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 2014

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 2014 together with the comparative figures for the corresponding period in 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Turnover	3	**1,140,690**	1,260,392
Cost of sales		**(933,983)**	(1,035,647)
Gross profit	3	**206,707**	224,745
Other revenue		**20,715**	12,356
Other net income/(loss)	4	**51,298**	(585)
Distribution costs		**(35,606)**	(42,815)
Administrative expenses		**(114,283)**	(119,945)
Profit from operations		**128,831**	73,756
Share of losses of associates		**(50)**	(70)
Finance costs	5(a)	**(41,281)**	(45,993)
Profit before taxation	5	**87,500**	27,693
Income tax	6	**(37,302)**	(14,954)
Profit for the period		**50,198**	12,739
Attributable to:			
Equity shareholders of the Company		**39,912**	13,114
Non-controlling interests		**10,286**	(375)
Profit for the period		**50,198**	12,739
Earnings per share (RMB cent)			
Basic	7(a)	**2.557**	0.852
Diluted	7(b)	**2.556**	0.850

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Profit for the period	**50,198**	12,739
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	**(3,167)**	(5,395)
Total comprehensive income for the period	**47,031**	7,344
Attributable to:		
Equity shareholders of the Company	**36,745**	7,719
Non-controlling interests	**10,286**	(375)
Total comprehensive income for the period	**47,031**	7,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited

(Expressed in RMB)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment		**3,551,925**	3,545,171
Lease prepayments		**252,714**	272,154
Intangible assets		**31,128**	38,587
Interests in associates		**550**	600
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**111,984**	124,824
		3,949,301	3,982,336
Current assets			
Inventories		**503,430**	403,256
Trade and other receivables	8	**927,381**	664,699
Prepaid income tax		**4,927**	7,534
Cash and cash equivalents		**551,650**	467,918
		1,987,388	1,543,407
Current liabilities			
Trade and other payables	9	**1,908,185**	1,580,216
Bank and other loans		**1,158,916**	1,193,357
Unsecured notes		**95,829**	–
Obligations under finance leases		**21,143**	–
Income tax payable		**59,943**	58,636
		3,244,016	2,832,209
Net current liabilities		**(1,256,628)**	(1,288,802)
Total assets less current liabilities		**2,692,673**	2,693,534
Non-current liabilities			
Bank and other loans		**108,022**	173,728
Unsecured notes		**–**	95,027
Obligations under finance leases		**122,070**	–
Deferred tax liabilities		**32,162**	29,482
		262,254	298,237
NET ASSETS		**2,430,419**	2,395,297
CAPITAL AND RESERVES	10		
Share capital		**74,553**	74,553
Reserves		**2,097,167**	2,072,331
Total equity attributable to equity shareholders of the Company		**2,171,720**	2,146,884
Non-controlling interests		**258,699**	248,413
TOTAL EQUITY		**2,430,419**	2,395,297

NOTES

(Expressed in RMB)

1 BASIS OF PREPARATION

This interim financial information 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 2014.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial information 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 2013 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 information 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 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2014.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments and one new interpretation 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 HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- HK (IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report because the recoverable amount of impaired assets or CGU of the Group is not based on fair value less costs of disposal.

HK (IFRIC) 21, Levies

The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing amounting policies.

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 2014 and 2013. 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 2014 and 2013 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 2014	Six months ended 30 June 2013	**Six months ended 30 June 2014**	Six months ended 30 June 2013	**Six months ended 30 June 2014**	Six months ended 30 June 2013	**Six months ended 30 June 2014**	Six months ended 30 June 2013	**Six months ended 30 June 2014**	Six months ended 30 June 2013
	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	**423,252**	504,954	**308,070**	350,652	**329,297**	348,401	**80,071**	56,385	**1,140,690**	1,260,392
Reportable segment gross profit	**52,708**	91,875	**59,544**	52,950	**81,018**	74,082	**13,437**	5,838	**206,707**	224,745

4 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Net gain on relocation of a production plant *(Note (i))*	**69,042**	–
Net loss on disposal of property, plant and equipment	**(153)**	(50)
Impairment loss on property, plant and equipment	**(18,620)**	–
Net gain/(loss) on sales of raw materials	**1,029**	(535)
	51,298	(585)

Note:

(i) The amount represents a gain of RMB69.0 million arising from the expropriation of the land use rights of a PRC subsidiary of the Group by the local government during the six months ended 30 June 2014 due to the change of the local government city development plan, after deducting impairment loss of machinery and equipment in the production plant with an amount of RMB118.0 million.

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**47,014**	49,576
Finance charges on obligations under finance leases	**5,670**	–
Bank charges and other finance costs	**9,436**	6,616
Total borrowing costs	**62,120**	56,192
Less: amounts capitalised into property, plant and equipment	**(24,307)**	(7,949)
Net borrowing costs	**37,813**	48,243
Net foreign exchange loss/(gain)	**3,468**	(2,250)
	41,281	45,993

(b) Other items

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cost of inventories	**933,983**	1,035,647
Depreciation and amortisation	**132,399**	124,196
Impairment losses/(reversal of impairment losses) on trade and other receivables	**3,964**	(751)
Operating lease charges in respect of		
– land	**96**	98
– plant and buildings	**4,021**	3,487
– motor vehicles	**1,226**	1,253
Research and development costs (other than capitalised costs and related amortisation)	**1,186**	390
Interest income	**(3,900)**	(5,725)

6 INCOME TAX

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current taxation:		
– Provision for PRC Corporate Income Tax on the estimated taxable profits for the period	**21,265**	18,743
– Under-provision of PRC Corporate Income Tax in respect of prior years	**517**	164
	21,782	18,907
Deferred taxation	**15,520**	(3,953)
	37,302	14,954

The Hong Kong Profits Tax rate for the six months ended 30 June 2014 is 16.5% (six months ended 30 June 2013: 16.5%). 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 2014 (six months ended 30 June 2013: 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 2014 (six months ended 30 June 2013: 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 2014 (six months ended 30 June 2013: 15%).

A subsidiary of the Group established in the PRC obtained approvals from the tax bureau 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 in which the approval is obtained.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB39,912,000 (six months ended 30 June 2013: profit attributable to ordinary equity shareholders of the Company of RMB13,114,000) and the weighted average of 1,560,762,000 ordinary shares (six months ended 30 June 2013: 1,539,704,000 ordinary shares) in issue during the six months ended 30 June 2014, calculated as follows:

	Six months ended 30 June	
	2014	2013
	'000	*'000*
Issued ordinary shares at 1 January	**1,550,147**	1,550,147
Effect of shares vested/(purchased) under a share award scheme *(Note 10(b)(ii))*	**10,615**	(10,443)
Weighted average number of ordinary shares at 30 June	**1,560,762**	1,539,704

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB39,912,000 (six months ended 30 June 2013: RMB13,114,000) and the weighted average of 1,561,317,000 ordinary shares (six months ended 30 June 2013: 1,543,228,000 ordinary shares) in issue during the six months ended 30 June 2014, calculated as follows:

	Six months ended 30 June	
	2014	2013
	'000	*'000*
Weighted average number of ordinary shares at 30 June	**1,560,762**	1,539,704
Effect of deemed issue of shares under the share award scheme *(Note 10(b)(ii))*	**555**	3,524
Weighted average number of ordinary shares at 30 June	**1,561,317**	1,543,228

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Trade receivables from:		
– Third parties	**328,766**	231,970
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**16,160**	24,226
– Companies under common significant influence	**10,909**	5,425
Bills receivables	**94,309**	200,741
	450,144	462,362
Less: allowance for doubtful debts	**(29,776)**	(26,074)
	420,368	436,288
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**280**	280
– Companies under common significant influence	**3,508**	3,116
	3,788	3,396
Less: allowance for doubtful debts	**(1,776)**	(1,784)
	2,012	1,612
Prepayments, deposits and other receivables	**513,333**	234,861
Less: allowance for doubtful debts	**(8,332)**	(8,062)
	505,001	226,799
	927,381	664,699

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 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 month	**106,772**	101,778
More than 1 month but less than 3 months	**80,858**	117,173
More than 3 months but less than 6 months	**82,545**	86,514
Over 6 months	**150,193**	130,823
	420,368	436,288

9 TRADE AND OTHER PAYABLES

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Trade payables to:		
– Third parties	**593,820**	520,489
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**13,559**	2,234
Bills payables	**519,200**	310,780
	1,127,129	834,053
Amounts due to related companies:		
– An equity shareholder of the Company	**1,846**	2,458
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**–**	10,540
– Companies under common significant influence	**28,644**	15,775
	30,490	28,773
Accrued charges and other payables	**660,150**	627,976
Financial liabilities measured at amortised cost	**1,817,769**	1,490,802
Advances received from customers	**90,416**	89,414
	1,908,185	1,580,216

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 2014	At 31 December 2013
	RMB'000	*RMB'000*
Due within 1 month or on demand	**871,529**	668,173
Due after 1 month but within 6 months	**255,600**	165,880
	1,127,129	834,053

10 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends/distributions

(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 2014 (six months ended 30 June 2013: 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	
	2014	2013
	RMB'000	*RMB'000*
Final distribution/dividend in respect of the previous financial year, approved during the interim period, of HK$0.01 per ordinary share (six months ended 30 June 2013:HK$Nil per ordinary share)	**12,187**	–

(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 2014 (six months ended 30 June 2013: Nil).

No share options were exercised during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

(ii) *Share award scheme*

On 12 December 2011 (the "Adoption Date"), 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 2014			Year ended 31 December 2013		
	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	**1.39**	**11,170,000**	**12,604**		–	–
Shares purchased during the period/year		**–**	**–**	1.39	11,170,000	12,604
Shares vested during the period/year		**(11,170,000)**	**(12,604)**		–	–
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 year ended 31 December 2013 is determined by reference to the closing price of the Company's ordinary shares on 18 January 2013. All of the awarded shares have been vested on 8 January 2014 and transferred to the selected employees of the Group on 10 January 2014.

(c) Transfer between share premium accounts and accumulated loss accounts

Pursuant to a resolution passed by the Directors of the Company on 17 March 2014, the Company proposed to transfer certain amount from share premium account to accumulated losses account of the Company in a view to set off its prior years' losses accumulated up to 31 December 2013.

Upon completion of the above transfer, which was approved by the equity shareholders of the Company at the Company's Annual General Meeting on 22 May 2014, amount of HK$151,676,471 (equivalent to approximately RMB120,719,303) was transferred from share premium account to the accumulated loss account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, China economy growth was slow yet stable. Since the growth in property investment continued to decline, the overall market environment in glass industry was not satisfactory due to the continuous decline and relatively excess capacity in the property market for the first half year.

MARKET REVIEW

According to the statistics from the Glass Information Website, as of the end of June 2014, there were a total of 324 float glass production lines in the PRC; 76 production lines were suspended production or performed overhaul; and 248 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 4.7% as compared to the same period last year.

In the first half of 2014, glass price in the first quarter continued with a moderate upward trend present in the second half of 2013. Manufacturers maintained a cautious attitude and market price in various regions was stable. Since late April, however, slower property investment growth and the decrease in commodity house area sold and new construction area have resulted in a rapid drop in ordinary glass price, especially in the Northeast and the Northern China markets. As of the end of June 2014, the average glass price consolidated near the cost line. The average selling price for white glass was much lower than that for 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 2014, the Group had 12 float glass production lines in operation. One float glass production line in Beijing and one float glass production lines in Suqian were being suspended for overhaul and under technical transformation, and the glass production lines in Nanjing were suspended pending relocation due to expropriation of its land use rights by local government. In addition, the Group also has one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

In the first half of 2014, the external factors such as economy transformation and declining property market resulted in weaker demand in glass, and the industry remained overcapacity albeit the peak season for rapid capacity growth has ended, the combination of which caused the declining ordinary float glass price. In order to actively cope with the tough market conditions, the Company continued to implement such effective measures on technology innovation, strengthening cost control, focusing on brand building, and vigorously promoting the production of differentiated products, to actively improve its operating performance. During the reporting period, the Company's business plan progressed well:

1. **Adhering to technology innovation, advancing the "differentiation" strategy and maintaining core competitiveness**

   By continuing to implement the "differentiation" strategy, the Group found a new breakthrough point through new product development, thus avoiding vicious competition of low-end products. In the first half of 2014, the Group, by leveraging on its strong technological advantages, initiatively developed and introduced solar power energy-saving color coated glass in China, all indicators related to which have met the national energy efficiency standards, and which is better than the existing silicon-based sunlight coated glass in terms of energy efficiency. In addition, the Group also developed a new type of titanium-based easy-to-clean sunlight coated glass, and achieved the seamless joint production of titanium-based easy-to-clean sunlight coated glass and silicon-based sunlight coated glass, with the coating rate of the entire production line of more than 90%.

   In addition, the Group successfully introduced systematic production of online Low-E glass, a new key product type. The research and testing for new products including online SUN-E glass and new energy-saving walls and doors/windows are also underway.

2. **Brand building and creative marketing**

   The Group expanded the marketing and customer services into counties by actively developing creative marketing models and channels, thus broadening services coverage and improving service quality. It also formulated different marketing strategies for various types of product including online Low-E glass and solar power energy-saving color coated glass according to their characteristics and market merits for the purpose of vigorous promotion. Meanwhile, the Group also actively sought after other marketing means such as internet sale to enhance marketing and its influence.

3. **Energy saving and environment conservation**

   In the first half of the year, the Group continued to vigorously promote gas desulfurization, denitration and vacuum cleaning at its production bases, and increased spendings on the construction or expansion of the environmental facilities on gas purification. Each of the desulfurization, denitration and vacuum cleaning projects at Dongtai base and Linyi base is under construction, and is expected to be put into operation in the second half of the year. The denitration technology plan at Weihai and Suqian bases are being experimented.

4. **Strict enforcement of corporate standards and product quality control**

   In the first half of the year, the Group further optimized institutional structuring and improved the overall product quality by steadily enhancing quality standards with frequent sampling and inspection.

PRICES OF RAW MATERIALS AND PRODUCTION COSTS

In the first half of 2014, as the economy slowed down, the prices of raw materials and fuels required for the production of glass was affected by lower market demand and moved downward. The prices of all coal types fell due to the sluggish growth in coal demand. Fuel oil prices fluctuated and slightly decreased as compared with those at the beginning of the year due to weak demand. Since the price of soda ash went up in the second half of 2013, soda ash producers increased their capacities which led to overproduction. The price of soda ash continued to decline since early 2014, and did not stabilize until after April. Nevertheless, its overall price during the first half of 2014 remained higher than that of the corresponding period last year.

PRODUCTION, SALES, AND SELLING PRICE

In the first half of 2014, the Group had 12 float glass production lines in operation and produced a total of 19.19 million weight cases of glass of different types, representing a decrease of 3% compared to the same period last year. The decrease was mainly due to the overhaul of two production lines during the period. In the first half of the year, the average selling price of the Group's glass products was RMB67 per weight case. This was because the Group had adjusted its product mix according to market demands, whereas the average selling price of colored glass and coated glass products had risen, while the average selling price per unit of colorless glass was affected by the market and fell, leading to an upward trend in the average selling price generally as compared with that for the same period of 2013.

PROFIT ANALYSIS

In the first half of 2014, the Group improved its overall profitability as compared to the same period last year through a series of measures, including strengthening cost control, adjusting marketing strategies and intensifying new product development.

For the first half of 2014, the Group recorded a revenue from its principal business of RMB1.14 billion, representing a decrease of 9% compared to the same period of last year. Net profit amounted to RMB50 million for the first half of the year, representing an increase of 294% as compared to that in the same period of last year.

OUTLOOK

The second half of the year is the traditional peak season for glass products demand. However, due to the timing inertia arising from the decrease in glass production capacity, and taking into account the market expectation of slow growth in the demand for property in a mid to long-term, it is expected that the glass market price will remain stressful in the second half of the year. As a result of the combination of unbalance supply and demand, high regional inventories and the fact that most of producers are not willing to reduce production pending the coming peak season, the glass manufacturing industry, especially the producers of ordinary glass products, will face a severe test during the low season that is coming in the late fourth quarter this year, even though the market demand in the third quarter will show a slight increase.

FORECAST OF MARKET DEMAND FOR GLASS PRODUCTS

In the first half of 2014, floor space of houses completed was 382.15 million square metres, representing an increase of 8.1% compared to the same period of last year. Automobile production stood at 12.67 million units, representing an increase of 10.9% compared to the same period of last year. According to the data from the National Bureau of Statistics, the export of sheet glass for the period from January to June 2014 increased by 6% as compared to the same period of last year.

In the second half of the year, the macro-control policy will be implemented under two hard constraints, namely, the economy does not fall out of a reasonable control range and the growth mode does not follow its old path. In a medium to long term, the high growth in property demand will soon end, and the property investment growth in future will step into a relatively stable stage. It is expected that domestic demand for ordinary float glass products will not significantly increase in the second half of the year, and price will remain volatile. The demand for high value-added and exported products is expected to remain stable, and the price is also relatively stable. The future growth potential in the market will mainly focus on energy-saving products.

FORECAST OF PRICE MOVEMENT OF RAW MATERIALS AND FUELS

It is expected that there will be no significant price volatility in major raw materials and fuels, and the price will remain stable in the second half of 2014. In particular, price of domestic fuels is expected to remain low in the second half of the year, as the mid and downstream demand continues to decline. For soda ash, while many manufacturers are in overhaul, leading to less supply, it is expected that soda ash price will generally not increase significantly in the second half of the year as the downstream demand is flat. Therefore, we expect little pressure from production cost in the glass industry in the second half of the year.

MAJOR WORK PLANS OF THE GROUP FOR THE SECOND HALF OF THE YEAR

1. We will continue to intensify stable production, by strictly regulating process management system and assessment of each key section at the bases to ensure standardized, efficient and stable production.

2. We will continue to implement differentiation strategy, and to make breakthroughs and carry out promotion in respect of new key products. In particular, we will (1) further optimize the development and production of highly-white glass; (2) continue to improve the output and quality of online Low-E glass products, as well as to increase promotional efforts to further enhance its market share; (3) increase the production and market expansion efforts for titanium-based easy-to-clean coated glass products, to speed up the pace of upgrading of solar power coated glass by taking advantages of such product; (4) further improve stable mass production and marketing of solar power energy-saving color coated glass products; and (5) focus on technology innovation, creating new profit growth points and competitive advantages, so as to provide more means to resist the industry downturn.

3. We will further improve energy conservation and environmental protection. With the introduction of "Air Pollution Prevention Action Plan"(《大氣污染防治行動計劃》), and in view of the need for company development, the Group will intensify energy conservation and environmental protection in the second half of the year, by further increasing the efforts on the alteration, expansion and upgrade of environmental facilities of all plants in relation to desulfurization, denitration and vacuum cleaning, while ensuring good operation of existing equipment, and by actively seeking new fuels and combustion technologies to significantly reduce fuel cost.

4. We will continue to promote creative marketing models and intensify centralized procurement. We will actively promote the innovation and development of marketing models and channels and advance the full integration of product varieties, channels and customer resources and innovation of marketing models. We will also develop different marketing strategies for various product types and launch innovative promotion for new products, ensuring sales-output ratio and gross profit margin.

5. In accordance with its "going abroad" strategy, the Group will vigorously intensify overseas market expansion in the second half of the year in line with its properties and geographical planning.

6. Leveraging on the market downturn, we will actively identify suitable merger targets and strategic partners. Leveraging on our own advantages, and focusing on companies' dynamics in the industry, we will make a positive response to the government policy to scale down the capacity in the industry, and promote industry integration through mergers and acquisitions at appropriate time.

FINANCIAL REVIEW

For the first six months of 2014, the turnover of the Group from its principal business decreased by 9% to RMB1.14 billion as compared to RMB1.26 billion in the first six months of 2013. The decrease in turnover from its principal business was mainly due to the combination of the overhaul of two production lines and operation of one production line, leading to a fall of 11% in the overall sales volume. Adjustments in the Group's product portfolio led to the increase of average price of the Group's glass product during the period. Accordingly, the gross profit margin increased to 18.1% from 17.8% as compared to the corresponding period of last year.

The Group's profit for the period amounted to RMB50 million, representing an increase of profit by approximately RMB37 million as compared to a profit of RMB13 million for the first six months of 2013.

The Group's profit attributable to equity shareholders of the Company for the period amounted to approximately RMB40 million, representing an increase of RMB27 million as compared to a profit attributable to shareholders of RMB13 million for the first six months of 2013.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB551 million (31 December 2013: RMB468 million), of which 98% (31 December 2013: 96%) were denominated in Renminbi ("RMB"), 1% (31 December 2013: 3%) in United States Dollars ("USD") and 1% (31 December 2013: 1%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB1.267 billion (31 December 2013: RMB1.367 billion), of which 89% (31 December 2013: 90%) were denominated in RMB and 11% (31 December 2013: 10%) were denominated in USD, and outstanding unsecured notes amounted to RMB96 million (31 December 2013: RMB95 million), all of which (31 December 2013: 100%) were denominated in RMB. As at 30 June 2014, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 23% (31 December 2013: 27%). As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was 0.61 (31 December 2013: 0.54). In addition, the Group recorded net current liabilities amounting to RMB1.257 billion as at 30 June 2014 (31 December 2013: RMB1.289 billion). As at 30 June 2014, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.59 (31 December 2013: 0.57).

At 30 June 2014, the Group's short-term bank and other loans were RMB1.255 billion (31 December 2013: RMB1.193 billion), the Group's long-term bank and other loans were RMB108 million (31 December 2013: RMB269 million), among which RMB56 million (31 December 2013: RMB204 million) will be due after one year but within two years, and RMB52 million (31 December 2013: RMB65 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 be closely associated 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 2014, 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 2014 (six months ended 30 June 2013: HK$Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2014.

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 2014.

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 2014, 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 2014 and the aggregate price paid by the Company were HK$37,804,917. 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. 17,660,000 shares had been vested and transferred to the selected employees of the Group in 2013. During the six months ended 30 June 2014, 11,170,000 shares have been vested to the selected employees of the Group on 8 January 2014, and transferred to the selected employees of the Group on 10 January 2014.

Further details of the awards granted under the share award scheme are disclosed in Note 10(b)(ii).

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

During the six months ended 30 June 2014, 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 10(b)(ii).

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this announcement, the Company 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 2014, the Group had employed a total of approximately 5,350 employees in the PRC and Hong Kong (31 December 2013: about 5,382 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 2014.

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 2014. 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

There were no 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 2014, 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 2014.

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 consent to 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 2014, 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 2014, the remuneration committee has reviewed and approved the terms as 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. Cui Xiangdong 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 2014, the Company has complied with all 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, was unable to attend the annual general meeting of the Company held on 22 May 2014 due to 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 (the "Model Code") 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 enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the six months ended 30 June 2014.

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 2014

As at the date of this announcement, the Board comprises of Mr. Cui Xiangdong and Mr. Li Ping as executive directors; Mr. Zhou Cheng, Mr. Zhao John Huan, Mr. Ning Min and Mr. Guo Wen 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*