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 2012

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Turnover	3	**1,193,428**	1,552,392
Cost of sales		**(1,109,724)**	(1,232,734)
Gross profit	3	**83,704**	319,658
Other revenue		**16,714**	48,418
Other net income		**4,525**	5,254
Distribution costs		**(37,357)**	(41,955)
Administrative expenses		**(113,178)**	(101,425)
(Loss)/profit from operations		**(45,592)**	229,950
Finance costs	4	**(61,805)**	(44,105)
(Loss)/profit before taxation	4	**(107,397)**	185,845
Income tax	5	**18,120**	(36,871)
(Loss)/profit for the period		**(89,277)**	148,974
Attributable to:			
Equity shareholders of the Company		**(82,377)**	125,956
Non-controlling interests		**(6,900)**	23,018
(Loss)/profit for the period		**(89,277)**	148,974
(Loss)/earnings per share (RMB)			
Basic	6(a)	**(0.054)**	0.090
Diluted	6(b)	**N/A**	0.089

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(89,277)**	148,974
Other comprehensive income for the period (before and after tax):		
Exchange differences on translation into presentation currency	**393**	(5,577)
Total comprehensive income for the period	**(88,884)**	143,397
Attributable to:		
Equity shareholders of the Company	**(81,984)**	120,379
Non-controlling interests	**(6,900)**	23,018
Total comprehensive income for the period	**(88,884)**	143,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 – unaudited
(Expressed in RMB)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment		**3,505,350**	3,351,981
Lease prepayments		**283,252**	286,664
Intangible assets		**61,572**	67,511
Receivables from related companies		**4,034**	15,268
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**110,019**	79,274
		3,965,227	3,801,698
Current assets			
Inventories		**613,290**	661,996
Trade and other receivables	7	**924,859**	966,211
Prepaid income tax		**21,037**	13,086
Cash and cash equivalents		**805,427**	545,821
		2,364,613	2,187,114
Current liabilities			
Trade and other payables	8	**1,928,743**	1,786,269
Bank and other loans		**1,098,582**	789,973
Unsecured notes		**387,370**	382,851
Income tax payable		**61,460**	54,289
		3,476,155	3,013,382
Net current liabilities		**(1,111,542)**	(826,268)
Total assets less current liabilities		**2,853,685**	2,975,430
Non-current liabilities			
Bank and other loans		**250,208**	274,073
Amount due to a related company		**10,818**	14,144
Unsecured notes		**147,600**	146,700
Deferred tax liabilities		**32,256**	33,136
		440,882	468,053
NET ASSETS		**2,412,803**	2,507,377
CAPITAL AND RESERVES	9		
Share capital		**74,553**	74,553
Reserves		**2,084,563**	2,172,237
Total equity attributable to equity shareholders of the Company		**2,159,116**	2,246,790
Non-controlling interests		**253,687**	260,587
TOTAL EQUITY		**2,412,803**	2,507,377

NOTES

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION

The 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 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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.

The 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 2011 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2012.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's financial statements:

- Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

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

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

3. 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 six months ended 30 June 2011, to the following four operating segments for the six months ended 30 June 2012. 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 period's 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 six months ended 30 June 2012 and 2011. 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 six months ended 30 June 2012 and 2011 is set out below.

	Clear glass products		**Painted glass products**		**Coated glass products**		**Energy saving and new energy glass products**		**Total**	
	Six months ended 30 June 2012	Six months ended 30 June 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011	**Six months ended 30 June 2012**	Six months ended 30 June 2011
	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	**386,242**	495,201	**353,692**	399,601	**280,848**	517,309	**172,646**	140,281	**1,193,428**	1,552,392
Reportable segment gross (loss)/profit	**(1,389)**	85,591	**14,584**	74,367	**23,100**	123,509	**47,409**	36,191	**83,704**	319,658

4. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Finance costs:		
Interest on bank advances and other borrowings	**64,140**	51,618
Bank charges and other finance costs	**7,650**	9,334
Total borrowing costs	**71,790**	60,952
Less: amounts capitalised	**(15,102)**	(6,163)
Net borrowing costs	**56,688**	54,789
Net foreign exchange loss/(gain)	**5,117**	(10,684)
	61,805	44,105

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Staff costs:		
Salaries, wages and other benefits	**111,933**	123,055
Contributions to defined contribution retirement plans	**16,284**	15,766
Equity-settled share-based payment expenses in respect of		
– share option scheme (see *Note 9(b)(i)*)	**–**	969
– share award scheme (see *Note 9(b)(ii)*)	**10,825**	–
	139,042	139,790

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Other items:		
Cost of inventories	**1,109,724**	1,232,734
Depreciation and amortisation	**121,678**	120,115
Impairment loss on trade and other receivables	**–**	1,773
Operating lease charges in respect of		
– land	**96**	109
– plant and buildings	**2,854**	2,016
– motor vehicles	**1,193**	602
Research and development costs (other than capitalised costs and related amortisation)	**2,249**	1,792
Net loss on disposal of property, plant and equipment	**765**	2,604
Interest income	**(6,866)**	(3,741)

5. INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Provision for the People's Republic of China (the "PRC") income tax on the estimated taxable profits for the period	**12,294**	45,566
Under-provision of PRC income tax in respect of prior years	**1,211**	–
	13,505	45,566
Deferred taxation	**(31,625)**	(8,695)
	(18,120)	36,871

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 six months ended 30 June 2012 (six months ended 30 June 2011: RMBNil).

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.

The subsidiaries of the Group established in the PRC (the "PRC subsidiaries") are subject to PRC Corporate Income Tax rates ranging from 15% to 25% for the six months ended 30 June 2012 (six months ended 30 June 2011: 15% to 25%). Certain PRC subsidiaries of the Group 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. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the loss attributable to ordinary equity shareholders of the Company of RMB82.4 million (six months ended 30 June 2011: profit of RMB126.0 million) and the weighted average of 1,532,554,000 ordinary shares (six months ended 30 June 2011: 1,402,926,000 ordinary shares) in issue during the six months ended 30 June 2012, calculated as follows:

	Six months ended 30 June	
	2012	2011
	'000	*'000*
Issued ordinary shares at 1 January	**1,536,511**	677,900
Effect of share split in 2011	**–**	677,900
Effect of shares issued on 19 May 2011	**–**	47,514
Effect of shares repurchased	**–**	(388)
Effect of shares purchased under a share award scheme *(Note 9(b)(ii))*	**(3,957)**	–
Weighted average number of ordinary shares at 30 June	**1,532,554**	1,402,926

(b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares for the six months ended 30 June 2012.

The calculation of diluted earnings per share for the six months ended 30 June 2011 was 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	19,878
Weighted average number of ordinary shares (diluted) at 30 June	1,422,804

7. TRADE AND OTHER RECEIVABLES

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Trade receivable from:		
– Third parties	**358,677**	292,470
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**20,411**	20,269
– Companies under common significant influence	**13,683**	11,065
Bills receivable	**109,458**	166,021
	502,229	489,825
Less: allowance for doubtful debts	**(20,316)**	(20,316)
	481,913	469,509
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**1,863**	1,812
– An associate of the Group	**15,352**	4,403
– Companies under common significant influence	**43,896**	47,408
	61,111	53,623
Less: allowance for doubtful debts	**(3,074)**	(3,074)
	58,037	50,549
Prepayments, deposits and other receivables	**392,319**	453,563
Less: allowance for doubtful debts	**(7,410)**	(7,410)
	384,909	446,153
	924,859	966,211

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 end of the reporting period:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 month	**191,811**	204,786
More than 1 month but less than 3 months	**144,011**	116,264
More than 3 months but less than 6 months	**52,243**	114,045
More than 6 months	**93,848**	34,414
	481,913	469,509

8. TRADE AND OTHER PAYABLES

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Trade payable to:		
– Third parties	**550,813**	597,012
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**2,737**	3,217
Bills payable	**360,000**	147,450
	914,100	748,229
Amounts due to related companies:		
– An equity shareholder of the Company	**5,934**	6,621
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**14,320**	–
– Companies under common significant influence	**43,549**	43,188
	63,803	49,809
Accrued charges and other payables	**849,895**	872,756
Financial liabilities measured at amortised cost	**1,827,798**	1,670,794
Advances received from customers	**100,945**	115,475
	1,928,743	1,786,269

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:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Due within 1 month or on demand	**585,300**	633,979
Due after 1 month but within 6 months	**328,800**	114,250
	914,100	748,229

9. CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS

(a) Distributions/dividends

(i) *Dividends payable to equity shareholders of the Company 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 2012 (six months ended 30 June 2011: HK$Nil).

(ii) *Distributions/dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period*

	Six months ended 30 June	
	2012 *RMB'000*	2011 *RMB'000*
Final distribution/dividend in respect of the previous financial year, approved during the following interim period, of HK$0.01 per ordinary share (six months ended 30 June 2011: HK$0.015 per ordinary share)	**12,567**	17,305

(b) Equity-settled share-based transactions

(i) Share option scheme

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 2012 (six months ended 30 June 2011: Nil).

No share options were exercised during the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

(ii) 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.

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

	Six months ended 30 June 2012			Year ended 31 December 2011		
	Average purchase price *HK$*	**No. of shares**	**Value** *RMB'000*	Average purchase price *HK$*	No. of shares	Value *RMB'000*
At 1 January	**1.26**	**13,636,000**	**13,936**	–	–	–
Shares purchased during the period/year	**1.25**	**4,024,000**	**4,091**	1.26	13,636,000	13,936
At 30 June/31 December	**1.26**	**17,660,000**	**18,027**	1.26	13,636,000	13,936

On 16 February 2012, 17,660,000 ordinary shares held under the Share Award Scheme were awarded to certain Directors and employees of the Group with a fair value per share of HK$1.67 (equivalent to approximately RMB1.36 per share). The fair value of the awarded shares is determined by reference to the closing price of the Company's ordinary shares on 16 February 2012. All of the awarded shares will be vested on 13 December 2012.

10. COMPARATIVE FIGURES

As a result of a revision made to the presentation of reportable segments as detailed in Note 3, certain comparative figures have been adjusted to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time for the six months ended 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2012, due to weak global economic recovery, the economy growth of China has slowed down. Meanwhile, as the Chinese government maintained its strict control policies on real estate and its stringent credit policies, the business environment of glass market continued to deteriorate. According to the statistics from the Glass Information Website, in the first half of 2012, 7 new float glass production lines were established in the country; 73 production lines suspended production or performed overhaul across the industry; and 198 production lines were in operation. During the first half of the year, the sheet glass production capacity decreased remarkably as compared to the same period last year.

In the first half of 2012, the price in glass market dropped initially, followed by bounced back and maintained relatively stable thereafter. In the first quarter, the industry continued the weak market condition from last year by running in a low level. As it is also an off season of the glass industry at the same time, the whole industry recorded a loss. In the second quarter, driven by commencement of traditional seasonal peak in the construction industry, the downward market trend was slightly improved; the glass price gradually bounced back, especially in the southern China market. Notwithstanding this, the declining tendency of the whole glass market was difficult to change in the first half of the year.

BUSINESS REVIEW

Overview

Currently, the Group has 17 glass production lines, of which 14 were float glass production lines and 3 were patterned glass production lines for solar power ultra-clear photovoltaic glass. The daily melting capacity amounted to 7,630 tonnes. As of 30 June 2012, the Group had 11 glass production lines in operation. One float glass production line in Beijing, one float glass production line in Suqian, one patterned glass production line in Nanjing and one production line in Weihai were under technical transformation or being suspended for overhaul. One patterned glass production line in Nanjing and one new float glass production line in Wuhai have not commenced production yet.

In addition, the Group also has 1 offline low-emission coated ("Low-E") 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.

Facing the adverse conditions of the industry, and against the background of intensified and disorderly competition as a result of weak demand and excess production capacity, the Group has carefully taken corresponding measures to address the difficult market condition from the Group's perspective, and analyzed its advantages and disadvantages, market demand and industry trend. In particular, in addition to traditional expansion of sources of income and cost saving, it has improved business conditions by the following efforts:

1. sustaining its strategic plan of "Two-High-One-Low" (high technology, high quality and low cost), continuing to proceed with refining and evolving its technology, strengthening its control over product structure, and promoting and replicating low-cost fuel replacement technology in various production bases;

2. strategically adjusting the time for production line upgrade and overhaul by taking advantage of market downturn to conduct the overhaul and technology upgrade in advance for certain production lines which are approaching overhaul period, so as to lay foundations for rapid improvement of performance of the Group when the market recovers subsequently.

Prices in raw materials and production costs

In the first half of 2012, the relatively weak economy led to inadequate demand for main raw materials and fuels required for glass production, and thus resulted in the decline of their prices. Impacted by the drop in global oil price and inadequate domestic demand, the fuel price in China went down since the second quarter. Coal price has decreased since the beginning of the year, and the price of soda ash has continued the downward trend from the end of last year. The prices of petroleum powder and silicon sand generally remained at the low level. As the prices of raw materials and fuels decreased, the cost pressure on the Group in respect of the operations has been eased.

Under such circumstances, the Group, by taking advantage of raw material market downturn, made more efforts on the construction of its own raw material bases, and also increased strategic purchase of bulk raw materials and fuels to establish its reserves, in order to further reduce its purchase cost in a long run.

Production, sales and selling price

In the first half of 2012, our production lines in operation maintained sound operating conditions with good production safety and stable quality. For the first half of the year, as a result of the overhaul of several lines, the Group produced a total of 17.52 million weight cases of glass of different types, representing a slight decrease from the same period last year. In the first half of the year, the average sales prices of the Group's glass products were RMB67 per weight cases, representing a decrease of 21% compared to the corresponding period of the prior year. Although the Group has consistently applied the "Two-High-One-Low" strategy to increase the proportion of high value-added products, the average selling price of our products dropped significantly from the same period of last year, subject to the industry cycle and control policies imposed on real estate.

Profit analysis

Due to rigorous industry conditions, although the Group endeavored to explore and expand the markets, applied new technology to modify product structure, and used more low-cost fuel replacement technology, it was not able to offset the impact of industry decline on its performance. In addition, during the first half of the year, the Group focused on the overhaul and upgrade of production lines when the market went into downturn, which directly affected the revenue of the Group. Therefore, despite the fact that the market had bounced back in certain extent in the second quarter, it was unable to overturn the effect of the industry down period during the first half of the year.

For the first half of 2012, the Group recorded a revenue of RMB1,193 million, representing a decrease of 23% from the same period of last year. Net loss for the period amounted to RMB89 million for the first half year.

In the first half of 2012, fierce competition of ordinary clear glass products continued, as a result of which the sector made no material contribution to the gross profit of the Group in the first half of the year. Therefore the Group has adjusted the ordinary clear glass products production plan and arranged for production in low-cost production base in order to reduce loss attributable to such segment. On the other hand, sales volume of painted and coated glass products for the first half of 2012 increased compared to the same period last year, but gross profit of such segment declined due to decrease in average selling price. In particular, the traditional coated glass market in which the company had obvious advantage, was also impacted by the price competition amongst the entire industry in the first half of the year, which directly affected the overall performance of the Group during such period. Salesvolume of energy saving and new energy glass products increased in the first half of 2012 compared to the same period of last year, as a result of which they became the most important source of gross profit for the first half year of 2012. In this sector, gross profit of energy saving products such as Low-E glass have obvious increase, but with the downturn of the photovoltaic polysilicon industry, the profit contribution from solar power ultra-clear photovoltaic glass products reduced significantly.

Continue to consistently implementing the development strategy of "Two-High-One-Low"

Since the introduction of the strategy of "Two-High-One-Low" by the Group in 2010, the Group has been proactively setting its layout according to such strategy, by strengthening the efforts on technology transformation and independent research and development and improving product structure, in order to enhance its anti-crisis capability.

For the first half of 2012, the online transparent conducting oxide ("TCO") glass coating technology, which the Group has independently developed and has full patent, was recognised as the national science and technology achievement of the PRC. Such recognition by the industry association evidenced that the Group's online TCO glass technology had met the advanced level same as international products of the same kind, which has further strengthened the leading position of the Group in high-tech areas such as the energy saving and new energy in China.

Although the prices of raw materials and fuels dropped during the first half of the year, the long-term increasing trend of raw materials and fuels cost has not been changed due to the reduction of resources. Therefore, the Group will continue to emphasis on increasing the proportion of alternative low-cost fuels, and will continue its research on the technology of improving burning efficiency of fuels.

Energy saving and emission reduction

Our projects of waste heat power generation in the production bases at Suqian and Dongtai have operated smoothly, and the desulphurisation, equipment at Dongtai has been put into trial run and satisfied environmental standards, which evident the implementation of energy saving and environmental measures. The production bases in Linyi and Dongtai, by applying the self-developed technology of the Group, used coke-oven gas, which was a pollutant as fuels to produce high value-added and energy-saving products, through which such production bases become the local leading enterprises of "making good use of the waste" in an energy saving and environment-friendly manner.

OUTLOOK AND TRADING PROSPECTS

The second half of 2012 is the traditional peak season for glass products demand. In addition, as the country has gradually increased the requirements for energy saving and construction safety, demand in energy-saving glass, safety glass and new energy glass products will grow rapidly as supported by the government policies.

The Group expects that the demand in the glass market for the second half of 2012 will be greater than that of the first half year. However, due to the weak demand in the first half of the year, the total demand for glass for the whole year will not be higher than that of last year. During the second half of 2012, the glass price is expected to increase mildly and the glass industry will be gradually improved.

Forecast of market demand for glass products

The Group expects that Chinese government will commit to stablize its economy growth. Although the government will continue its control policies on the properties in the near future, it is estimated that the new construction area of housing properties will be increased slowly according to the data released after May this year. Meanwhile, the security housing construction will be accelerated in the second half of this year. As the peak season is coming, the demand for glass products in the property market will be greater than that of the first half year. In addition, the demand for glass products for automobiles, renovation and decoration for constructions and glass furniture markets will also increase as compared to the first half year.

In the energy saving and new energy sectors, demand for Low-E glass will increase due to the policies in relation to energy saving. TCO glass sector is stable with relatively steady prices and demand. Solar power ultra-clear glass sector is not positive in the second half of the year subject to the general crisis of photovoltaic polysilicon industry.

As for the glass export market, according to the Information Center of China Building Materials Industry, the export of sheet glass for the first half of 2012 decreased by 1.5% as compared to the same period of last year, and in the second half year it will be flat with or slightly increased over the last year.

In a conclusion of above, the market demand for functional glass of environmental protection and energy saving effects including Low-E glass, TCO glass, coated glass and deep processing glass products, will maintain steady growth, while the competition of ordinary float glass will be more intense. However, if glass futures are launched in the future market of China in the second half of the year on schedule, the prices of ordinary clear glass will likely tend to be stable.

Forecast of price movement of raw materials and fuels

It is expected that the prices in main raw materials and fuels will be relatively stable and fluctuate in a narrow range for the second half of 2012. In particular:

Domestic fuel oil: the price is expected to fluctuate mildly at the low level in the second half year;

Soda ash: as the demand for soda ash will be improved due to the coming peak season in glass market in the second half of the year, the price of soda ash will be steady and slightly rising, but will likely to decline at the end of the fourth quarter. It is expected that the general price will remain at the low level in the second half of the year;

Coal: with greater downstream demand, production reduction of coal mines and purchase of coal for winter reserve started from September, the price will be increased slightly while maintaining stable in the second half of the year;

Petroleum powder and silicon sand: the price will remain similar as that for the first half of the year.

Major work plans of the Group for the second half of the year

1. To facilitate the establishment of united and innovative marketing system:

   by leveraging on our existing industry deployment in China and taking advantages of the great number of production lines, reasonable arrangement and complete product varieties, the Group plans to establish the united and standardised market system group-wide, scale and innovative marketing strategy, so as to resist the industry trough.

2. To proactively promote standardized and normalized manufacturing and operating management system:

   the Group plans to, by way of improving and establishing uniform, standardized and normalized manufacturing and operating management system, introduce and promote new technology and new products, to further improve the operation standard of the Group. It will also help the Group as a whole to advance and improve our production, logistics, after-sales services, thus increasing its overall competitiveness.

3. To improve product structure of the Group to increase the proportion of high value-added products:

   against the background of excess capacity of ordinary glass and the increased demand for high-tech glass in China, the Group will continue to take its advantage in respect of coated glass to increase the proportion of energy saving and new energy products while promoting standardized and normalized manufacturing and operating management system.

4. To intensify its efforts on the research and development of new technologies and new products to improve the overall competitiveness of the Group:

   by leveraging on our outstanding technical team and research and development resources, the Group will continue to maintain its edges of high technology, and will intensify its efforts on the development and application of new technologies to increase its benefits and foster new growth points for the Group.

5. To proactively use innovative instruments to hedge industry risks:

   by taking the opportunity arising from domestic market, including the possible launch of glass futures products, and leveraging on our economics of scale in the industry, the Group will proactively use various innovative instruments to hedge the risks of fluctuations of industry cycle in the short term, so as to generate greater value for shareholders.

FINANCIAL REVIEW

For the first six months of 2012, the turnover of the Group decreased by 23% to RMB1.193 billion as compared to RMB1.552 billion in the first six months of 2011. The decrease in turnover was attributable to the decrease in the selling price of the Group which was affected by the significant decrease in the glass market price. Accordingly, the gross profit margin decreased to 7.0% from 20.6% as compared to the corresponding period of last year.

The Group's loss for the period amounted to approximately RMB89 million, representing a decrease of profit by RMB238 million as compared to a profit of RMB149 million for the first six months of 2011. The decrease was mainly attributable to the decrease in gross profit during the period.

The Group's loss attributable to equity shareholders of the Company for the period amounted to approximately RMB82 million, representing a decrease of profit by RMB208 million as compared to a profit attributable to shareholders of RMB126 million for the first six months of 2011. The decrease was mainly attributable to the decrease in gross profit during the period.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2012, the Group's cash and cash equivalents amounted to RMB805 million (31 December 2011: RMB546 million), of which 90% (31 December 2011: 86%) were denominated in Renminbi ("RMB"), 4% (31 December 2011: 11%) in United States Dollars ("USD") and 6% (31 December 2011: 3%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB1.349 billion (31 December 2011: RMB1.064 billion), of which 88% (31 December 2011: 84%) were denominated in RMB and 12% (31 December 2011: 16%) were denominated in USD, and outstanding unsecured notes amounted to RMB535 million (31 December 2011: RMB530 million), of which 28% (31 December 2011: 28%) were denominated in RMB and 72% (31 December 2011: 72%) were denominated in USD. As at 30 June 2012, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 30% (31 December 2011: 27%). As at 30 June 2012, the Group's current ratio (current assets divided by current liabilities) was 0.68 (31 December 2011: 0.73). The Group recorded net current liabilities amounting to RMB1,112 million as at 30 June 2012 (31 December 2011: RMB826 million). As at 30 June 2012, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.62 (31 December 2011: 0.58).

At 30 June 2012, the Group's short-term bank and other loans were RMB1.099 billion (31 December 2011:RMB790 million), the Group's long-term bank and other loans were RMB250 million (31 December 2011:RMB274 million), among which RMB109 million (31 December 2011:RMB118 million) will be due after one year but within two years, RMB137 million (31 December 2011:RMB136 million) will be due after two years but within five years and RMB4 million (31 December 2011:RMB20 million) will be due after five years.

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 or depreciation 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 2012, the Group had not adopted any derivatives for hedging purposes.

REDEMPTION OF THE OUTSTANDING US DOLLAR NOTES

On 12 July 2007, the Group issued unsecured notes of 9.625% per annum with total principal amount of US$100,000,000. On 31 July 2009, the Group redeemed the unsecured notes with total principle amount of US$39,110,000. The outstanding unsecured notes matured on 12 July 2012, and the Group redeemed all outstanding unsecured notes on the same day.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK$Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2012.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 30 May 2005 in order to provide 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.

No options were granted by the Group and no options granted were lapsed or cancelled for the six months ended 30 June 2012.

SHARE AWARD SCHEME

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

From the Adoption Date up to 30 June 2012, based on the Company's instruction, 17,660,000 shares were purchased by the trustee of the scheme on the market for the purpose of the share award scheme, representing approximately 1.14% of the issued share capital of the Company as at 30 June 2012 and the aggregate price paid by the Company were HK$22,231,066. On 16 February 2012, 17,660,000 shares held under the share award scheme were awarded to the Selected Employees of the Group at nil consideration.

Further details of the awards granted under the share award scheme are disclosed in Note 9(b)(ii).

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, other than the shares of the Company purchased by the trustee of the share award scheme as disclosed in Note 9(b)(ii).

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 report, 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 2012, the Group had employed a total of approximately 6,220 employees in the PRC and Hong Kong (31 December 2011: about 6,584 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 2012. Details of staff costs and pension schemes were set out in Note 4.

MATERIAL ACQUISITIONS AND DISPOSAL

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 2012. As at the date of this announcement, the Group has no plan to make any material investment in or acquisition of capital assets.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other material events after the reporting period as at the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company comprised of one non-executive Director, namely Mr. Zhao John Huan and two independent non-executive Directors, namely Mr. Sik Siu Kwan and Mr. Zhao Lihua. The chairman of the audit committee is Mr. Sik Siu Kwan. 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 2012.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprised of one non-executive Director, namely Mr. Zhao John Huan, and two independent non-executive Directors, namely Mr. Sik Siu Kwan and Mr.Zhao Lihua. The chairman of the remuneration committee is Mr. Zhao Lihua. The principal responsibilities of remuneration committee include making recommendations for approval by the Board with respect to matters relating to the remuneration of Directors and senior management, and establishment of a formal and transparent procedure for developing remuneration policy.

NOMINATION COMMITTEE

On 27 March 2012, the Board established a nomination committee in accordance with the amendments of the Code on Corporate Governance Practices which became effective as of 1 April 2012, which comprised of one non-executive Director, namely Mr. Zhou Cheng and two independent non-executive Directors, namely Mr. Sik Siu Kwan and Mr. Zhang Baiheng. The chairman of the nomination committee is Mr. Zhou Cheng. The principal responsibilities of nomination committee include examinating the structure, size and composition of the Board, identifying suitable individual qualified to become board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by nomination committee and agree any appointment of its members and recommend appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

STRATEGY COMMITTEE

On 27 March 2012, the Board established a strategy committee, which comprised of one executive Director, namely Mr. Zhang Zhaoheng and two non-executive Directors, namely Mr. Zhao John Huan and Mr. Zhou Cheng. The chairman of the strategy committee is Mr. Zhao John Huan. The strategy committee is mainly responsible for reviewing the mid-term and long-term strategies of the Company pursuant to its defined terms of reference.

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 applicable code provisions of 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 2012.

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

The Company has adopted the Model Code For Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. 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 six months ended 30 June 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company 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 2012

As at the date of this announcement, the Board comprises of 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 purposes only*