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 2011

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

(Expressed in Renminbi ("RMB"))

	Note	**2011** *RMB'000*	2010 *RMB'000*
Turnover	5	**2,946,048**	3,154,796
Cost of sales		**(2,504,040)**	(2,293,413)
Gross profit	5	**442,008**	861,383
Other revenue	6	**76,129**	33,024
Other net income	6	**180,599**	8,107
Distribution costs		**(98,077)**	(77,486)
Administrative expenses		**(250,804)**	(205,989)
Profit from operations		**349,855**	619,039
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	7(a)	**(68,357)**	(94,275)
Profit before taxation	7	**281,498**	607,397
Income tax	8	**(69,752)**	(100,637)
Profit for the year		**211,746**	506,760
Attributable to:			
Equity shareholders of the Company		**181,602**	304,751
Non-controlling interests		**30,144**	202,009
Profit for the year		**211,746**	506,760
Earnings per share *(RMB)*			
Basic	9(a)	**0.123**	0.322
Diluted	9(b)	**0.122**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

(Expressed in RMB)

	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**211,746**	506,760
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**(17,069)**	(623)
Total comprehensive income for the year	**194,677**	506,137
Attributable to:		
Equity shareholders of the Company	**164,533**	304,549
Non-controlling interests	**30,144**	201,588
Total comprehensive income for the year	**194,677**	506,137

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011
(Expressed in RMB)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**3,351,981**	2,798,556
Lease prepayments		**286,664**	321,752
Intangible assets		**67,511**	58,148
Receivables from related companies		**15,268**	19,645
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**79,274**	74,410
		3,801,698	3,273,511
Current assets			
Inventories		**661,996**	342,180
Trade and other receivables	10	**966,211**	538,475
Prepaid income tax		**13,086**	–
Cash and cash equivalents		**545,821**	827,927
		2,187,114	1,708,582
Current liabilities			
Trade and other payables	11	**1,786,269**	1,561,920
Bank and other loans		**789,973**	292,560
Unsecured notes	12	**382,851**	–
Income tax payable		**54,289**	43,487
		3,013,382	1,897,967
Net current liabilities		**(826,268)**	(189,385)
Total assets less current liabilities		**2,975,430**	3,084,126
Non-current liabilities			
Bank and other loans		**274,073**	467,526
Amounts due to a related company		**14,144**	81,276
Unsecured notes	12	**146,700**	541,757
Deferred tax liabilities		**33,136**	50,262
		468,053	1,140,821
NET ASSETS		**2,507,377**	1,943,305
CAPITAL AND RESERVES	14		
Share capital		**74,553**	66,422
Reserves		**2,172,237**	1,385,231
Total equity attributable to equity shareholders of the Company		**2,246,790**	1,451,653
Non-controlling interests		**260,587**	491,652
TOTAL EQUITY		**2,507,377**	1,943,305

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000* (Note 14(b))	Share premium *RMB'000* (Note 14(b))	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Other reserve *RMB'000*	Exchange reserve *RMB'000*	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	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(a))	–	–	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

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000* (Note 14(b))	**Share premium** *RMB'000* (Note 14(b))	**Shares held under share award scheme** *RMB'000* (Note 14(b))	**Capital reserve** *RMB'000*	**Statutory reserves** *RMB'000*	**Other reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2011	**66,422**	**1,396,274**	**–**	**16,951**	**40,785**	**(457,290)**	**(225)**	**388,736**	**1,451,653**	**491,652**	**1,943,305**
Changes in equity for 2011:											
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**181,602**	**181,602**	**30,144**	**211,746**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(17,069)**	**–**	**(17,069)**	**–**	**(17,069)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(17,069)**	**181,602**	**164,533**	**30,144**	**194,677**
Dividends approved in respect of the previous year (Note 14(a)(ii))	**–**	**(17,305)**	**–**	**–**	**–**	**–**	**–**	**–**	**(17,305)**	**–**	**(17,305)**
Issuance of shares (Note 14(b)(iii))	**8,367**	**652,640**	**–**	**–**	**–**	**–**	**–**	**–**	**661,007**	**–**	**661,007**
Purchase of own shares (Note 14(b)(iv))											
– par value paid	**(236)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(236)**	**–**	**(236)**
– premium paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,430)**	**(13,430)**	**–**	**(13,430)**
Shares purchased under the share award scheme (Note 13(b))	**–**	**–**	**(13,936)**	**–**	**–**	**–**	**–**	**–**	**(13,936)**	**–**	**(13,936)**
Contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,251**	**13,251**
Effect on equity arising from the acquisitions of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**13,535**	**–**	**–**	**13,535**	**(274,460)**	**(260,925)**
Equity-settled share-based transactions (Note 13(a))	**–**	**–**	**–**	**969**	**–**	**–**	**–**	**–**	**969**	**–**	**969**
Transfer between reserves	**–**	**–**	**–**	**–**	**–**	**(3,877)**	**–**	**3,877**	**–**	**–**	**–**
Transactions with equity holders of the Group	**8,131**	**635,335**	**(13,936)**	**969**	**–**	**9,658**	**–**	**(9,553)**	**630,604**	**(261,209)**	**369,395**
Balance at 31 December 2011	**74,553**	**2,031,609**	**(13,936)**	**17,920**	**40,785**	**(447,632)**	**(17,294)**	**560,785**	**2,246,790**	**260,587**	**2,507,377**

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 consolidated financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 STATEMENT OF COMPLIANCE

The 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. The 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 the financial statements.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2011 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.

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 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 into a relevant transaction.

The impacts of other developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

5 TURNOVER AND SEGMENT REPORTING

(a) 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.

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its businesses by products. In view of the Group's continuous efforts in the implementation of the product differentiation strategy and shifting of its focus towards producing more high-end products such as energy saving and new energy glass products, the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has expanded from two operating segments, namely "low value-added glass products" and "high value-added glass products" as previously reported for the year ended 31 December 2010, to the following four operating segments for the year ended 31 December 2011. No operating segments have been aggregated to form the following reportable segments:

- Clear glass products: this segment produces, markets and distributes clear glass products.

- Painted glass products: this segment produces, markets and distributes painted glass products.

- Coated glass products: this segment produces, markets and distributes coated glass products.

- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.

Comparative figures have been adjusted to conform to the current year's reportable segments presentation.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the years ended 31 December 2011 and 2010. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

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 2011 and 2010 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers and reportable segment revenue	**970,463**	1,444,903	**762,855**	678,827	**884,534**	762,851	**328,196**	268,215	**2,946,048**	3,154,796
Reportable segment gross profit	**97,741**	351,933	**77,817**	158,660	**194,098**	273,061	**72,352**	77,729	**442,008**	861,383

(ii) *Geographic information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets and goodwill (together as the "specified non-current assets"). The geographical location of customers is determined based on the location at which the goods were delivered. The geographical location of the specified non-current assets is determined based on the physical location of the assets, 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.

	Revenue from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The People's Republic of China (the "PRC") (including Hong Kong) (place of domicile)	**2,198,242**	2,453,253	**3,706,156**	3,178,456
Middle East	**317,739**	279,116	**–**	–
South Korea	**78,958**	87,661	**–**	–
Brazil	**44,371**	42,209	**–**	–
Philippines	**15,731**	7,947	**–**	–
Malaysia	**14,165**	13,453	**–**	–
Germany	**12,445**	6,143	**–**	–
Nigeria	**8,349**	13,522	**–**	–
Other countries	**256,048**	251,492	**–**	–
	747,806	701,543	**–**	–
	2,946,048	3,154,796	**3,706,156**	3,178,456

6 OTHER REVENUE AND NET INCOME

	2011 *RMB'000*	2010 *RMB'000*
Other revenue		
Interest income	**8,191**	2,012
Government grants	**59,397**	25,675
Others	**8,541**	5,337
	76,129	33,024
Other net income		
Net gain from sale of raw and scrap materials	**8,357**	7,376
Net gain on disposal of property, plant and equipment and land use rights (Note (i))	**172,242**	731
	180,599	8,107

Note (i): The amount included a gain of RMB168.2 million arising from the expropriation of the land use rights of Wuhai Blue Star Glass Company Limited ("Wuhai Blue Star") by the local government authority during the year ended 31 December 2011. Of the proceeds received from the disposal of the land use rights, a total amount of RMB197.3 million was used to compensate (i) losses incurred from the relocation of the production facilities of Wuhai Blue Star; and (ii) expenditure incurred in the construction of a new production line that produces energy saving and new energy glass products, as stipulated in the notices from and agreements with the local government authority.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2011 *RMB'000*	2010 *RMB'000*
Interest on bank advances and other borrowings	**109,355**	92,452
Bank charges and other finance costs	**15,304**	23,413
Total borrowing costs	**124,659**	115,865
Less: amounts capitalised*	**(21,357)**	(8,227)
Net borrowing costs	**103,302**	107,638
Net foreign exchange gain	**(34,945)**	(13,363)
	68,357	94,275

* The borrowing costs have been capitalised at 6.28% per annum for the year ended 31 December 2011 (2010: 5.96% per annum).

(b) Staff costs#:

	2011 *RMB'000*	2010 *RMB'000*
Salaries, wages and other benefits	**264,699**	234,413
Contributions to defined contribution retirement plans	**31,637**	26,363
Equity-settled share-based payment expenses (see Note 13(a))	**969**	2,649
	297,305	263,425

(c) Other items:

	2011 *RMB'000*	2010 *RMB'000*
Cost of inventories#	**2,504,040**	2,293,413
Auditors' remuneration – audit services	**7,000**	7,000
Depreciation and amortisation#	**245,783**	225,145
Impairment loss/(reversal of impairment loss) on trade and other receivables	**3,629**	(5,603)
Operating lease charges in respect of#		
– land	**254**	328
– plant and buildings	**5,270**	4,690
– motor vehicles	**1,371**	1,396
Research and development costs (other than capitalised costs and related amortisation)	**6,187**	2,425

Cost of inventories includes RMB393.9 million (2010: RMB360.1 million) for the year ended 31 December 2011, 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 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2011 *RMB'000*	2010 *RMB'000*
Current tax – PRC income tax		
– Provision for the year	**91,545**	112,378
– Under-provision in respect of prior years	**197**	3,423
	91,742	115,801
Deferred tax		
– Origination and reversal of temporary differences	**(21,990)**	(7,332)
– Write-down of deferred tax assets	**–**	3,722
– Recognition of prior years' tax losses and impairment losses previously not recognised	**–**	(11,554)
	(21,990)	(15,164)
	69,752	100,637

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**281,498**	607,397
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	**78,303**	133,592
Tax effect of non-deductible expenses	**2,813**	4,394
Tax effect of unused tax losses not recognised	**7,000**	5,335
Tax credit (Notes (iv) and (v))	**(18,561)**	(38,275)
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 (vi))	**–**	3,722
Under-provision in respect of prior years	**197**	3,423
Income tax	**69,752**	100,637

Notes:

(i) No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2011 (2010: RMBNil).

(ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) 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 Corporate Income Tax rates ranging from 15% to 25% (2010: 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 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 in Note 8(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 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) The Group had recognised previously unrecognised tax losses and impairment losses and written down previously recognised tax losses in 2010, after changes were made to the estimates of the future operating results of certain PRC subsidiaries of the Group.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB181.6 million (2010: RMB304.8 million) and the weighted average of 1,476,817,000 ordinary shares (2010: 946,662,000 ordinary shares, after adjusting for the share split took place in 2011 (Note 14(b)(ii))) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2011	2010
	'000	*'000*
Issued ordinary shares at 1 January	**677,900**	416,000
Effect of shares issued on 26 January 2010	**–**	43,157
Effect of shares issued on 8 December 2010	**–**	14,174
Effect of share split (Note 14(b)(ii))	**677,900**	473,331
Effect of shares issued on 19 May 2011 (Note 14(b)(iii))	**124,384**	–
Effect of shares repurchased (Note 14(b)(iv))	**(3,042)**	–
Effect of shares purchased under a share award scheme (Notes 13(b) and 14(b)(vi))	**(325)**	–
Weighted average number of ordinary shares at 31 December	**1,476,817**	946,662

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2011 is based on the profit attributable to ordinary equity shareholders of the Company of RMB181.6 million and the weighted average of 1,489,450,000 ordinary shares in issue during the year ended 31 December 2011, calculated as follows:

	2011
	'000
Weighted average number of ordinary shares at 31 December	**1,476,817**
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 13(a))	**12,633**
Weighted average number of ordinary shares (diluted) at 31 December	**1,489,450**

There were no dilutive potential ordinary shares for the year ended 31 December 2010.

10 TRADE AND OTHER RECEIVABLES

	2011 *RMB'000*	2010 *RMB'000*
Trade receivable from:		
– Third parties	**292,470**	133,263
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**20,269**	62,977
– Companies under common significant influence	**11,065**	147
Bills receivable	**166,021**	69,103
	489,825	265,490
Less: allowance for doubtful debts	**(20,316)**	(20,346)
	469,509	245,144
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**1,812**	4,140
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**–**	446
– An associate of the Group	**4,403**	198
– Companies under common significant influence	**47,408**	48,312
	53,623	53,096
Less: allowance for doubtful debts	**(3,074)**	(3,074)
	50,549	50,022
Prepayments, deposits and other receivables	**453,563**	247,060
Less: allowance for doubtful debts	**(7,410)**	(3,751)
	446,153	243,309
	966,211	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 or separately negotiated repayment schedules 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 end of the reporting period:

	2011 *RMB'000*	2010 *RMB'000*
Within 1 month	**204,786**	136,910
More than 1 month but less than 3 months	**116,264**	57,650
More than 3 months but less than 6 months	**114,045**	40,461
Over 6 months	**34,414**	10,123
	469,509	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.

11 TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payable to:		
– Third parties	**597,012**	339,670
– Non-controlling equity holders of subsidiaries of the Group and their affiliates	**550**	3,895
– Companies under common significant influence	**3,217**	3,681
Bills payable	**147,450**	124,516
	748,229	471,762
Amounts due to related companies:		
– An equity shareholder of the Company	**6,621**	4,829
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**–**	14
– Companies under common significant influence	**43,188**	35,612
	49,809	40,455
Accrued charges and other payables	**872,756**	938,530
Financial liabilities measured at amortised cost	**1,670,794**	1,450,747
Advances received from customers	**115,475**	111,173
	1,786,269	1,561,920

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Included in trade and other payables are trade and bills payables with the following ageing analysis as of the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Due within 1 month or on demand	**633,979**	367,246
Due after 1 month but within 6 months	**114,250**	104,516
	748,229	471,762

12 UNSECURED NOTES

	2011	2010
	RMB'000	*RMB'000*
Unsecured notes 9.625% due in 2012 (Note (i))	**382,851**	396,857
Unsecured notes 4.95% due in 2013 (Note (ii))	**146,700**	144,900
	529,551	541,757
Less: current portion of unsecured notes	**(382,851)**	–
	146,700	541,757

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

(a) Share option scheme

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.

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

	Number of instruments: Before adjustment for the share split took place in 2011	Number of instruments: After adjustment for the share split took place in 2011	Vesting conditions	Contractual life of options
Options granted to directors:				
– on 29 February 2008	2,140,000	4,280,000	One year from the date of grant	7.25 years
– on 29 February 2008	1,605,000	3,210,000	Two years from the date of grant	7.25 years
– on 29 February 2008	1,605,000	3,210,000	Three years from the date of grant	7.25 years
Options granted to employees:				
– on 29 February 2008	5,860,000	11,720,000	One year from the date of grant	7.25 years
– on 29 February 2008	4,395,000	8,790,000	Two years from the date of grant	7.25 years
– on 29 February 2008	4,395,000	8,790,000	Three years from the date of grant	7.25 years
Total share options granted	20,000,000	40,000,000		

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

	2011		2010	
	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	19,300
Effect of share split (Note 14(b)(ii))		**19,300**		–
Outstanding at the end of the year	**HK$1.75**	**38,600**	HK$3.50	19,300
Exercisable at the end of the year	**HK$1.75**	**38,600**	HK$3.50	13,510

The options outstanding at 31 December 2011 had an exercise price of HK$1.75 (31 December 2010: HK$3.50 (before adjusting for the share split (Note 14(b)(ii))) and a weighted average remaining contractual life of 3.42 years (31 December 2010: 4.42 years).

(b) Share award scheme

On 12 December 2011 (the "Adoption Date"), the directors of the Company adopted a share award scheme (the "Share Award Scheme") as a mean of rewarding and retaining employees of the Group and to attract suitable personnel for further development with the Group. A trust has been set up for the purpose of administering the Share Award Scheme.

Pursuant to the Share Award Scheme, the trust may purchase shares of the Company from the Stock Exchange with cash contributed by the Group, and to hold such shares until they are vested.

The directors of the Company may, from time to time, at its discretion select any employee of the Group for participation in the Share Award Scheme and grant such number of awarded shares to any selected employee of the Group at nil consideration. The directors of the Company is entitled to impose any conditions (including a period of continued service within the Group after the award) with respect to the vesting of the awarded shares. In addition, the selected employee shall not transfer or dispose of more than 50% of the awarded shares during the period of one year after the date of vesting of such awarded shares.

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the directors of the Company.

(i) Details of the shares held under the Share Award Scheme are set out below:

	2011		
	Average purchase price *HK$*	**No. of shares held**	**Value** *RMB'000*
At 12 December 2011 (i.e. the Adoption Date)	–	–	–
Shares purchased during the year	**1.26**	**13,636,000**	**13,936**
At 31 December	**1.26**	**13,636,000**	**13,936**

For the year ended 31 December 2011, the Company, through the trust, acquired a total of 13,636,000 ordinary shares of the Company from the Stock Exchange at a total cash consideration of approximately HK$17.2 million (equivalent to approximately RMB13.9 million), including directly attributable incremental costs.

During the year ended 31 December 2011, no shares held under the Share Award Scheme have been granted to any employee.

14 CAPITAL AND RESERVES

(a) Dividends

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

	2011 *RMB'000*	2010 *RMB'000*
Final dividend proposed after the end of the reporting period of HK$0.01 per ordinary share (2010: HK$0.015 per ordinary share, after adjusting for the share split in 2011 (Note 14(b)(ii)))	**12,567**	17,305

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2011 *RMB'000*	2010 *RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.015 per ordinary share, after adjusting for the share split in 2011 (Note 14(b)(ii)) (2010: HK$Nil per ordinary share)	**17,305**	–

(b) Share capital

(i) Authorised and issued share capital

	2011		2010	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At 1 January	**700,000,000**	**70,000**	700,000,000	70,000
Increase in authorised share capital (Note 14(b)(ii))	**1,100,000,000**	**110,000**	–	–
Share split (Note 14(b)(ii))	**1,800,000,000**	**–**	–	–
At 31 December	**3,600,000,000**	**180,000**	700,000,000	70,000

	2011		2010	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**677,899,529**	**66,422**	416,000,000	43,856
Shares issued in 2010	**–**	**–**	261,899,529	22,566
Share split (Note 14(b)(ii))	**677,899,529**	**–**	–	–
Shares issued in 2011 (Note 14(b)(iii))	**200,000,000**	**8,367**	–	–
Shares repurchased (Note 14(b)(iv))	**(5,652,000)**	**(236)**	–	–
At 31 December	**1,550,147,058**	**74,553**	677,899,529	66,422

(ii) 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.

(iii) *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.

(iv) *Purchase of own shares*

During the year, 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	**5,652,000**	**3.10**	**2.47**	**16,411**

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 directly.

(v) *Terms of unexpired and unexercised share options at the end of the reporting period*

Exercise period	**Exercise price**	**2011 Number**	2010 Number (Adjusted for share split in 2011)
28 February 2009 to 29 May 2015	HK$1.75	**15,440,000**	15,440,000
28 February 2010 to 29 May 2015	HK$1.75	**11,580,000**	11,580,000
28 February 2011 to 29 May 2015	HK$1.75	**11,580,000**	11,580,000
		38,600,000	38,600,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 13(a).

(vi) At 31 December 2011, 13,636,000 ordinary shares of the Company are held under the Share Award Scheme (see Note 13(b)).

15 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 27 March 2012, the directors of the Company have proposed a final dividend. Further details are disclosed in Note 14(a).

16 COMPARATIVE FIGURES

As a result of a revision made to the presentation of reportable segments as detailed in Note 5(b), certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2011, driven by new production capacity putting into operation, the glass market in the PRC saw rapidly growing supply, while the increase in demand for glass slowed down sharply affected by the control policies imposed on the real estate and automobile policy control.

According to statistics from the Glass Information Network, in 2011, there were 23 new glass production lines in the PRC with daily melting capacity increasing by 17,400 tonnes, representing a year-on-year increase of 13.93%. Although some production lines suspended operations for overhaul in the second half of the year, glass output in 2011 maintained at a high level.

At the same time, due to increasing requirements for energy saving and environmental protection, the domestic demand for energy saving products such as low-emission ("Low-E") coated glass were gradually soaring. In short, in 2011, the glass industry saw continuously declining selling price (running at a low level) and persistently rising price of raw materials and fuels (running at a high level). The profit margin of glass enterprises was limited by these two factors.

In a word, China's glass industry suffered the most rigorous market conditions in 2011, especially the second half of the year. As a result, enterprises with deficient ability to mitigate risk began to suspend production as a measure to respond to the crisis.

BUSINESS REVIEW

Overview

The Group had 17 glass production lines, of which there were 14 float glass production lines and 3 rolling glass production lines for solar power ultra-clear photovoltaic glass. The melting capacity amounted to 7,630T/D. The melting capacity of the Group increased by 860T/D compared with that of last year. In 2011, there were 1 new online transparent conducting oxide ("TCO") glass and online Low-E glass production line added in Linyi, 1 new production line in Nanjing and 1 new production line in Wuhai both under construction. As at 31 December 2011, the Group had 11 glass production lines in operation. Operations at the float glass production line of Qinchang in Beijing, a patterned glass production line in Nanjing, a production line in Suqian and a production line in Weihai were suspended for overhaul or technical transformation.

In addition, 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.

In 2011, the Group produced 39.23 million weight cases of glass in different categories, representing an increase of 3.72 million weight cases from last year, or a year-on-year increase of 10.48%.

In 2011, under the guidance of the strategic plan of "Two-High-One-Low" (high technology, high quality, and low cost), the Group actively promoted technical transformation through increasing technical investment and by taking advantage of market downturn. The production lines previously used for producing low value-added products were upgraded technically. The Group actively adjusted the product structure and made efforts to increase the technology content of products and to improve product quality. At the same time, the Group tried to increase the share of high value-added products in the overall mix, amid the market condition where both output-to-sales ratio and price declined, by means of expanding scale, stabilizing output, improving quality and developing new markets, so as to ease the impact of the decline of the industry as a whole on corporate profit and consolidate the market share of high-end products. Moreover, the Group achieved relatively better operating results in the industry by taking the measures of reducing costs such as technical transformation and strategic sourcing.

Raw materials prices and production costs

In 2011, the price of major raw materials and fuels as well as labor costs surged. During the first three quarters, the prices of raw materials and fuels, such as petroleum powder, coal tar, coal and soda ash climbed remarkably. In the fourth quarter, the prices of raw materials and fuels fell moderately. In 2011, fuel oil prices advanced to a level with 15% higher than same period of last year and the price of soda ash, a major raw material of the glass industry, rose about 30% compared with that in 2010. The prices of other raw materials also soared to different extent.

In 2011, the consolidated average cost of sales for the glass products of the Group increased by 7.69% than the same period of last year. The increase in cost was mainly due to the following two reasons: firstly, the rising price of raw materials procurement; secondly, the proportion of coated glass, energy saving and new energy glass products with higher costs increased. The Group effectively reduced the cost of fuels through the low-cost fuel substituting technology, so that increase of the overall cost was much lower than that of the industry.

Production, sales and selling price

In 2011, the production lines in operation of the Group maintained sound operating conditions. A total of 39.23 million weight cases of glass of different types were produced, representing an increase of 3.72 million weight cases or 10.48% compared with that of the same period of last year. The Group sold a total of 36.02 million weight cases of glass of different types for the year. The output-to-sales ratio was 91.8%. The consolidated average selling price of glass products for the year decreased by 6.98% compared with last year.

Profit analysis

In 2011, the profit after tax of the Group was RMB212 million, representing a decrease of RMB295 million from the same period of last year, of which the operating profit declined by RMB269 million, representing a decrease of 43.5%. The decrease in profit after tax was mainly due to substantially increasing raw materials price and declining selling price.

The strategy of "Two-High-One-Low" achieved initial success

In 2011, the Group continued to maintain its leading edge in high technologies. Apart from online Low-E products, the development of online TCO glass production technology also made further progress and was put into test operation in Linyi production base. The production of high-end products by low-cost energy was realized.

The Group devoted itself to adjust the product structure by fully leveraging its leading edge in technologies and in connection with market demands and development trend, and at the same time ensuring the long-term stability of product quality. In terms of the percentages shared in turnover, the comparisons for different types of products between 2011 and 2010 were as follows: the proportion for clear glass decreased from 45.80% in 2010 to 32.94% in 2011, the proportion of painted glass increased from 21.52% in 2010 to 25.89% in 2011, the proportion of coated glass increased from 24.18% in 2010 to 30.02% this year, and the proportion of energy saving and new energy glass products increased from 8.50% in 2010 to 11.14% in 2011.

The Group adopted various measures to reduce costs and achieved remarkable effect. Taking the fuel costs that accounted for about 30% of total manufacturing costs for example, the Group continued to optimize and improve the "new solid fuel spraying and blowing technology" with independent intellectual property rights, and optimized the combustion process system and amplified its application scope in the Group's existing production lines to enhance the spraying and blowing ratio. In addition, the Company improved the strategic layout of new production capacity to utilize low-cost scarce energy. Under this strategy, the new production lines in the production bases of Dongtai, Linyi, and Wuhai exclusively purchase cheap coke gas as fuels locally, thus greatly reducing the production cost and decreasing the pollution of local environment by the gas emissions. At the same time, the Group applied its own patented technology to produce high value-added energy saving and new energy glass products in such bases, accomplishing "making the waste profitable" and achieving good economic and social benefits.

Energy saving and emission reduction

The Group's technical transformation projects of waste heat power generation in the production bases at Suqian and Dongtai have been put into operation.

All of the Group's production lines implemented the desulphurisation and dust removal technologies and reduced emissions to meet the discharge standard. The substances derived from desulphurisation were also recycled to substitute the raw material sodium sulfate, which not only met the environmental requirements, but also reduced costs.

Acquisition of minority interest of high-quality subsidiaries and capital increase to high-quality subsidiaries

The Group completed a placement and issuance of 200,000,000 new shares in May 2011. The proceeds were applied for the acquisition of minority interests of certain subsidiaries and providing additional working capital. As at the end of the reporting period, the following acquisitions of minority interests or capital increase were completed:

(1) acquired 25% equity interest of Weihai Blue Star New Technology Glass Co., Ltd. ("Weihai New Technology"), upon which the interests held by the Group and its subsidiaries reached 98.50% in aggregate;

(2) acquired 11.48% equity interests of Zhongbo Technology Co., Ltd. ("Zhongbo Technology"), upon which the interests held by the Group and its subsidiaries reached 88.16% in aggregate;

(3) acquired 2.406% equity interests of Wuhai Blue Star Glass Co., Ltd. ("Wuhai Blue Star"), upon which the interests held by the Group and its subsidiaries reached 99.76% in aggregate;

(4) acquired 49% equity interests of Dongtai China Glass Special Glass Co., Ltd. ("Dongtai Zhongbo"), upon which the interests held by the Group and its subsidiaries reached 100% in aggregate;

(5) acquired 17.44% equity interests of Zhongbo Bluestar (Linyi) Glass Co., Ltd. ("Linyi Blue Star"), upon which the interests held by the Group and its subsidiaries reached 76.21% in aggregate; and

(6) acquired 16,660,000 public shares or 15.47% equity interests of Weihai Blue Star Glass Co., Ltd. ("Weihai Blue Star"), upon which the interests held by the Group and its subsidiaries reached 90.67%.

At the same time, the Group completed the capital increases to Jiangsu Suhuada New Materials Company Limited ("Suhuada"), Dongtai Zhongbo, Linyi Blue Star and Weihai China Glass Solar Company Limited ("Zhongbo Solar"). The funds were used as expenditure for technical transformation projects to realize the orientation and transformation of the production base of high-end products.

OUTLOOK

2012 is the second year for the "12th Five-Year Plan" period of the PRC. With the further improvement of people's livelihood by the State, especially that of the security housing system, the increase of investment in environmental protection and energy saving, the development of central and western regions as well as the investment into strategic emerging industries etc., the sheet glass industry will gradually revive. At the same time, the energy saving products and new energy products will grow faster on favorable policies.

The Group believes that the glass market in 2012 will trend downwards before gradually recovering and the profit margin of enterprises will gradually return to the normal level, as analyzed as follows:

Influence of international and domestic macro-economic development trend

In 2012, China will continue to implement the proactive fiscal policy and prudent monetary policy, accelerate the transformation of the economic development pattern and the economic restructuring, vigorously expand domestic demand, strengthen the independent innovation and energy saving and emission reduction, make efforts to ensure and improve people's livelihood and maintain the stable economic development; all these will have an impact on the glass market.

Influence of national industrial policies and economic development strategies

The real estate industry will continue to be the major force to boost the demand for glass. In the coming period of time, although real estate control policies will continue, the demand for housing will see strong growth with changes in structure only. In particular, the implementation of a series of economic development strategies such as the gradual completion of the government security housing construction, the advance of urbanization construction, and the acceleration of new countryside construction will definitely promote the sound and stable development of the real estate industry. The Group forecasts that the second half of 2012 will see the corresponding driving growth, when the sheet glass industry will re-enter a promising cycle.

The development of the automobile industry will continue to drive the consumer demand for high-quality float glass. There will still be great purchase potential in the automobile consumption field in the future, which will drive the rapid growth of the safety glass for cars.

Energy saving and emission reduction has become a basic national policy of the State. The State has successively issued a series of laws and regulations such as the Energy Conservation Law of the People's Republic of China, Management Stipulations of Building Safety Glass, the 12th Five-Year Plan for Industrial Energy Conservation, the 12th Five-Year Development Plan for Solar Photovoltaic Industry. These industrial policies will definitely promote the use of energy saving products of the State, whilst the application of energy saving glass products is the primary and most convenient way to achieve the goal of energy saving buildings. This will bring an extremely broad prospect for the development of Low-E glass, titanium series sunlight easy clean coated glass ("Sun-E glass") and various kinds of hollow and laminated safety glass that have safety, energy saving and environmental protection features. In addition, new energy products, especially construction energy saving integrated products, will become increasingly valued, which will provide policy guarantee for the development of TCO glass and other solar products.

Besides, the policy guidance of industry integration will make the glass industry get rid of a vicious cycle featured by traditional expansion – vicious competition – industry loss contraction – recovery of profitability in the industry – re-expansion. The Flat Glass Industry Access Conditions and the 12th Five-Year Development Plan for Building Materials Industry issued by the State strictly limit the capacity expansion of ordinary sheet glass with high energy consumption and low output, and play a positive role in controlling new capacity, eliminating obsolete capacity, optimizing industrial structure, accelerating the development of high-end products, and intensifying industrial mergers and acquisitions.

As the Group's previous development strategic direction is transiting into a glass producer of high value-added glass products with features of energy saving and new energy and the strategy is basically consistent with the national macro-industrial policy and economic development strategy, national control policies will be more conducive to the development of the Group.

Forecast of market demand for glass

The Group forecasts that the growth in the new construction area of housing properties will continue to slow down in 2012 from 2011 and will not improve until the end of the third quarter of 2012. As a large number of demands for glass from the security housing construction in 2011 will be reflected in 2012, it will partially offset the impact of growth decline in new construction rate in the first half of 2012 on the demand for glass. The demand for glass from renovation and decoration markets may have a certain inertia growth, of about 5% as expected, in 2012. The Group expects that the demand from the automotive glass market will still maintain a certain level of growth in 2012. The glass export market will suffer great pressure. The proportion of the export volume of the glass industry of the PRC was about 20% in 2011. Due to many uncertainties of the international economic situation, this proportion in 2012 is expected to be the same as that of the previous year.

In addition, The Group predicts that the demand for energy saving and new energy glass products (excluding ordinary solar cover glass) will continue to grow rapidly.

Forecast of supply of raw materials and fuels

In the coming period of time, affected by the change of proactive monetary policies to prudent ones, the persistent implementation of control policies for real estate and the strict control over new construction projects of the Government, the investment growth in the PRC will continue to slow down. Prices of raw materials and fuels will continue to trend downwards in 2012 due to sluggish demand. In particular, the market demand for soda ash continued to stay low on adverse economic environment and the price is expected to remain at a low level for a period of time in the future. Fuel oil prices will continue to fluctuate in accordance with international oil prices and are expected to fluctuate higher in 2012. Coal prices are expected to fall in the first half of 2012 as curbed by demand and will rebound in the second half of 2012. Petroleum powder prices will decline moderately in 2012 as influenced by the sluggish downstream industry. The price of silicon sand is expected to change marginally in the short term.

In a conclusion of above, the market demand for deep processing glass products, including: functional glass of environmental protection and energy saving effects featuring Low-E glass, TCO glass, ultra-clear glass, coated glass as well as hollow glass, tempered glass, vacuum glass with additional security features, will maintain rapid growth. The competition of ordinary float glass will be more intense. It is expected that the selling price of glass products will show the trend of drop – stabilize – rally in 2012. Glass enterprises will gradually return to the normal level of profitability.

For the market estimation in 2012, the Group will continue to stick to the development strategy of "Two-High-One-Low" and will focus on the following areas:

I. To continually strengthen research and development work and ensure "high-tech" products. The Group will continually focus on the online Low-E glass, Sun-E glass and TCO glass, comprehensively promote these high-quality technologies and steady large-scale production process, ensure the Company's leading edge in technologies, and expand the coverage of these technologies in the Group's production lines on this basis.

II. To continually strengthen the unified and standardized quality assurance system and ensure the "high quality" of products institutionally. The Group will, first, intensify the unified standard for product quality and process technologies; second, strengthen the monitoring of production, safety, environmental protection, energy consumption and other indicators on various production bases; third, strengthen the supervision of the product manufacturing and equipment management. Meanwhile, the Group will take the opportunities of new construction, relocation and overhaul to conduct technological transformation of production lines to ensure the "high quality" of products from basic hardware.

III. To reduce production costs based on the premise of ensuring high-tech and high quality of products. First, the Group will continue with the research in substitute fuel projects, improve the mature "spraying and blowing technology" of the substitution of coal powder and petroleum powder for heavy oil, and do the technical grafting or transplantation work well; second, steadily enhance the efficiency of production lines which use low-cost coke-oven gas; and third, continue with the research in a new generation of energy saving technologies.

IV. To speed up the integration of supply and sales for reducing operating costs. The Group will continue to promote the full integration of sales, create a unified brand, and enhance the market competitiveness. The Group will continually promote the full consolidation of supply and carry out the unified procurement of bulk raw materials and fuels by innovative methods and technical tools to reduce procurement costs.

V. The Group will increase its efforts in the raw material base construction of silicon sand and stone to ensure the quality of supply of raw materials and reduce costs.

VI. The Group will continually pay close attention to the policy of industrial adjustment of the state and the market development trend; track, analyze and study competitors' advantages and disadvantages as well as industry operating trend; pay attention to the development dynamics and mode of operation of the enterprises in upstream and downstream industry chains to make full preparations for the potential acquisition opportunity of the Company in the future industry trough.

PROPOSED DISTRIBUTION

The Board proposed to make a distribution in an amount of approximately HK$15,501,000 and representing HK$0.01 per ordinary share from the contributed surplus account of the Company, payable to the shareholders of the Company whose names appear on the register of members of the Company at close of business on 21 May 2012, subject to approval by the shareholders of the Company of the proposal to reduce the share premium and transfer the credit arising therefrom to the contributed surplus account at the annual general meeting of the Company to be held on 15 May 2012 ("Annual General Meeting") (31 December 2010: the final dividends declared by the Company was HK$0.015 per ordinary share, after adjusting for the share split in 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 and certain employees of the Company were granted share options under the share option scheme. No options were granted by the Group and no options granted were lapsed or cancelled for the year ended 31 December 2011. Details of the outstanding options as at 31 December 2011 are set out in Note 13a.

SHARE AWARD SCHEME

The Board has approved the adoption of a share award scheme on 12 December 2011 ("Adoption Date"). The share award scheme will operate in parallel with the Company's share option scheme adopted on 30 May 2005.

During the year ended 31 December 2011, in accordance with the Company's instruction, 13,636,000 shares were purchased on the Stock Exchange for the purpose of the share award scheme, representing approximately 0.88% of the issued share capital of the Company as at the Adoption Date and the aggregate price (including directly attributable incremental cost) paid by the Company were HK$17,200,000. During the year ended 31 December 2011, no shares were granted to any selected employee of the Group under the share award scheme.

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

On 9 June 2011, the Board passed a resolution 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 31 December 2011. The repurchase of the shares were funded with internal resources of the Company. All of the 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 31 December 2011 and Note 14(b)(iv).

Save as disclosed above, during the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming Annual General Meeting will be held on 15 May 2012. The notice of Annual General Meeting will be published and sent to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2012 to 15 May 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 10 May 2012.

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 annual results for the year ended 31 December 2011.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2011, the Group had employed a total of approximately 6,584 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 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 7(b) above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is satisfied that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES ("MODEL CODE")

The Company has adopted 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 Model Code during the financial year ended 31 December 2011.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the Company's and the Stock Exchange's websites. The Company's annual report for the year ended 31 December 2011 in accordance with the relevant requirements of the Listing Rules will be dispatched to shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 27 March 2012

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. Chen Shuai, Mr. Ning Min and Ms. Lu Minghong as non-executive directors, and Mr. Sik Siu Kwan, Mr. Zhang Baiheng and Mr. Zhao Lihua as independent non-executive directors.

* *For identification purpose only*