company and 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 2011 (six months ended 30 June 2010: RMB: Nil).

The subsidiaries of the Group 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 Corporate Income Tax rates ranging from 15% to 25% for the six months ended 30 June 2011 (six months ended 30 June 2010: 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 Corporate 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 PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB126.0 million (six months ended 30 June 2010: RMB166.2 million) and the weighted average of 1,402,926,000 ordinary shares (six months ended 30 June 2010: 911,862,000 ordinary shares, after adjusting for the share split took place in 2011 (Note 10(b))) in issue during the six months ended 30 June 2011, calculated as follows:

	Six months ended 30 June	
	2011	2010
	'000	'000
Issued ordinary shares at 1 January	677,900	416,000
Effect of shares issued on 26 January 2010	–	39,931
Effect of share split (<i>Note 10(b)</i>)	677,900	455,931
Effect of shares issued on 19 May 2011 (<i>Note 10(c)</i>)	47,514	–
Effect of shares repurchased (<i>Note 10(d)</i>)	(388)	–
Weighted average number of ordinary shares at 30 June	<u>1,402,926</u>	<u>911,862</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB126.0 million and the weighted average of 1,422,804,000 ordinary shares in issue during the six months ended 30 June 2011, calculated as follows:

	Six months ended 30 June 2011 '000
Weighted average number of ordinary shares at 30 June	1,402,926
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (<i>Note 10(e)</i>)	<u>19,878</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>1,422,804</u>

There were no dilutive potential ordinary shares for the six months ended 30 June 2010.

7 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivable from:		
– Third parties	340,125	133,263
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	18,997	62,977
– Companies under common significant influence	147	147
Bills receivable	84,542	69,103
	443,811	265,490
Less: allowance for doubtful debts	(20,346)	(20,346)
	423,465	245,144
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	3,960	4,140
– Non-controlling equity holders of subsidiaries of the Group	21,012	446
– An associate of the Group	4,422	198
– Companies under common significant influence	41,656	48,312
	71,050	53,096
Less: allowance for doubtful debts	(3,074)	(3,074)
	67,976	50,022
Prepayments, deposits and other receivables	352,667	247,060
Less: allowance for doubtful debts	(5,524)	(3,751)
	347,143	243,309
	838,584	538,475

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:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within 1 month	191,892	136,910
More than 1 month but less than 3 months	114,013	57,650
More than 3 months but less than 6 months	66,531	40,461
More than 6 months	51,029	10,123
	423,465	245,144

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 2011 RMB'000	At 31 December 2010 RMB'000
Trade payable to:		
– Third parties	429,011	339,670
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	2,414	3,895
– Companies under common significant influence	3,366	3,681
Bills payable	237,899	124,516
	<u>672,690</u>	<u>471,762</u>
Amounts due to related companies:		
– An equity shareholder of the Company	5,269	4,829
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	–	14
– Companies under common significant influence	53,982	35,612
	<u>59,251</u>	<u>40,455</u>
Accrued charges and other payables	<u>883,106</u>	<u>938,530</u>
Financial liabilities measured at amortised cost	1,615,047	1,450,747
Advances received from customers	137,466	111,173
	<u>1,752,513</u>	<u>1,561,920</u>

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 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	504,090	367,246
Due after 1 month but within 6 months	168,600	104,516
	<u>672,690</u>	<u>471,762</u>

9 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

- (a) On 31 March 2011, Keen Moral Investment Limited (“Keen Moral”), a wholly-owned subsidiary of the Group, acquired an additional 25% equity interests in Weihai Blue Star New Technology Glass Company Limited (“Weihai New Technology”) for a consideration of RMB81.1 million.

Upon completion of the above acquisition, the Group’s effective interests in Weihai New Technology increased from 53.91% to 78.91%. Consequently, the Group recognised a decrease in non-controlling interests of RMB91.4 million.

- (b) On 31 March 2011, Poweridea Limited, a wholly-owned subsidiary of the Group, acquired an additional 11.48% equity interests in Zhongbo Technology Company Limited (“Zhongbo”) for a consideration of RMB39.0 million.

Upon completion of the above acquisition, the Group's effective interests in Zhongbo increased from 61.67% to 73.15%. Consequently, the Group recognised a decrease in non-controlling interests of RMB44.4 million.

- (c) Pursuant to an equity transfer agreement jointly entered into by Jiangsu SHD New Materials Company Limited ("Jiangsu SHD") and Keen Moral, both wholly-owned subsidiaries of the Group, with Jiangsu Glass Group Company Limited ("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 China Glass Special Glass Company Limited ("Dongtai Glass Company") at specified terms and conditions. At the same time, Keen Moral has written a put option (the "Written Put Option") to Jiangsu Glass Group under which the Group can be required to purchase the 49% equity interests in Dongtai Glass Company for cash upon the occurrence of certain events that are outside the control of either party.

On 28 February 2011, the Company announced that Jiangsu SHD, as a nominee of Keen Moral, would exercise the Buy-back Option to acquire the 49% equity interests in Dongtai Glass Company at a consideration of RMB69.1 million. The above acquisition was completed on 12 May 2011.

In prior years, the Directors of the Company have adopted an accounting policy to account for the above equity transfer agreement as if the Written Put Option had been exercised by the non-controlling equity holder, i.e. the underlying equity interests are deemed to have been acquired by the Group upon the entering of such contract. Accordingly, the 49% equity interests and related profit or loss are presented as equity and profit or loss attributable to equity shareholders of the Company.

Upon exercise of the Buy-back Option and completion of the above acquisition, the carrying amount of the expected consideration on the Written Put Option was transferred to other reserve, where the difference between this amount and the actual consideration paid resulted in the decrease in other reserve of RMB4.5 million.

- (d) On 27 June 2011, Keen Moral acquired an additional 17.44% equity interests in China Glass Blue Star (Linyi) Glass Company Limited ("Linyi Blue Star") for a consideration of RMB25.8 million.

Upon completion of the above acquisition, the Group's effective interests in Linyi Blue Star increased from 43.11% to 60.55%. Consequently, the Group recognised a decrease in non-controlling interests of RMB26.2 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 2011 (six months ended 30 June 2010: HK\$Nil).

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2010, approved and paid during the following interim period, of HK\$0.015 per ordinary share, after adjusting for the share split in 2011 (Note 10(b)) (year ended 31 December 2009: HK\$Nil per ordinary share)	17,305	—

(b) Increase in authorised share capital and share split

By an ordinary resolution passed at the special general meeting held on 1 April 2011, the Company's authorised share capital was increased from HK\$70.0 million to HK\$180.0 million by creating additional 1,100,000,000 unissued ordinary shares of HK\$0.1 each, which when issued, will rank pari passu with the existing ordinary shares of the Company.

By an ordinary resolution passed at the annual general meeting held on 15 April 2011, the Company completed a one-to-one share split on its share capital, i.e. each existing ordinary share of HK\$0.1 was split into two ordinary shares of HK\$0.05 each. The share split also resulted in a change of the Company's authorised share capital to HK\$180.0 million divided into 3,600,000,000 ordinary shares.

(c) Issuance of ordinary shares

On 13 May 2011, First Fortune Enterprises Limited ("First Fortune"), the immediate holding company of the Company, placed 200,000,000 ordinary shares of the Company to independent third parties at a price of HK\$4.06 (the "Placing"). On 19 May 2011, First Fortune subscribed for 200,000,000 new ordinary shares issued by the Company (the "Subscription"). Upon completion of the Placing and the Subscription, the proceeds of HK\$10.0 million (equivalent to approximately RMB8.4 million) received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, of HK\$780.0 million (equivalent to approximately RMB652.6 million) were credited to the Company's share premium account.

(d) Purchase of own shares

During the six months ended 30 June 2011, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month/year	Number of ordinary shares repurchased	Highest price paid per ordinary share HK\$	Lowest price paid per ordinary share HK\$	Aggregate price paid HK\$'000
June 2011	<u>5,652,000</u>	<u>3.10</u>	<u>2.47</u>	<u>16,411</u>

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these ordinary shares of HK\$282,600 (equivalent to approximately RMB236,000). The premium paid on the repurchase of the ordinary shares of HK\$16.1 million (equivalent to approximately RMB13.4 million) was charged to the retained profits.

(e) Equity-settled share-based transactions

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 2011 (six months ended 30 June 2010: Nil).

No share options were exercised during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the first half of 2011, driven by expanded production capacity, the glass market in the PRC saw a rapidly growing supply. On the other hand, the growth of downstream demand visibly slowed down due to control measures imposed on the real estate and automotive industries. In particular for the real estate industry, the time gap between supply controls towards commercial properties and the large-scale commencing of the construction of social security housing resulted in temporary unequilibrium of supply and demand in the glass market in the first half of 2011. The output-to-sales ratio and the selling price of the glass industry saw consecutive drops. According to statistics from a competent authority in the PRC, output of glass in the PRC for the first half of 2011 amounted to 374.17 million weight cases, representing an increase of 13.1% compared to the corresponding period in the prior year. The output-to-sales ratio was 93.99%, which was the lowest for the past seven years. Affected by the above factors, the price of glass dropped consistently starting from middle of May 2011. In addition, the prices of raw materials, fuel and power remained high, causing a significant rise in the manufacturing cost of the industry. As such, the glass industry as a whole saw apparent downfall of economic efficiency, with the total profit being reduced by more than 50% in the first half of 2011 compared to the corresponding period in the previous year. In brief, the glass market in the first half of 2011 as compared to the corresponding period in the previous year could be described as having escalation in output but weakened demand; higher cost but lower sales price; increased stock and decreased profits.

BUSINESS REVIEW

Overview

The Group currently has 18 glass production lines, including 15 float glass production lines and 3 ultra-clear photovoltaic glass production lines. Total melting capacity amounted to 7,430T/D, representing an increase of 660T from the end of 2010. The increase was mainly attributable to Linyi 2nd Line (producing online TCO glass and online Low-E coated glass, which commenced operation in August 2011 with melting capacity of 500T/D) and Nanjing 3rd Line (producing ultra-clear photovoltaic glass, which will commence operation during the second half of 2011 with melting capacity of 160T/D). As of 30 June 2011, the Group has 15 glass production lines in operation. The operation of the float glass production line in Qinchang, Beijing was still suspended for overhaul and upgrade during the first half of the year.

In addition, the Group also has 1 offline Low-E coated glass production line with an output of 3,000,000 square meters per annum, and 1 amorphous silicon thin-film battery production line of 12MW per annum.

During the first half of 2011, the Group produced a total of 19.60 million weight cases of various types of glass.

During the first half of 2011, the Group adhered to the development strategy of “Two High One Low” (high technological level, high production quality, low costs). Through an increase in the investment of technology, the product mix was adjusted, whilst the technology used for the production as well as the product quality was enhanced. In a market of apparent fall in selling prices, through tactics such as expanding the scale of production, stabilizing the level of output, improving the quality and tapping into new markets, the Group maintained the selling price of products at a relatively stable level. Relatively successful results of operations were achieved through the upgrading and innovation of technology, strategic purchasing, reducing energy consumption and waste of fuels, tapping into new sources of income and cost-saving.

Raw materials prices and production costs

During the first half of 2011, international crude oil prices grew steadily, and have risen by as much as 25% by the end of June. Affected by this, the prices of major fuels used by the Group, such as petroleum powder, coal tar and coal grew by approximately 20% compared to the corresponding period in the previous year. At the same time, due to factors such as rising energy and crude salt prices, local electricity shortages and restrictions on output imposed on the industry to secure prices, the cost of soda ash also rose by 30% compared to the corresponding period of last year. The costs for other raw materials also grew by varying degrees.

During the reporting period, the average unit cost of sales for the glass products of the Group increase by 6% compared to the corresponding period of last year. The increase in costs was mainly due to the following reasons: firstly, the cost of raw materials increased; and secondly, the proportion of high value-added products in the Group’s total glass output increased, which increased production costs to a certain degree. However, by continuously promoting the strategy of introducing low cost substitute into the energy structure and making structural adjustment, the Group effectively reduced the risks of rising raw materials and fuel prices, and tried to keep the cost of sales increase at a lower rate than industry average.

Production, sales and selling price

During the first half of 2011, the 15 glass production lines under normal operation of the Group maintained sound operating conditions, with safe production activities and stable output quality. During the first half of the year, a total of 19.60 million weight cases of glass of various types were produced, representing an output-to-sales ratio of 91.94%. The average selling price of glass products of the Group for the first half of 2011 was RMB85/weight case, representing a decrease of 1% compared to the corresponding period of the prior year. The China Glass Price Index, compiled by China Glass Network, showed that as of 30 June 2011, the PRC glass industry saw a decrease in average selling price of 8% compared to the same period of last year. The Group’s ability to achieve a lower extent of decrease in selling price compared to the rest of the industry could be attributed to its adjustment of product mix with increased proportion of high value-added products.

Profitability analysis

During the first half of 2011, the Group recorded gross profit of RMB319.66 million, a decrease of 17% from the corresponding period of last year, and the gross profit margin was 20.6%. The reason for the decrease in gross profit compared with corresponding period of last year was mainly attributable to the industry-wide increase in costs for raw materials and weak sales amidst a market downturn.

The Group recorded profit of RMB148.97 million for the current period, a decrease of 44% compared to the corresponding period of last year. However, excluding the gain attributable to the disposal of equity interests in a subsidiary and an associate of RMB82.63 million for the same period last year, profit for the first half of the year decreased by 18% as compared to the corresponding period in the previous year. During the first half of 2011, the profit attributable to the equity shareholders of the Company was RMB125.96 million, representing a decrease of 24% from the same period of last year. Excluding the effect on the disposal of equity interests in a subsidiary and an associate in the last year, profit attributable to the equity shareholders of the Company increased by 45% during the period. This was mainly benefitted from the completion of acquisitions of minority interest in some of its high-quality and high return subsidiaries by the Group, which increased the profitability of the assets of the equity shareholders of the Company.

Initial success of the “Two High One Low” strategy

During the first half of 2011, the Group steadily achieved progress in its development according to the designated strategy of “Two High One Low”.

Firstly, the improvement and addition of production lines for high value-added products (such as the online Low-E glass production lines at the production base at Dongtai; the online TCO and online Low-E glass production lines at the production base at Linyi) were achieved progressively by fully leveraging on the Group’s R&D advantage and technological edge, as well as integrating with market demands and development trend. During the first half of the year, the proportion of clear glass in total output fell significantly, and the proportion of high valued-added products with higher technology, including environmental-friendly coated glass, Low-E glass, Sun-E glass and solar power glass etc., in total turnover of the Group surged to 42%. This contributed to an outperformance in the price trends of the Group’s products against the industry average.

Secondly, the Group continued to promote low cost fuel substitute technologies. Since 2008, the Group has been constantly perfecting and applying its “new solid fuel spraying and blowing technology”, to which it has intellectual property ownership within the Group. Furthermore, the Group selected premises adjacent to rich, affordable substitute fuel for the new production lines. For example, the production base in Dongtai, Jiangsu, and the one in Linyi, Shandong, which newly entered production this year, utilised locally available and inexpensive coke-oven gas as substitute fuel. These were the main reasons for the Group’s significantly lower extent of increase in cost of sales as compared to the rest of the industry in the first half of 2011.

Energy saving and emission reduction

The Group’s production bases at Suqian and Dongtai use a new technology to generate electricity with waste heat. The project fulfils the development goals of the PRC government for the reasonable use of energy and promotion of the development of new energy sources. The technology to generate electricity with waste heat has been fully implemented in the production base of Suqian and Dongtai, and generated 15.94 million kWh of electricity during the first half of 2011. The project not only relieved the pressure of local electric power constraints, but also lowered the costs of the Group. All of the Group’s production lines are equipped with desulphurisation devices and dust removers, with emissions complying with the government’s standards. Moreover, the desulphurisation products are entirely recycled so as to substitute thenardite, effectively satisfying environmental protection standards while reducing costs.

Acquisitions of minority interests in high-quality subsidiaries

In May 2011, upon completion of the placing and subscription of 200 million new shares of the Company, the Company received a net proceeds of approximately HK\$790.01 million, of which were spent on acquiring minority stakes in high-quality subsidiaries, and to provide additional working capital. As of to date, the following acquisitions of minority interests were completed:

1. Acquisition of minority interest in Dongtai China Glass Special Glass Company Limited (“Dongtai Zhongbo”) (online Low-E glass production base) was completed, for which the same became a wholly-owned subsidiary of the Group;
2. Acquisitions of minority interests in China Glass Blue Star (Linyi) Glass Company Limited (“Linyi Blue Star”) (online TCO glass and online Low-E glass production base) were completed. The interests held by the Group and its subsidiaries in Linyi China Glass increased to 76.21%; and
3. Acquisitions of minority interests in Weihai Blue Star New Technology Glass Company Limited (“Weihai New Technology”) and Zhongbo Technology Company Limited (“Zhongbo Technology”) (online Low-E glass, high value-added coated glass production base) were completed.

The acquisitions of minority interests increased the share of the profit attributable to the equity shareholders of the Company to its total profits.

OUTLOOK

2011 is the first year for the Twelfth Five-Year Plan period of the PRC. The Group sees the glass industry to maintain a steady pace of development as the PRC moves to improve the population’s quality of life, construct infrastructure, develop the country’s central and western regions, and increase investments into strategic emerging industries.

The Group anticipate that the glass market for the second half of 2011 will drop further and then maintain stable. Details of the analysis are as follows:

Effects of industrial policies and economic development strategies of the PRC

The real estate industry continues to be the main driving force of glass demands. For a period in the future, the PRC will steadily increase its infrastructure investments. Even though the control measures for the real estate market will remain in place, the scope of social security housing construction will be further expanded. The implementation of the range of economic development schemes, including the vigorous promotion of urbanisation developments and accelerated establishment of new socialist farming villages, will drive the development of the real estate industry. Therefore, there remains room for growth for the flat glass industry.

Industrial policies and regulations are positively affecting the glass market. Energy saving and emission reduction have become a fundamental policy of the PRC. The PRC government and its respective ministries have recently republished a series of rules and regulations, such as “Ministry of Industry and Information Technology: On curbing the excessive growth of flat glass production capacity of the notice to guide the healthy development of industry” and “Development Guidance for the Construction Materials Industry for the Twelfth Five-Year Plan”. The implementation of these policies will provide a broad outlook for glass products with safety and energy saving features, such as tempered glass, laminated glass, hollow glass, Low-E hollow glass, vacuum glass, TCO glass and Sun-E glass. These steps will positively drive the curbing of over-rapid growth in production capacity, encourage industry consolidation, eliminate producers with dissatisfying capacities and guide the healthy development of the industry.

Concurrently, the rapid development of emerging industries such as solar power and the information industry have become a powerful force behind the glass market’s development.

Glass demand forecast

Demand structure: Currently, the real estate industry accounts for 60% of the demand for sheet glass, interior decoration and glass furniture accounts for 12%, automotive industry accounts for 4%, solar power and digital products accounts for 4% and the demand for exported glass accounts for the remaining 20%. The real estate market is still the primary market for sheet glass.

Construction glass:

According to the forecast derived from the relevant data of the real estate sector as published by the National Bureau of Statistics, the total area of commercial properties, social security housing and new rural housing that began construction in 2011 is expected to reach 2 billion square metres, an increase of 23% from 2010. Total demand of glass for the year will maintain a continuous growth. Considering that the most of the social security housing construction projects will commence after middle of second quarter, it is expected that the sector’s demand for construction glass will be reflected gradually later in the second half of the year. The increase of such demand will mitigate the sluggish performance of glass industry to a significant extent.

Decorative glass:

As there was a 10% growth in the total area of houses sold in 2010 as compared to 2009, it is expected that demand for internal decoration glass in 2011 will have slight growth as compared to 2010.

Automobile glass:

Based on the current situation, it is expected that the growth of automobile sales will slow down in 2011. It is expected that there will be slight increase as compared to 2010 in demand for automobile glass for the year.

Glass for solar power:

According the forecast prepared by iSuppli, the installation of photovoltaic (PV) solar power units will increase substantially by 39.3% in 2011. It is expected that the demand for solar power glass will maintain a similar continuous growth.

Exported glass:

As the international energy price continues to rise along with labour costs, whilst the new generation of PRC float glass technology has enabled producing of high-quality float glass that can satisfy the international standard, there had been rapid growth in float glass and value-added glass exports from the PRC. According to statistics of the General Administration of Customs of the PRC, the volume of glass exported grew by 18.31% during the first half of the year as compared with the corresponding period of the previous year. According to industry planning and the analysis on exports to international markets, exports volume of glass are expected to have continuous growth in 2011.

In conclusion, combined with the possibility of new global financial crisis and many other uncertainties, the Group prudently estimates that the demand for glass in the second half of 2011 will have slight growth as compared to that in the first half of the year.

Glass supply forecast

According to the Group's statistics, by the end of 2010, there were a total of 241 float glass production lines in the PRC. As of June 2011, there were 13 (new) lines that had commenced production, and more than 20 were being planned and constructed. Moreover, considering that a number of production lines had already ceased production due to operational difficulties (such number is expected to increase further in the second half of the year), productivity in the sector will have difficulties recovering in the short term. On the basis of the aforementioned, the Group expects an increase in supply of approximately 8% in the second half of the year.

Raw materials and fuels supply forecast

At present, due to the inflationary pressures faced by the PRC economy, it is expected that government will continue to impose macro-economic control measures. The moving trends for major materials are expected to be as follows:

Soda ash:

The electricity shortages in the PRC have been relieved, and utilisation rate of soda ash companies were improved. With the addition of the new productive capacity, the price of soda ash in the PRC is expected to move downward steadily.

Heavy oil:

The price for heavy oil in the PRC is closely related to the prices of international crude and fuel oil. With the surge in the prices of international crude and fuel oil, price for heavy oil in the PRC in the second half of 2011 is expected to rise slightly.

Coal:

As the reserves of coal in the PRC increased, whilst the demands from downstream power and steel plants reduced, minor fluctuations in the short term are expected. Whereas following the integrations of coal enterprises and the winter storage season, it is expected the price for coal will continue to rise in winter.

Petroleum powder:

Petroleum powder is a fuel substitute and its price is closely related to those of heavy oil and coal. Due to refineries' resource limits and the impact of low cost imported petroleum powder, and taking into account the downturn in the downstream aluminium 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 price.

Other risk factors:

The glass industry is a capital-intensive industry. Companies in this industry in the PRC often utilise higher debt leverage to satisfy its demand of capital for development. At the same time, it is a feature of the glass industry that requires production lines not to freely suspend its operation from time to time after its operation commenced. Operation is thus always be ongoing. Apart from the fact that the glass industry has become sensitive to the supplies and demands for its products, it is also highly sensitive to the financial environment. Faced with a difficult financial environment, in the event the debt leverages cannot be extended, companies often rely on price wars to maximise return of funds, so as to avoid having to cease operation. However, such measure can only be a temporary solution. Companies will be drained of cash and forced to shut down production lines if the situation continue. The fluctuation in the industry during the first half of the year is definitely related to this issue. If the financial environment, especially the financing environment, continues to worsen, the glass industry will be faced with potent shocks.

In conclusion, it is expected by the Group that the demand for glass as a whole in the second half of 2011 will increase over the corresponding period in the previous year, with output and sales in the glass market reaching equilibrium as a whole. However, markets for glass products with environmental-friendly, energy saving features such as Low-E glass, TCO glass, ultra-clear glass and coated glass; and for high value-added products with safety features such as hollow glass, tempered glass and vacuum glass, will maintain a rapid pace of growth. Competition in the market for regular float glass will further intensify. It is expected that the price for glass products will see a steady rise after an early drop over the second half of the year.

Faced with market prospects in the second half of the year, the Group will focus on the following activities in accordance with the strategy of “Two High One Low”:

1. To enhance continuously its efforts in research and development of technologies, so as to consolidate its advantage in “high technological level” of its product. By capitalising on the research by the Group in online Low-E coated glass, Sun-E glass and TCO glass, emphasis will be placed on improving the quality of work for new and advanced technologies, steady marketing as well as expansion of the production process; tracking on the R&D capability in the development of new types, technologies and devices along market trends. This will in turn ensure the Group's leading technological position on energy saving and new energy product.

2. To achieve “high production quality” through refurbishing equipment, upgrading technologies and optimising techniques. The Group will monitor each of its production lines, and categorise them according to the standard of their equipment. The Group will also develop performance indicators for its various techniques in order to further enhance product quality. At the same time, improvement of production lines will be conducted by way of construction, relocation and suspension for maintenance, thereby ensuring high quality of products from the aspect of infrastructure.
3. To reduce production costs while adhering to the premise of ensuring quality. The Group will continue to research and explore fuel substitutes, as well as further perfecting and promoting the Group’s “spraying and blowing technology” already developed, which apply powdered coal in place of heavy oil. The Group will use its best endeavour to undertake technology transfer. Efforts will also be directed to explore the next generation energy saving technologies.
4. To accelerate the consolidation of supply and sales so as to lower operating costs. Firstly, further consolidation on marketing efforts. The Group will complete the integration of market for its four major products, namely Low-E glass, TCO glass, sunshine-controlled coated glass as well as some coloured glass in the second half of 2011, which will increase the Group’s market competitiveness. The Group will continue to pursue for integration in supply and lower the purchasing costs.
5. The Group will further construct silicone sand and stone material bases, in order to ensure the safe and low-cost availability of raw materials.
6. To continue acquiring minority interests in high-quality subsidiaries. During the second half of the year, the Group intends to acquire minority interests in Weihai Bluestar Glass Co., Ltd. (Low-E glass production base), Zhongbo Technology Company Ltd. (online Low-E, high-end coated glass production base) and Wuhai Blue Star Glass Co., Ltd. (high-end coated glass production base with low-cost fuel substitute), thereby expanding the profitability of the equity holders’ assets.

FINANCIAL REVIEW

For the first six months of 2011, the turnover of the Group increased by 9% to RMB1,552.39 million as compared to RMB1,422.54 million in the first six months of 2010. The increase was attributable to the increase in sales volume. The increase in sales volume was mainly attributable to the commencement of production of the first production line in Linyi, Shandong Province and the second production line in Nanjing in the first half of 2011. The gross profit margin decreased to approximately 20.6% from 27.0% compared to the corresponding period of last year. The decrease in gross profit margin was mainly due to increase in average cost of sales.

The Group’s profit for the period amounted to approximately RMB148.97 million, representing a decrease of RMB115.47 million as compared to a profit of RMB264.44 million for the first six months of 2010. The decrease was mainly attributable to the net gain of RMB82.63 million from disposal of equity interests in a subsidiary and an associate from the corresponding period of last year and the decrease in gross profit during the period.

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

As at 30 June 2011, the Group's cash and cash equivalents amounted to RMB1,106.16 million (31 December 2010: RMB827.93 million), of which 79% were denominated in Renminbi ("RMB"), 3% in United States Dollars ("USD") and 18% in Hong Kong dollars ("HK\$"). Outstanding bank and other loans amounted to RMB948.06 million (31 December 2010: RMB760.09 million), of which 81% (31 December 2010: 74%) were denominated in RMB and 19% (31 December 2010: 26%) were denominated in USD, and outstanding unsecured notes amounted to RMB536.07 million (31 December 2010: RMB541.76 million) (of which 27% (31 December 2010: 27%) were denominated in RMB and 73% (31 December 2010: 73%) were denominated in USD). As at 30 June 2011, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 26% (31 December 2010: 28%). As at 30 June 2011, the Group's current ratio (current assets divided by current liabilities) was 1.10 (31 December 2010: 0.90). The Group recorded net current assets amounting to RMB225.23 million as at 30 June 2011 (31 December 2010: net current liabilities of RMB189.39 million). As at 30 June 2011, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.56 (31 December 2010: 0.61).

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 2011, 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 2011 (Dividend for the six months ended 30 June 2010: HK\$Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2011.

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 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(e).

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

On 9 June 2011, the Board of Directors passed a resolution to authorise the Company to repurchase its shares on the Stock Exchange pursuant to the repurchase mandate granted to the Board at the annual general meeting of the Company held on 15 April 2011 (the "Repurchase Mandate").

During the period between 9 June 2011 and 30 June 2011, the Company repurchased a total of 5,652,000 of its own shares pursuant to the Repurchase Mandate, representing approximately 0.36% of the issued share capital of the Company as of 30 June 2011. The repurchase of the shares were funded from internal resources of the Company. All of shares repurchased pursuant to the Repurchase Mandate were cancelled on 11 July 2011. Upon the cancellation of the repurchased shares, the Company's number of shares in issue decreased from 1,555,799,058 to 1,550,147,058. Details of the repurchase of shares are set out in the various announcements of the Company dated between 9 June 2011 and 30 June 2011 and Note 10(d).

Save as disclosed above, during the six months ended 30 June 2011, 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 2011, the Group had employed a total of approximately 7,060 employees in the PRC and Hong Kong (31 December 2010: about 6,933 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 2011. Details of staff costs and pension schemes were set out in Note 4.

MATERIAL ACQUISITIONS AND DISPOSAL

On 25 May 2009, Keen Moral Investment Limited ("Keen Moral") and Jiangsu Suhuada New Materials Company Limited ("Suhuada"), both being wholly-owned subsidiaries of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Jiangsu Glass Group Co., Ltd ("Subo Group") and Dongtai Zhongbo, pursuant to which Keen Moral and Suhuada agreed to transfer a total of 49% equity interest in Dongtai Zhongbo to Subo Group. Pursuant to the Equity Transfer Agreement, Subo Group has also granted Keen Moral or its nominee an exclusive and irrevocable option to acquire part of or the whole of the 49% of the equity interest in Dongtai Zhongbo held by Subo Group (the "Option").

On 28 February 2011, Suhuada (as nominee of Keen Moral) exercised the Option to request Subo Group to transfer to it 49% of the equity interest in Dongtai Zhongbo at the purchase price of RMB69.1 million. The transfer of the equity interest pursuant to the Option was completed on 12 May 2011 and Dongtai Zhongbo has become a wholly-owned subsidiary of the Company.

On 31 March 2011, Keen Moral acquired an additional 25% equity interests in Weihai New Technology for a consideration of RMB81.1 million. On the same date, Poweridea Limited, a wholly-owned subsidiary of the Company, acquired an additional 11.48% equity interests in Zhongbo Technology for a consideration of RMB39.0 million.

On 27 June 2011, Keen Moral acquired an additional 17.44% equity interests in Linyi Blue Star for a consideration of RMB25.8 million.

Further details of all of the above transactions were set out in Note 9.

Save as disclosed above, the Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and associated companies for the six months ended 30 June 2011. Save as disclosed in the section headed “Outlook” above, as at the date of this announcement, the Group has no plan to make any material investment in or acquisition of capital assets.

INCREASE OF THE AUTHORISED SHARE CAPITAL

At the special general meeting of the Company held on 1 April 2011, the Company’s shareholders approved the increase of the authorised share capital of the Company from HK\$70,000,000 (divided into 700,000,000 ordinary shares of HK\$0.10 each) to HK\$180,000,000 (divided into 1,800,000,000 ordinary shares) by creating an additional 1,100,000,000 new unissued shares.

SUBDIVISION OF SHARES

At the annual general meeting of the Company held on 15 April 2011, The Company’s shareholders approved the subdivision of shares of the Company. On 18 April 2011, each of the issued and unissued share of par value HK\$0.10 each in the share capital of the Company were sub-divided into two subdivided shares of par value HK\$0.05 each. Following the subdivision of shares, the authorised share capital of the Company is HK\$180,000,000 divided into 3,600,000,000 shares of par value HK\$0.05 each.

PLACING OF SHARES

On 10 May 2011, the Company entered into a placing agreement (the “Placing Agreement”) with First Fortune Enterprises Limited (the “Vendor”), UBS AG, Hong Kong branch, Guoyuan Securities Brokerage (Hong Kong) Limited and Macquarie Capital Securities Limited (collectively the “Placing Agents”) under which the Vendor agreed to sell, or procure the sale of, up to 200,000,000 shares currently owned by the Vendor (the “Placing Shares”) and the Placing Agents agreed, as agents of the Vendor to use their best efforts to procure purchasers to purchase, the Placing Shares at HK\$4.06 per Placing Share (the “Placing Price”). On the same day the Company entered into a subscription agreement with the Vendor under which the Vendor conditionally agreed to subscribe, and the Company agreed to allot and issue to the Vendor, new shares of the Company equivalent to the number of the Placing Shares at the Placing Price.

The placing of the Placing Shares was completed on 13 May 2011 in accordance with the terms and conditions of the Placing Agreement in which an aggregate of 200,000,000 Placing Shares have been successfully placed to not less than six placees at the Placing Price. The subscription of 200,000,000 new shares of the Company by the Vendor was completed on 19 May 2011.

POST BALANCE SHEET EVENTS

There is no material post balance sheet events as at the date of this announcement.

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. Zhao Lihua 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 2011.

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. Zhao Lihua 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 2011.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code contained in the Listing Rules on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries of all the Directors, the Company confirms that the Board has strictly complied with required standard set out in the Model Code and its Code of Conduct regarding directors' securities transactions 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 2011

As at the date of this announcement, the Board comprises of Mr. Zhang Zhaocheng, Mr. Li Ping and Mr. Cui Xiangdong as executive directors, Mr. Zhou Cheng, Mr. Zhao John Huan, Mr. Eddie Chai, Mr. Chen Shuai and Mr. Ning Min as non-executive directors and Mr. Sik Siu Kwan, Mr. Zhang Baiheng and Mr. Zhao Lihua as independent non-executive directors.

* *For identification purposes only*