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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 2015

The board of directors (the "Board") of China Glass Holdings Limited (the "Company") hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015 – unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**947,801**	1,140,690
Cost of sales		**(878,613)**	(933,983)
Gross profit	*3*	**69,188**	206,707
Other revenue		**13,316**	20,715
Other net income		**316**	51,298
Distribution costs		**(35,962)**	(35,606)
Administrative expenses		**(177,628)**	(114,283)
(Loss)/profit from operations		**(130,770)**	128,831
Share of losses of an associate		**(11)**	(50)
Finance costs	*4(a)*	**(55,451)**	(41,281)
(Loss)/profit before taxation	*4*	**(186,232)**	87,500
Income tax	*5*	**36,314**	(37,302)
(Loss)/profit for the period		**(149,918)**	50,198
Attributable to:			
Equity shareholders of the Company		**(130,913)**	39,912
Non-controlling interests		**(19,005)**	10,286
(Loss)/profit for the period		**(149,918)**	50,198
(Loss)/earnings per share (RMB cent)			
Basic	*6(a)*	**(7.232)**	2.557
Diluted	*6(b)*	**(7.232)**	2.556

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(149,918)**	50,198
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(328)**	(3,167)
Total comprehensive income for the period	**(150,246)**	47,031
Attributable to:		
Equity shareholders of the Company	**(131,241)**	36,745
Non-controlling interests	**(19,005)**	10,286
Total comprehensive income for the period	**(150,246)**	47,031

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 – unaudited
(Expressed in RMB)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment		**3,408,363**	3,504,510
Lease prepayments		**245,734**	249,512
Intangible assets		**16,212**	23,669
Interests in an associate		**525**	536
Available-for-sale investment		**1,000**	1,000
Deferred tax assets		**155,275**	117,282
		3,827,109	3,896,509
Current assets			
Inventories		**549,565**	481,937
Trade and other receivables	7	**991,702**	968,242
Prepaid income tax		**20,128**	16,012
Cash and cash equivalents		**655,351**	802,234
		2,216,746	2,268,425
Current liabilities			
Trade and other payables	8	**1,665,321**	1,609,257
Bank and other loans		**1,079,682**	1,095,114
Obligations under finance leases		**23,220**	24,993
Income tax payable		**64,921**	65,741
		2,833,144	2,795,105
Net current liabilities		**(616,398)**	(526,680)
Total assets less current liabilities		**3,210,711**	3,369,829
Non-current liabilities			
Bank and other loans		**623,407**	629,586
Obligations under finance leases		**116,195**	119,211
Deferred tax liabilities		**30,401**	31,373
		770,003	780,170
NET ASSETS		**2,440,708**	2,589,659
CAPITAL AND RESERVES	9		
Share capital		**84,867**	84,867
Reserves		**2,115,322**	2,245,268
Total equity attributable to equity shareholders of the Company		**2,200,189**	2,330,135
Non-controlling interests		**240,519**	259,524
TOTAL EQUITY		**2,440,708**	2,589,659

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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, 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 26 August 2015.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 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 2014 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 2014 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 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2015.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKAS 19, *Employee benefits "Defined benefit plans: Employee contributions"*

- *Annual Improvements to HKFRSs 2010-2012 Cycle*

- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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 2015 and 2014. 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 are 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 2015 and 2014 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 2015	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014	**Six months ended 30 June 2015**	Six months ended 30 June 2014
	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	**337,465**	423,252	**197,272**	308,070	**347,303**	329,297	**65,761**	80,071	**947,801**	1,140,690
Reportable segment gross (loss)/profit	**(12,065)**	52,708	**23,165**	59,544	**52,751**	81,018	**5,337**	13,437	**69,188**	206,707

4 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings wholly repayable within five years	**49,389**	47,014
Finance charges on obligations under finance leases	**6,905**	5,670
Bank charges and other finance costs	**16,937**	9,436
Total borrowing costs	**73,231**	62,120
Less: amounts capitalised into property, plant and equipment	**(14,670)**	(24,307)
Net borrowing costs	**58,561**	37,813
Net foreign exchange (gain)/loss	**(3,110)**	3,468
	55,451	41,281

(b) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories	**878,613**	933,983
Depreciation and amortisation	**149,741**	132,399
Impairment losses on trade and other receivables	**64**	3,964
Operating lease charges in respect of		
– land	**76**	96
– plant and buildings	**2,699**	4,021
– motor vehicles	**1,689**	1,226
Net gain on relocation of a production plant	**–**	69,042
Impairment loss on property, plant and equipment	**–**	(18,620)
Research and development costs (other than capitalised costs and related amortisation)	**602**	1,186
Interest income	**(4,898)**	(3,900)

5 INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current taxation:		
– Provision for PRC Corporate Income Tax on the estimated taxable profits for the period	**2,262**	21,265
– Under-provision of PRC Corporate Income Tax in respect of prior years	**389**	517
	2,651	21,782
Deferred taxation	**(38,965)**	15,520
	(36,314)	37,302

The Hong Kong Profits Tax rate for the six months ended 30 June 2015 is 16.5% (2014: 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 2015 (six months ended 30 June 2014: 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 2015 (2014: 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 2015 (2014: 15%).

One of the subsidiaries 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 year 2012, in which year the approval is obtained. This subsidiary is now in the process of applying for extension of its qualification as enterprise with advanced and new technologies and is tentatively subject to PRC Corporations Income Tax rate of 25% for the six months ended 30 June 2015.

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the six months ended 30 June 2015 is based on the loss attributable to ordinary equity shareholders of the Company of RMB130,913,000 (six months ended 30 June 2014: profit attributable to ordinary equity shareholders of the Company of RMB39,912,000) and the weighted average of 1,810,147,000 ordinary shares (six months ended 30 June 2014: 1,560,762,000 ordinary shares) in issue during the six months ended 30 June 2015, calculated as follows:

	Six months ended 30 June	
	2015	2014
	'000	*'000*
Issued ordinary shares at 1 January	**1,810,147**	1,550,147
Effect of shares vested and transferred under a share award scheme	**–**	10,615
Weighted average number of ordinary shares at 30 June	**1,810,147**	1,560,762

(b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares as at 30 June 2015.

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

	Six months ended 30 June
	2014
	'000
Weighted average number of ordinary shares at 30 June	1,560,762
Effect of deemed issue of shares under the share award scheme	555
Weighted average number of ordinary shares at 30 June	1,561,317

7 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Trade receivables from:		
– Third parties	**336,076**	272,715
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**16,162**	16,166
– Companies under common significant influence	**16,871**	20,485
Bills receivables	**54,705**	95,820
	423,814	405,186
Less: allowance for doubtful debts	**(52,134)**	(52,070)
	371,680	353,116
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate	**280**	280
– Companies under common significant influence	**7,671**	11,768
	7,951	12,048
Less: allowance for doubtful debts	**(1,784)**	(1,784)
	6,167	10,264
Other debtors	**550,544**	525,094
Less: allowance for doubtful debts	**(3,980)**	(3,980)
	546,564	521,114
Loans and receivables	**924,411**	884,494
Prepayments	**72,467**	88,924
Less: allowance for doubtful debts	**(5,176)**	(5,176)
	67,291	83,748
	991,702	968,242

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 new 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 2015	At 31 December 2014
	RMB'000	*RMB'000*
Within 1 month	**89,450**	121,858
More than 1 month but less than 3 months	**88,094**	59,078
More than 3 months but less than 6 months	**71,758**	49,591
Over 6 months	**122,378**	122,589
	371,680	353,116

8 TRADE AND OTHER PAYABLES

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Trade payables to:		
– Third parties	**645,960**	574,063
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**5,039**	9,478
Bills payables	**319,583**	311,350
	971,132	895,441
Amounts due to related companies:		
– An equity shareholder of the Company	**785**	1,258
– Companies under common significant influence	**95,550**	93,516
	96,335	94,774
Accrued charges and other payables	**482,980**	529,934
Financial liabilities measured at amortised cost	**1,550,447**	1,520,149
Advances received from customers	**114,874**	89,108
	1,665,321	1,609,257

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 2015	At 31 December 2014
	RMB'000	*RMB'000*
Due within 1 month or on demand	**733,486**	618,936
Due after 1 month but within 6 months	**237,646**	276,505
	971,132	895,441

9 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 2015 (six months ended 30 June 2014: 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	
	2015	2014
	RMB'000	*RMB'000*
Final dividend/distribution in respect of the previous financial year, approved during the interim period, of HK$Nil per ordinary share (six months ended 30 June 2014: HK$0.01 per ordinary share)	**–**	12,187

(b) Equity-settled share-based transactions

(i) Share option scheme

The Company has a share option scheme which was adopted on 30 May 2005 whereby the directors of the Company are authorised, at their discretion, to invite (i) any executive director or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity, to take up share options at HK$1.00 as consideration to subscribe for shares in the Company.

On 13 May 2015, the Company granted share options to a director and certain employees of the Group under the share option scheme. The terms and conditions of the share options granted on 13 May 2015 are as follows:

	Exercise price	Number of options	Vesting conditions	Contractual life of options
Options granted to a director:				
– on 13 May 2015	HK$1.25	1,920,000	One year from the date of grant	7 years
– on 13 May 2015	HK$1.25	1,440,000	Two years from the date of grant	7 years
– on 13 May 2015	HK$1.25	1,440,000	Three years from the date of grant	7 years
Options granted to employees:				
– on 13 May 2015	HK$1.25	11,428,000	One year from the date of grant	7 years
– on 13 May 2015	HK$1.25	8,571,000	Two years from the date of grant	7 years
– on 13 May 2015	HK$1.25	8,571,000	Three years from the date of grant	7 years
Total share options granted		33,370,000		

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Model. The expected life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

Fair value of share options and assumptions	Share options granted on 13 May 2015
Fair value at measurement date	HK$0.5100 to HK$0.7102
Share price	HK$1.25
Exercise price	HK$1.25
Expected volatility	65.19%
Option life	7 years
Expected dividends	0.32%
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong)	1.24%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share options granted.

The number of 38,600,000 share options which were granted on 29 February 2008 to the directors and employees of the Group were lapsed during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

No share options were exercised during the six months ended 30 June 2015 (six months ended 30 June 2014: 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.

No shares are awarded or vested to directors and employees of the Group during the six months ended 30 June 2015 under the Share Award Scheme. During the six months ended 30 June 2014, 11,170,000 shares previous awarded to certain directors and employees were vested.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In the first half of 2015, Chinese economy was still in its transitional period, with considerable downward pressure. The global economy recovered at a lower-than-expected pace, while the prices of commodities suffered significant decline.

The domestic glass market was generally weak during the first half of 2015, as evidenced by reduced demand, lower prices, more pressure on environmental protection and slow progress in de-capacity. According to the statistics from the Glass Information Website, as of the end of June 2015, there were a total of 345 float glass production lines in the PRC of which 118 were suspended or under maintenance and 227 were in normal operation. According to the data from the National Bureau of Statistics, in the first half of the year, the production volume of sheet glass was 397.78 million weight cases, representing a decline of 4.2% as compared with the same period of last year.

The major market for the glass industry is the property market. The first half of 2015 recorded a decrease in new construction area and completed area and a much slower growth of construction area as compared with the same period of last year. Furthermore, the demand of the auto industry in the PRC was also reduced. All the above factors contributed to the decrease in demand for glass in the first half of 2015. On the contrary, the de-capacity progress in the glass industry was slow, with the problem of oversupply yet to be resolved.

Business Overview

The Group currently has 17 glass production lines with a daily melting capacity amounted to 7,630 tonnes, of which 14 were float glass production lines and three were patterned glass production lines for solar power ultra-clear photovoltaic glass. In addition, the Group has one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line. As at 30 June 2015, the Group had eight float glass production lines in operation. The three pattern glass production lines in Nanjing, PRC were suspended pending relocation as a result of the local government's expropriation of the land use rights. The remaining production lines were suspended for reasons such as maintenance or technical upgrade.

Raw material and fuel price and production cost

In the first half of 2015, the domestic economic restructuring led to the low prices of the major raw materials and fuels for glass production. In respect of soda ash, the price remained stable in the beginning of 2015, and then experienced rises and falls in different regions after the Chinese Spring Festival, with a slowly downward trend across the soda ash market in the first half of 2015. The prices of raw materials such as silican sand, dolomite and limestone were stable, with no significant fluctuation. In respect of fuels, the prices of major fuels, such as fuel oil, coal, petroleum coke and coal tar, fluctuated downward due to a lack of downstream demand.

Since its implementation from 1 January 2015, the new Environmental Protection Law in China has imposed stricter requirements for environmental protection on the glass industry. To implement the standards on environmental protection and energy conservation, enterprises (especially those along the eastern coastal regions) have generally increased their investment in energy-saving and environmental-friendly equipment for desulfurization, denitration and fume treatment, which has resulted in a significant increase in environmental-protection cost and thus further raised the operating cost.

Production, sales and selling price

In the first half of 2015, the Group produced an aggregate amount of approximately 17.66 million weight cases of various glass. The production volume decreased by 8% as compared to the same period last year, mainly due to the maintenance of two major production lines in Linyi, PRC during the review period.

In the first half of 2015, the integrated average selling price of the Group's products was approximately RMB60 per weight case, representing a decrease of approximately 11% as compared to the same period of last year, whereas the selling price recorded a drop of approximately 12% on average in the market.

In the first half of 2015, the Group recorded a revenue of approximately RMB948 million, representing a decrease of approximately 16.9% as compared to the same period of last year. The decrease was mainly caused by the decrease in production and sales volume and the average selling price. The Group recorded a net loss of approximately RMB150 million in the first half of the year.

The production-sale ratio of the Company's products was approximately 89% during the first half of 2015. Affected by the sluggish economy and the late Spring Festival, the first half of the year featured a prolonged off season as compared with previous years. Consequently, the traditional peak season has been delayed, with a substantial increase of inventory which is expected to return to its normal level in the second half of 2015.

Given the complex economic situation cycle and severe industry situation and taking into consideration of the continuous sluggish industry with careful analysis, the Group centered on its core strategic objectives to positively adjust operating methods, including restructuring the internal structure. Furthermore, the Group continued to boost its input into the research and development of new products during the period of market recession, and increase the cycle and frequency of large-scale mass-production test in main production lines, laying the foundation for a quick improvement of corporate performance when the industry recovers. The main achievements of the Group in the first half of 2015 include:

1. **Maintaining R&D input and the strategy of leading with a high-tech advantage**

   The Group was firm in implementing its strategy of leading with a high-tech advantage, with more input into the R&D and industrialization of new technology during the period of market recession. In the first half of 2015, the Group conducted successive industrialized mass-production tests on its two main production lines, i.e., the line for which produces the series of coated energy-saving products using traditional leading technology and the line for producing ultra-clear glass products, which is the new focus of our technology research and development in new energy field. So far, the Group has achieved breakthroughs in new coated energy-saving products and ultra-clear products, thus accumulating technical reserves and new-product resources for the Company's future development.

2. **Strengthening technical transformation for energy conservation and environmental protection**

   With the implementation of the new Environmental Protection Law in China and the growing environmental awareness across the Chinese society, environmental protection has become a top priority for business policies. In the first half of 2015, the Group continued to deepen its efforts on fume desulfurization, denitration and dust removal in all its bases, and increased funding on the construction of the environmental-protection facilities of fume treatment to improve the denitration standard of our production lines. Currently, most of our production bases have met or even exceeded the national requirements on all environmental-protection indicators such as desulfurization, denitration and dust removal.

3. **Strictly executing corporate standards and controlling product quality**

   To carry out its high quality strategy, in the first half of 2015, the Group regularly conducted large-scale spot checks on product quality, in accordance with the Group's "Provisional Regulation of Executing Corporate Standards on Product Quality", "Implementing Regulations for Spot Checks on Product Quality" and other regulations and measures. The enhanced quality standards allowed steady improvement of product quality.

4. **Continuing to push forward brand building and creative marketing**

   The Group continued to take the initiative in pushing forward the innovation and development of marketing models and channels, taking steps to extend the marketing coverage and customer services to county areas. Meanwhile, in order to boost market promotion and influence, the Group formulated different marketing tactics and conducted priority promotion based on the characteristics and market merits and demerits of such varieties as online Low-E, online solar-control Low-E coated glass (online Sun-EⓉ, which was multi-color coated glass product last year), online easy-to-clean sunlight coated glass and ultra-clear glass. To cope with the severe competition in the domestic market during the first half of 2015, the Group leveraged on its export channels to raise the proportion of export sales, which increased from 18% in the same period of last year to 28% in the current period.

5. **Steadily promoting the "go abroad" strategy**

   Faced with the fierce competition of the domestic glass industry, the Group continued to positively implement its "go abroad" strategy. In the first half of 2015, two overseas trading companies for direct sales were established successively and commenced operation, which are expected to divert the domestic sales pressure of our products. In respect of overseas capacity layout, the Group has finished selecting the location for its production project in Nigeria and has entered into the phase of exploration, planning and design.

Outlook

Although no significant effect of de-capacity has been seen in the glass industry, the second half of a year is the traditional peak season for the glass market. In terms of the statistics of the property industry, there has been an evident rebound in property investment, market sales and new construction area since the start of the second quarter of 2015. Nevertheless, there will be a process to convert all these into real investment and glass demands, which are expected to be released continuously during the second half of 2015 and the next year. Therefore, the Company is cautiously optimistic about the market demand of the second half of 2015.

Forecast of Market Demand for Glass Products

The relentless competition of the industry has also driven industrial upgrade. Currently, energy-saving glass has been emerging as the mainstream products amidst market development gradually. The products have high visible light transmittance, low shading coefficient and low emission, which will enable them to play a huge role in green buildings. In the second half of 2015, following the implementation of Evaluation Standards for Green Buildings, more provinces and cities will release their local Energy-saving Design Standards for Residential Buildings successively, to provide more detailed regulations on energy conservation and energy-saving efficiency improvement for buildings, and put forward higher requirements on the energy-saving performance for glass. The Group's self-developed ultra-clear glass, online Low-E and online Sun-EⓉ, featured with multifunctional energy conservation, will become dominant products amidst new market demand. By far, the initial models of the product series have become a market highlight with their good performance in building energy efficiency. After well-planned preparation and promotion, these products are expected to yield remarkable operating results in the second half of 2015 and future periods.

Forecast of price movement of raw materials and fuels

In view of the impact of the overall economic structure, the prices of major raw materials and fuels are predicted to be in the low range during the second half of 2015. Among them, the price of soda ash is expected to remain low in the second half of the year, due to factors such as the uneven of supply and demand and the new capacity going into operation. In respect of fuels, the prices of major fuels such as fuel oil, coal, petroleum coke and coal tar will stay at a low level during the second half of 2015.

With the implementation of the new Environmental Protection Law in China, raw-material suppliers are faced with the pressure of higher environmental protection cost. Some of the additional costs are expected to be transferred to downstream businesses, which will be mainly reflected in the prices of mineral raw materials during the second half of 2015.

Based on the changes to the market prices of raw materials and fuels, the Group will take active measures for centralised purchase in order to maintain the stable cost of the Group's raw materials and fuels.

Major Work Plans of the Group for the Second Half of 2015

The Group will adhere to its established development strategies, maintain its advantages and proactively respond to market changes by achieving the following major work during the second half of 2015:

1. **Maintaining advanced technology and continuing to work for breakthrough of new products, so as to develop new growth drivers of profitability**

   The Group will continue to extend its commitment in technologies improvement, in particular focusing on achieving further technical breakthroughs in new products such as ultra-clear glass, and form mass production and mass selling in the second half of 2015.

   Besides, after years of efforts and the large-scale industrialized pilot production in the first half of 2015, the production processes for producing online coated energy-saving products, mainly online Low-E, online Sun-EⓉ and online easy-to-clean sunlight coated glass is becoming mature. Such products enjoy substantial market potential and high profitability. In the second half of 2015, the Group will plan to expand capacity, lower the cost and enhance product promotion so as to launch the above products into market to a large extent and seize more market shares.

2. **Maintaining stable and high-quality production and furthering the work on environmental protection and energy conservation**

   Stable and high-quality production remains as the basic criteria and foundation for all the other work of the Company in the second half of the year. Based on the sound operation of its current environmental protection facilities, the Company will accelerate the construction of new environmental protection facilities to improve the overall level of environmental protection efforts. At the same time, the Company will actively explore new fuels and combustion techniques to minimize the fuel expenses, seeking to further reduce costs on the conditions that stable production quality is maintained and the environmental protection standard is complied with.

3. **Continuing brand promotion, focusing on the innovation of marketing models and flexibly responding to the changes of market competition**

   In the second half of 2015, the Company will continue to intensify the promotion of core brands and core products, proactively facilitate the innovation of marketing models, and improve the sales-output ratio and gross profit margin during the peak season over the second half of 2015.

   Meanwhile, to cope with the changes of market competition, the Company aims to adopt innovative approaches to reduce the processes of intermediate trade and increase the investment in overseas direct-sales companies to expand the overseas market. By doing so, the Company can both reduce the pressure on domestic inventory and lay the foundation for the sales of overseas production bases in the future.

4. **Continuing with the "go abroad" strategy**

   In the second half of 2015, the Group will promote its "go abroad" strategy, in ways such as attracting strategic partners to jointly accomplish relevant work. The major work of the second half year includes completing the design for the factory area, starting the construction of production lines, installing equipments and training local employees for the Nigerian project.

   In addition, in the second half of 2015, the Group's overseas trading companies will further broaden sales channels and expand business scope. In the meantime, the Group will also pay attention to other overseas markets and search for regions and countries that are suitable for constructing production plants, so as to expand the "go abroad" scale and optimize the Company's industrial and geographical layouts.

FINANCIAL REVIEW

Revenue

For the first six months of 2015, the revenue of the Group from its principal business decreased by approximately 17% to approximately RMB948 million as compared to approximately RMB1.14 billion in the first six months of 2014. The decrease in revenue from its principal business was mainly due to the combination of the weakness of the domestic glass market and the maintenance of certain production lines of the Company, leading to a fall of approximately 6% in the overall sales volume and a decrease of approximately 11% in the average selling price.

Cost of sales

The Group's cost of sales decreased by approximately 6% from approximately RMB934 million for the first six months of 2014 to approximately RMB878 million for the first six months of 2015. This was mainly attributable to a decrease in the overall sales volume.

Gross profit

The Group's gross profit decreased by approximately 66% from approximately RMB206 million for the first six months of 2014 to approximately RMB69 million for the first six months of 2015. This was mainly attributable to a decrease in gross profit margin and a decrease in the overall sales volume.

Other revenue and other net income

The Group's other revenue and other net income decreased by approximately 81% from approximately RMB72 million for the first six months of 2014 to approximately RMB14 million for the first six months of 2015. The other net income in the first six months of 2014 mainly represents a net gain of approximately RMB69 million arising from the compensation received from the local government by a PRC subsidiary of the Group due to the relocation of its production plant, which did not happen in the first six months of 2015.

(Loss)/profit for the period

The Group's loss for the first six months of 2015 amounted to approximately RMB150 million, representing a decrease of profit by approximately RMB200 million as compared to a profit of approximately RMB50 million for the first six months of 2014.

(Loss)/profit attributable to equity shareholders for the period

The Group's loss attributable to equity shareholders of the Company for the first six months of 2015 amounted to approximately RMB131 million, representing a decrease of approximately RMB171 million as compared to a profit attributable to shareholders of approximately RMB40 million for the first six months of 2014.

Current assets

The Group's current assets decreased by approximately 2% from approximately RMB2.268 billion as at 31 December 2014 to approximately RMB2.216 billion as at 30 June 2015. The decrease was mainly attributable to a decrease in cash and cash equivalents.

Current liabilities

The Group's current liabilities increased by approximately 1% from approximately RMB2.795 billion as at 31 December 2014 to approximately RMB2.833 billion as at 30 June 2015. The increase was mainly attributable to a slight increase in trade and other payables.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 1% from approximately RMB780 million as at 31 December 2014 to approximately RMB770 million as at 30 June 2015. This was attributable to a slight decrease in bank and other loans.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB655 million (31 December 2014: RMB802 million), of which 86% (31 December 2014: 78%) were denominated in Renminbi ("RMB"), 4% (31 December 2014: 6%) in United States Dollars ("USD") and 10% (31 December 2014: 16%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to approximately RMB1.703 billion (31 December 2014: RMB1.725 billion), of which 95% (31 December 2014: 94%) were denominated in RMB and 5% (31 December 2014: 6%) were denominated in USD. As at 30 June 2015, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 30% (31 December 2014: 30%). As at 30 June 2015, the Group's current ratio (current assets divided by current liabilities) was 0.78 (31 December 2014: 0.81). In addition, the Group recorded net current liabilities amounted to approximately RMB616 million as at 30 June 2015 (31 December 2014: RMB527 million). As at 30 June 2015, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.60 (31 December 2014: 0.58).

As at 30 June 2015, the Group's short-term bank and other loans were approximately RMB1.080 billion (31 December 2014: RMB1.095 billion), and the Group's long-term bank and other loans were approximately RMB623 million (31 December 2014: RMB630 million), among which approximately RMB323 million (31 December 2014: RMB151 million) will be due after one year but within two years, and approximately RMB300 million (31 December 2014: RMB479 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 would 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 2015, 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 2015 (six months ended 30 June 2014: HK$Nil).

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2015.

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 38,600,000 share options (the "Old Share Options") in aggregate under the share option scheme. All of the Old Share Options have been lapsed on 29 May 2015 in accordance with the terms of the share option scheme.

On 13 May 2015, one of the Directors and certain employees of the Company were granted 33,370,000 share options in aggregate under the share option scheme. Further details of the share options scheme are disclosed in Note 9(b)(i).

No options were exercised during the six months ended 30 June 2015.

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 2015, based on the Company's instruction, 28,830,000 shares were purchased by the Trustee on the market for the purpose of the share award scheme, representing approximately 1.59% of the issued share capital of the Company as at 30 June 2015 and the aggregate price paid by the Company were HK$37,804,917.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

Based on information that 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 Listing Rules.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2015, the Group had employed a total of approximately 4,700 employees in the PRC and Hong Kong (31 December 2014: about 4,936 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 2015.

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 2015. 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.

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee, nomination committee, remuneration committee and strategy committee. Details of these committees are detailed as follows:

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 2015, the audit committee has reviewed the accounting principles and practices adopted by the Group with the Company's management and the external auditors, 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 2015.

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. Zhang Baiheng. 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 2015, 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 2015, 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 2015, 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. Peng Shou, was unable to attend the annual general meeting of the Company held on 22 May 2015 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 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 2015.

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
Zhao John Huan
Chairman

Hong Kong, 26 August 2015

As at the date of this announcement, the directors of the Company are as follows:

Executive director:
Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-executive directors:
Mr. Zhao John Huan *(Chairman)*; Mr. Peng Shou *(Deputy Chairman)*; Mr. Zhou Cheng *(Honorary Chairman)*; and Mr. Guo Wen

Independent non-executive directors:
Mr. Zhang Baiheng; Mr. Zhao Lihua; and Mr. Chen Huachen

* *For identification purpose only*