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**CHINA GLASS HOLDINGS LIMITED**
**中國玻璃控股有限公司***
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 3300)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2013 – unaudited*
*(Expressed in Renminbi ("RMB"))*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Turnover** | 3 | **1,260,392** | 1,193,428 |
| Cost of sales | | **(1,035,647)** | (1,109,724) |
| **Gross profit** | 3 | **224,745** | 83,704 |
| Other revenue | | **12,356** | 16,714 |
| Other net (loss)/income | | **(585)** | 4,525 |
| Distribution costs | | **(42,815)** | (37,357) |
| Administrative expenses | | **(119,945)** | (113,178) |
| **Profit/(loss) from operations** | | **73,756** | (45,592) |
| Share of losses of associates | | **(70)** | – |
| Finance costs | 4 | **(45,993)** | (61,805) |
| **Profit/(loss) before taxation** | 4 | **27,693** | (107,397) |
| Income tax | 5 | **(14,954)** | 18,120 |
| **Profit/(loss) for the period** | | **12,739** | (89,277) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **13,114** | (82,377) |
| Non-controlling interests | | **(375)** | (6,900) |
| **Profit/(loss) for the period** | | **12,739** | (89,277) |
| **Earnings/(loss) per share (RMB cent)** | | | |
| Basic | 6(a) | **0.852** | (5.375) |
| Diluted | 6(b) | **0.850** | N/A |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2013 – unaudited*
*(Expressed in RMB)*

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Profit/(loss) for the period** | **12,739** | (89,277) |
| **Other comprehensive income for the period (before and after tax):** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation into presentation currency | **(5,395)** | 393 |
| **Total comprehensive income for the period** | **7,344** | (88,884) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **7,719** | (81,984) |
| Non-controlling interests | **(375)** | (6,900) |
| **Total comprehensive income for the period** | **7,344** | (88,884) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2013 – unaudited*
*(Expressed in RMB)*

| | Note | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **3,556,198** | 3,600,602 |
| Lease prepayments | | **275,890** | 279,531 |
| Intangible assets | | **46,654** | 53,505 |
| Interests in associates | | **600** | 70 |
| Receivables from related companies | | **–** | 4,473 |
| Available-for-sale investment | | **1,000** | 1,000 |
| Deferred tax assets | | **110,541** | 107,676 |
| | | **3,990,883** | 4,046,857 |
| **Current assets** | | | |
| Inventories | | **442,616** | 433,663 |
| Trade and other receivables | 7 | **758,130** | 895,684 |
| Prepaid income tax | | **15,711** | 17,654 |
| Cash and cash equivalents | | **383,820** | 324,265 |
| | | **1,600,277** | 1,671,266 |
| **Current liabilities** | | | |
| Trade and other payables | 8 | **1,612,052** | 1,676,108 |
| Bank and other loans | | **1,075,616** | 1,227,817 |
| Unsecured notes | | **149,400** | 148,500 |
| Income tax payable | | **57,486** | 57,851 |
| | | **2,894,554** | 3,110,276 |
| **Net current liabilities** | | **(1,294,277)** | (1,439,010) |
| **Total assets less current liabilities** | | **2,696,606** | 2,607,847 |
| **Non-current liabilities** | | | |
| Bank and other loans | | **247,316** | 248,005 |
| Amount due to a related company | | **3,809** | 7,380 |
| Unsecured notes | | **93,687** | – |
| Deferred tax liabilities | | **30,633** | 31,721 |
| | | **375,445** | 287,106 |
| **NET ASSETS** | | **2,321,161** | 2,320,741 |
| **CAPITAL AND RESERVES** | 9 | | |
| Share capital | | **74,553** | 74,553 |
| Reserves | | **2,001,568** | 2,000,421 |
| **Total equity attributable to equity shareholders of the Company** | | **2,076,121** | 2,074,974 |
| **Non-controlling interests** | | **245,040** | 245,767 |
| **TOTAL EQUITY** | | **2,321,161** | 2,320,741 |

# 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 of Hong Kong Limited, 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 28 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 2012 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 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2013.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosure – Offsetting financial assets and financial liabilities*

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

**Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

**HKFRS 10, Consolidated financial statements**

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12, *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

**HKFRS 12, Disclosure of interests in other entities**

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

**HKFRS 13, Fair value measurement**

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

**Annual Improvements to HKFRSs 2009-2011 Cycle**

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the assets and liabilities of the Group are not measured under individual segments.

**Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

## 3 SEGMENT REPORTING

The Group manages its businesses by products. In a manner consistent with the way in which the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four operating segments. 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.

*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 2013 and 2012. 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 2013 and 2012 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 2013** | Six months ended 30 June 2012 | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | **Six months ended 30 June 2013** | Six months ended 30 June 2012 | **Six months ended 30 June 2013** | Six months ended 30 June 2012 |
| | ***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** | **504,954** | 386,242 | **350,652** | 353,692 | **348,401** | 280,848 | **56,385** | 172,646 | **1,260,392** | 1,193,428 |
| **Reportable segment gross profit/(loss)** | **91,875** | (1,389) | **52,950** | 14,584 | **74,082** | 23,100 | **5,838** | 47,409 | **224,745** | 83,704 |

## 4 PROFIT/(LOSS) BEFORE TAXATION

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Finance costs:** | | |
| Interest on bank advances and other borrowings | **49,576** | 64,140 |
| Bank charges and other finance costs | **6,616** | 7,650 |
| Total borrowing costs | **56,192** | 71,790 |
| Less: amounts capitalised into property, plant and equipment | **(7,949)** | (15,102) |
| Net borrowing costs | **48,243** | 56,688 |
| Net foreign exchange (gain)/loss | **(2,250)** | 5,117 |
| | **45,993** | 61,805 |

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Staff costs:** | | |
| Salaries, wages and other benefits | **113,807** | 111,933 |
| Contributions to defined contribution retirement plans | **14,643** | 16,284 |
| Equity-settled share-based payment expenses in respect of share award scheme *(see Note 9(b)(ii))* | **5,680** | 10,825 |
| | **134,130** | 139,042 |

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| **Other items:** | | |
| Cost of inventories | **1,035,647** | 1,109,724 |
| Depreciation and amortisation | **124,196** | 121,678 |
| Reversal of impairment losses on trade and other receivables | **(751)** | – |
| Operating lease charges in respect of | | |
| – land | **98** | 96 |
| – plant and buildings | **3,487** | 2,854 |
| – motor vehicles | **1,253** | 1,193 |
| Research and development costs (other than capitalised costs and related amortisation) | **390** | 2,249 |
| Net loss on disposal of property, plant and equipment | **50** | 765 |
| Interest income | **(5,725)** | (6,866) |

## 5 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Current taxation: | | |
| – Provision for the People's Republic of China (the "PRC") Corporate Income Tax on the estimated taxable profits for the period | **18,743** | 12,294 |
| – Under-provision of PRC Corporate Income Tax in respect of prior years | **164** | 1,211 |
| | **18,907** | 13,505 |
| Deferred taxation | **(3,953)** | (31,625) |
| | **14,954** | (18,120) |

No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiaries 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 2013 (six months ended 30 June 2012: 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 are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2013 (six months ended 30 June 2012: 25%).

One of the subsidiaries of the Group established in the PRC obtained an approval from the tax bureau that it is entitled to tax benefits applicable to entity under the Second Phase of the Western Region Development Plan of the PRC, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2013 (six months ended 30 June 2012: 15%).

Certain subsidiaries of the Group established in the PRC obtained approvals from the respective tax bureaux to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from the year of which the approval is obtained.

## 6 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of RMB13,114,000 (six months ended 30 June 2012: loss attributable to ordinary equity shareholders of the Company of RMB82,377,000) and the weighted average of 1,539,704,000 ordinary shares (six months ended 30 June 2012: 1,532,554,000 ordinary shares) in issue during the six months ended 30 June 2013, calculated as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **1,550,147** | 1,536,511 |
| Effect of shares purchased under a share award scheme *(Note 9(b)(ii))* | **(10,443)** | (3,957) |
| Weighted average number of ordinary shares at 30 June | **1,539,704** | 1,532,554 |

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of RMB13,114,000 and the weighted average of 1,543,228,000 ordinary shares in issue during the six months ended 30 June 2013, calculated as follows:

| | Six months ended 30 June 2013 |
|---|---|
| | ***'000*** |
| Weighted average number of ordinary shares at 30 June | **1,539,704** |
| Effect of deemed issue of shares under the share award scheme *(Note 9(b)(ii))* | **3,524** |
| Weighted average number of ordinary shares (diluted) at 30 June | **1,543,228** |

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

## 7 TRADE AND OTHER RECEIVABLES

| | At 30 June 2013 RMB'000 | At 31 December 2012 RMB'000 |
|---|---|---|
| Trade receivables from: | | |
| – Third parties | **322,236** | 260,651 |
| – An affiliate of a non-controlling equity holder of a subsidiary of the Group | **19,299** | 19,148 |
| – Companies under common significant influence | **7,179** | 7,514 |
| Bills receivables | **147,495** | 237,613 |
| | **496,209** | 524,926 |
| Less: allowance for doubtful debts | **(25,408)** | (24,892) |
| | **470,801** | 500,034 |
| Amounts due from related companies: | | |
| – Equity shareholders of the Company and their affiliate | **1,019** | 1,023 |
| – An associate of the Group | **212** | 4,935 |
| – Companies under common significant influence | **9,407** | 8,224 |
| | **10,638** | 14,182 |
| Less: allowance for doubtful debts | **(1,784)** | (3,051) |
| | **8,854** | 11,131 |
| Prepayments, deposits and other receivables | **285,884** | 391,928 |
| Less: allowance for doubtful debts | **(7,409)** | (7,409) |
| | **278,475** | 384,519 |
| | **758,130** | 895,684 |

All of the trade and other receivables are expected to be recovered or recognised as expenses 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 (based on the invoice date) as of the end of the reporting period:

| | At 30 June 2013 *RMB'000* | At 31 December 2012 *RMB'000* |
|---|---|---|
| Within 1 month | **193,033** | 148,495 |
| More than 1 month but less than 3 months | **67,956** | 97,225 |
| More than 3 months but less than 6 months | **54,922** | 110,487 |
| Over 6 months | **154,890** | 143,827 |
| | **470,801** | 500,034 |

## 8 TRADE AND OTHER PAYABLES

| | At 30 June 2013 *RMB'000* | At 31 December 2012 *RMB'000* |
|---|---|---|
| Trade payables to: | | |
| – Third parties | **513,431** | 520,635 |
| – An affiliate of a non-controlling equity holder of a subsidiary of the Group | **550** | 550 |
| – Companies under common significant influence | **2,071** | 3,177 |
| Bills payables | **181,673** | 233,225 |
| | **697,725** | 757,587 |
| Amounts due to related companies: | | |
| – An equity shareholder of the Company | **2,982** | 3,621 |
| – An affiliate of a non-controlling equity holder of a subsidiary of the Group | **10,540** | 15,540 |
| – Companies under common significant influence | **12,422** | 16,383 |
| | **25,944** | 35,544 |
| Accrued charges and other payables | **761,414** | 780,211 |
| Financial liabilities measured at amortised cost | **1,485,083** | 1,573,342 |
| Advances received from customers | **126,969** | 102,766 |
| | **1,612,052** | 1,676,108 |

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 (based on the maturity date) as of the end of the reporting period:

| | **At 30 June 2013** | At 31 December 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Due within 1 month or on demand | **579,400** | 570,067 |
| Due after 1 month but within 6 months | **118,325** | 187,520 |
| | **697,725** | 757,587 |

## 9 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

### (a) Dividends/distributions

*(i) Dividends payable to equity shareholders of the Company attributable to the interim period*

The board of directors (the "Directors") of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil).

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| Final dividend/distribution in respect of the previous financial year, approved and paid during the following interim period, of HK$Nil per ordinary share (six months ended 30 June 2012: HK$0.01 per ordinary share) | **–** | 12,567 |

**(b) Equity-settled share-based transactions**

*(i) Share option scheme*

No share options previously granted to the Directors and employees of the Group were forfeited during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

No share options were exercised during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

*(ii) Share award scheme*

On 12 December 2011, the Directors 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 2013** | | | Year ended 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Average purchase price** *HK$* | **No. of shares held** | **Value** *RMB'000* | Average purchase price *HK$* | No. of shares held | Value *RMB'000* |
| At 1 January | | **–** | **–** | 1.26 | 13,636,000 | 13,936 |
| Shares purchased during the period/year | **1.39** | **11,170,000** | **12,604** | 1.25 | 4,024,000 | 4,091 |
| Shares vested during the period/year | | **–** | **–** | | (17,660,000) | (18,027) |
| At 30 June/31 December | | **11,170,000** | **12,604** | | – | – |

On 18 January 2013, 11,170,000 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$1.36 (equivalent to approximately RMB1.10 per share). The fair value of the awarded shares for the six months ended 30 June 2013 is determined by reference to the closing price of the Company's ordinary shares on 18 January 2013. All of the awarded shares will be vested on 8 January 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

In the first half of 2013, the overall glass market showed a stable performance. According to the statistics from the Glass Information Website, in the first half of the year, 13 float glass production lines were newly put into operation in the PRC; and 70 production lines suspended production or performed overhaul; and 228 production lines were in normal operation. According to the data from National Bureau of Statistics, in the first half of the year, the sheet glass production volume increased by 10.8% as compared to the same period last year.

In the first half of 2013, glass price indicated a moderate upward trend. In the first quarter, manufacturers maintained a calm attitude and market price in various regions was stable under the influence of futures market; at the beginning of the second quarter, price fluctuated and moved downward due to increase in inventories; however, a quick rebound in glass price was recorded in May due to the increase in demand for glass from stock houses. According to a report on the operation of the building materials industry for the first half of 2013, both sales quantity and price of sheet glass increased in the first half of the year, where the average price in sheet glass of the key enterprises increased by 4.1% compared with the same period last year.

## BUSINESS REVIEW

Currently, the Group has 17 glass production lines with a daily melting capacity amounted to 7,630 tonnes, of which 14 were float glass production lines and 3 were patterned glass production lines for solar power ultra-clear photovoltaic glass. As at 30 June 2013, the Group had 12 float glass production lines in operation. One float glass production line in Beijing, one float glass production lines in Suqian and three patterned glass production lines in Nanjing were being suspended for overhaul and under technical transformation, and one production line relocated in Wuhai entered into operation in the first half of the year. In addition, the Group also has one offline low-emission coated ("Low-E") glass production line with production capacity of 3 million square metres per annum and one amorphous silicon thin-film battery production line with production capacity of 12MW per annum.

In the first half year of 2013, glass industry was gradually out of the industry downturn with a slight rise in price brought by demand. However, there were still uncertainties in the direction for the overall economic development as well as the policy control over housing remained stringent, which imposed constraints on the growth rate of demand for glass. On supply aspect, the pressure from resumption of production lines remained. Facing such difficult environment, the Group worked together with its staff, sustained its strategic plan of "Two-High-One-Low" (high technology, high quality and low cost) and actively improved its operating performance through the following measures:

1. **Strengthening and optimizing product quality system and enhancing product quality and competitiveness**

   by leveraging on its technology advantages and through upgrading product standard and reinforcing standard execution and management, the Group maintained its product of high quality and enhanced competitiveness so as to fight against fierce market competition and to build and solidify a unified brand image of "China Glass" and to accomplish the high-quality strategic objective of the Group.

2. **Normalizing production process management and optimizing operation system**

   by facilitating the normalization and standardized production for its production lines and upgraded the quality on product management, which was regarded as the preparation for the unification and replication of high-tech and high value-added products. Meanwhile, in light of and in response to the changing market condition, the Group further perfected and rearranged its sales pattern and put more efforts in implementing strategies for standardized procurement.

3. **Upgrading technology level of production lines and improving production efficiency**

   by fully capturing the opportunity of relocation of its production lines from city to rural area and overhaul, the technology level has been upgraded and product structure being reorganized. The production line relocated and upgraded at Wuhai last year had put into operation and started production in the first half of the year.

4. **Enhancing energy saving and environment protection standard for existing production lines**

   as the environment protection standard in the PRC was increasing, the Group remained in a leading position in the environment protection and energy saving area in the industry, and continued to put more resources and efforts in energy saving, emissions reduction, environment protection and consumption reduction. Without affecting the normal operation of the production lines, the Group constructed facilities such as waste heat power generators and dust-removing and desulfurisation equipments as scheduled with an aim to increase power consumption rate and environment protection standard.

**Prices of raw materials and production costs**

In the first half of 2013, due to global economic trend, the fuel prices has continued the downward trend except for heavy oil and natural gas, in which coal price decreased by approximately 15% compared to the same period of last year due to weaker demand from downstream industries; coal tar price maintained relatively stable; petroleum powder price remained flat compared to the same period last year supported by domestic and foreign markets; the National Development and Reform Commission promulgated a policy to adjust natural gas price in late June and the national average retail price increased by approximately 15% after the price hike, which has a significant impact on companies that use natural gas as fuel. As lack of demand from the downstream industry, the price of soda ash remained low and decreased by approximately 17% compared with that of the last year.

As for the Group's float-glass production lines in operation, a float-glass production line relocated in Wuhai has commenced production. Using low-cost coke oven gas as fuel, this production line has improved the fuel structure of the Group as a whole. The production capacity using low-cost coke oven gas, and mid-cost petroleum powder and coal currently account for approximately 48% and 52%, respectively in the Group, which effectively reducing unit production cost.

**Production, sales, and selling price**

In the first half of 2013, the Group had 12 float glass production lines in operation and produced a total of 19.75 million weight cases of glass of different types, representing an increase of 13% compared to the same period last year. The increase was mainly due to the production lines suspended for overhaul during the same period last year had resumed operation in the first half of this year and the production line relocated had entered into production. In the first half of the year, the average selling price of the Group's glass products was RMB67 per weight case, roughly the same in the corresponding period in 2012. This is because the Group had adjusted its products structure according to market demands, whereas the shares of the Group's total sales for glass products with higher value-added decreased, which made average selling prices of the Group remained almost the same as in the same period of 2012, rather than increasing with the market trend.

**Profit analysis**

In 2013, the Group endeavored to upgrade the technology level of production lines, strengthen cost control, normalize and optimize its operation system and optimize product structure through various ways, enabling the Group's overall profitability to be gradually restored.

For the first half of 2013, the Group recorded a revenue of RMB1.260 billion, representing an increase of 5.6% compared to the same period of last year. Net profit amounted to RMB12.74 million for the first half of the year, representing an increase of profit compared with the loss recorded in the same period of last year.

## OUTLOOK

The second half of the year is the traditional peak season for glass products demand. The demand in glass market is expected to surpass that of the first half of the year driven by the national urbanization policy expectation. Supply pressure, however, remains well in place given the relatively low capacity utilization of the industry. In view of this, the Group expects glass price will continue the rising trend in the second half of the year, especially in the third quarter, but at a gentler pace. The theme for the year will be "slow recovery" and the overall situation will be better than last year.

### Forecast of market demand for glass products

According to the data for the first half of 2013, the national commercial housing sales area amounted to 514.33 million square metres, representing an increase of 28.7% compared to the same period of last year. Floor space of buildings completed of real estate companies was 353.46 million square metres, representing an increase of 6.3% compared to the same period of last year. Auto production stood at 11.57 million units, representing an increase of 15.2% compared to the same period of last year. Based on the statistics of the Information Center of China Building Materials Industry, the export of sheet glass for the first half of the year decreased by 0.5% as compared to the same period of last year, but the export of float glass with higher value-added increased by 48.2% as compared to the same period of last year.

Based on these observations, the Group expects the industry will conform to the PRC nation's policy of developing real economy and ensuring and improving people's well-being in the second half of the year. Meanwhile, the demand for glass products from real estate and building decoration market will be stronger than the first half of the year as the shantytown renovation work speeds up and the traditional peak season arrives. In addition, demands in auto and export will also increase.

### Forecast of price movement of raw materials and fuels

It is expected that the demand and supply of raw materials and fuels in the second half of 2013 will remain similar as that for the first half of the year, and there will not be significant adjustments in fuel price. The price of soda ash will not have a significant change given the excess capacity in the industry and the heavy loss of companies in the second half of the year. Therefore, the Group expects little pressure of production cost for the glass industry.

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

To proactively promote standardized and normalized manufacturing, by way of further optimizing and improving technological operating process in each production stage, to improve the overall production level and lay the production foundation for replicating high value-added products more widely.

Continue to strengthen new product development and industrialization of high value-added products, endeavor to realize large-scale mass production of online Low-E and online easy-clean coated glass, so as to improve existing product structure.

Continue to strengthen product quality monitoring, improve product quality and sharpen the competitive edge of all products.

Continue to actively promote the optimization in supply and marketing system for each market, increase the intensity of centralized purchasing, revise and improve product marketing strategy. To actively promote after sales and supporting services mainly focusing on storage and logistics.

To carefully review the future development and operation schemes of production lines suspended operation or to be suspended for overhaul, take full account of their own advantages and disadvantages, look for the best resource allocation according to market demands.

## FINANCIAL REVIEW

For the first six months of 2013, the turnover of the Group increased by 5.6% to RMB1.260 billion as compared to RMB1.193 billion in the first six months of 2012. The increase in turnover was attributable to the general recovery of national and international glass market, which led to the increase in demand and continuous moderate rise of glass market price. Accordingly, the gross profit margin increased to 17.8% from 7.0% as compared to the corresponding period of last year.

The Group's profit for the period amounted to approximately RMB13 million, representing an increase of profit by RMB102 million as compared to a loss of RMB89 million for the first six months of 2012. The increase was mainly attributable to the increase in gross profit during the period.

The Group's profit attributable to equity shareholders of the Company for the period amounted to approximately RMB13 million, representing an increase of profit by RMB95 million as compared to a loss attributable to shareholders of RMB82 million for the first six months of 2012. The increase was mainly attributable to the increase in gross profit during the period.

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

As at 30 June 2013, the Group's cash and cash equivalents amounted to RMB384 million (31 December 2012: RMB324 million), of which 90% (31 December 2012: 94%) were denominated in Renminbi ("RMB"), 4% (31 December 2012: 3%) in United States Dollars ("USD") and 6% (31 December 2012: 3%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB1.323 billion (31 December 2012: RMB1.476 billion), of which 88% (31 December 2012: 89%) were denominated in RMB and 12% (31 December 2012: 11%) were denominated in USD, and outstanding unsecured notes amounted to RMB243 million (31 December 2012: RMB149 million), all of which (31 December 2012: 100%) were denominated in RMB. As at 30 June 2013, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 28% (31 December 2012: 29%). As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was 0.55 (31 December 2012: 0.54). The Group recorded net current liabilities amounting to RMB1.294 billion as at 30 June 2013 (31 December 2012: RMB1.493 billion). As at 30 June 2013, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.58 (31 December 2012: 0.59).

At 30 June 2013, the Group's short-term bank and other loans were RMB1.076 billion (31 December 2012: RMB1.228 billion), the Group's long-term bank and other loans were RMB247 million (31 December 2012: RMB248 million), among which RMB175 million (31 December 2012: RMB124 million) will be due after one year but within two years, and RMB72 million (31 December 2012: RMB124 million) will be due after two years but within 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 2013, the Group had not adopted any derivatives for hedging purposes.

## INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: HK$Nil).

## CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2013.

## SHARE OPTION SCHEME

The Company has 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 during the six months ended 30 June 2013.

## SHARE AWARD SCHEME

The Board has approved the adoption of the share award scheme of the Company 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 2013, based on the Company's instruction, 28,830,000 shares were purchased by the trustee of the share award scheme (the "Trustee") on the market for the purpose of the share award scheme, representing approximately 1.86% of the issued share capital of the Company as at 30 June 2013 and the aggregate price paid by the Company were HK$37,804,917. From 1 January 2013 up to 30 June 2013, 11,170,000 shares were purchased by the Trustee on the market for the purpose of the share award scheme, and the aggregate price paid for the purchase of these shares were HK$15,573,851. 17,660,000 shares and 11,170,000 shares held under the share award scheme were awarded to the selected employees of the Group at nil consideration on 16 February 2012 and 18 January 2013, respectively. On 12 December 2012, 17,660,000 shares have been vested to the selected employees of the Group.

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 2013, 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 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 announcement, the Company has maintained the prescribed public float of no less than 25% under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

## HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2013, the Group had employed a total of approximately 5,599 employees in the PRC and Hong Kong (31 December 2012: about 5,963 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 2013. Details of staff costs and pension schemes were set out in Note 4.

## MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments for the six months ended 30 June 2013. 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 three independent non-executive Directors, namely Mr. Chen Huachen, Mr. Zhao Lihua and Mr. Zhang Baiheng. The chairman of the audit committee is Mr. Chen Huachen. During the six months ended 30 June 2013, 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 2013.

## NOMINATION COMMITTEE

The nomination committee of the Company comprised of one non-executive Director, namely Mr. Zhou Cheng and two independent non-executive Directors, namely Mr. Zhang Baiheng and Mr. Zhao Lihua. 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. During the six months ended 30 June 2013, the nomination committee has considered the re-election of retiring Directors.

## 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. Zhao Lihua and Mr. Zhang Baiheng. 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. During the six months ended 30 June 2013, the remuneration committee has reviewed and approved the terms set out in the new directors' service contracts and letters of appointment entered into by the relevant Directors and the Company.

## STRATEGY COMMITTEE

The strategy committee of the Company 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 CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2013, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except deviation for the CG Code A.6.7 which requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhao John Huan, a non-executive Director, was unable to attend the annual general meeting of the Company held on 15 May 2013 due to personal reasons and other work commitments at the relevant time.

## 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 2013.

## 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, 28 August 2013

*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 and Mr. Ning Min as non-executive directors and Mr. Zhang Baiheng, Mr. Zhao Lihua, Mr. Ni Wei and Mr. Chen Huachen as independent non-executive directors.*

* *For identification purposes only*