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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 2017

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 2017 together with the comparative figures for the corresponding period in 2016. The audit committee of the Company has reviewed the Group's unaudited consolidated results for the six months ended 30 June 2017.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 – unaudited

(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
		2017	2016
	Note	***RMB’000***	*RMB’000*
Revenue	*3*	**1,101,656**	917,648
Cost of sales		**(960,717)**	(821,373)
Gross profit	*3*	**140,939**	96,275
Other income	*4*	**72,736**	75,161
Distribution costs		**(38,823)**	(37,419)
Administrative expenses		**(93,888)**	(130,990)
Other expenses		**–**	(14,659)
Profit/(loss) from operations		**80,964**	(11,632)
Share of losses of an associate		**(7)**	(28)
Finance costs	*5(a)*	**(52,009)**	(85,628)
Profit/(loss) before taxation	*5*	**28,948**	(97,288)
Income tax	*6*	**(8,917)**	3,344
Profit/(loss) for the period		**20,031**	(93,944)
Attributable to:			
Equity shareholders of the Company		**22,885**	(94,170)
Non-controlling interests		**(2,854)**	226
Profit/(loss) for the period		**20,031**	(93,944)
Earnings/(loss) per share (RMB cent)	*7*		
Basic		**1.26**	(5.20)
Diluted		**1.08**	(5.20)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the period	**20,031**	(93,944)
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	**(11,126)**	3,281
Total comprehensive income for the period	**8,905**	(90,663)
Attributable to:		
Equity shareholders of the Company	**11,759**	(90,889)
Non-controlling interests	**(2,854)**	226
Total comprehensive income for the period	**8,905**	(90,663)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited
(Expressed in RMB)

	Note	**At 30 June 2017** ***RMB'000***	At 31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**3,851,358**	3,773,797
Lease prepayments		**271,947**	267,570
Intangible assets		**–**	–
Interest in an associate		**417**	424
Interest in a joint venture		**878**	–
Available-for-sale investments		**1,991**	1,991
Deferred tax assets		**233,254**	218,510
		4,359,845	4,262,292
Current assets			
Inventories		**542,165**	429,062
Trade and other receivables	*8*	**561,022**	563,249
Assets held-for-sale		**–**	22,829
Prepaid income tax		**21,051**	12,561
Cash and cash equivalents		**561,166**	491,644
		1,685,404	1,519,345
Current liabilities			
Trade and other payables	*9*	**1,657,263**	1,808,734
Bank and other loans		**1,667,196**	1,485,050
Obligations under finance leases		**22,392**	19,874
Income tax payable		**82,407**	67,252
		3,429,258	3,380,910
Net current liabilities		**(1,743,854)**	(1,861,565)
Total assets less current liabilities		**2,615,991**	2,400,727
Non-current liabilities			
Bank and other loans		**256,590**	28,311
Convertible bonds	*10*	**55,548**	62,318
Obligations under finance leases		**88,577**	96,268
Deferred tax liabilities		**33,956**	33,718
Other non-current liabilities		**3,852**	3,798
		438,523	224,413
NET ASSETS		**2,177,468**	2,176,314
CAPITAL AND RESERVES	*11*		
Share capital		**84,867**	84,867
Reserves		**1,899,981**	1,886,853
Total equity attributable to equity shareholders of the Company		**1,984,848**	1,971,720
Non-controlling interests		**192,620**	204,594
TOTAL EQUITY		**2,177,468**	2,176,314

NOTES

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial information set out below is derived from the unaudited interim financial report, which 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 29 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

As at 30 June 2017, the Group had net current liabilities of RMB1,743,854,000 (31 December 2016: RMB1,861,565,000). Notwithstanding the net current liabilities as at 30 June 2017, the directors of the Company do not consider that material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group prepared by the management and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial report relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2017.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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. Inter-segment sales are priced with reference to prices charged to external parties for similar products. 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 2017 and 2016 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 2017	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**417,744**	350,430	**208,750**	202,394	**280,120**	297,637	**195,042**	67,187	**1,101,656**	917,648
Inter-segment revenue	**21,468**	31,543	**598**	–	**–**	–	**–**	–	**22,066**	31,543
Reportable segment revenue	**439,212**	381,973	**209,348**	202,394	**280,120**	297,637	**195,042**	67,187	**1,123,722**	949,191
Reportable segment gross profit	**55,365**	7,628	**23,135**	29,114	**42,344**	53,378	**20,095**	6,155	**140,939**	96,275

4 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Government grants	**61,327**	9,440
Net gain on debt restructuring	**3,936**	29,636
Interest income	**2,057**	3,770
Net gain/(loss) on disposal of property, plant and equipment	**361**	(5)
Net gain on relocation of a production plant	**–**	35,000
Others	**5,055**	(2,680)
	72,736	75,161

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**59,106**	58,031
Finance charges on convertible bonds (Note 10)	**4,827**	3,333
Finance charges on obligations under finance leases	**5,756**	6,596
Bank charges and other finance costs	**16,586**	14,344
Total borrowing costs	**86,275**	82,304
Less: amounts capitalised into property, plant and equipment*	**(28,120)**	(1,192)
Net borrowing costs	**58,155**	81,112
Changes in fair value on the derivative components of convertible bonds (Note 10)	**(7,493)**	(3,421)
Net foreign exchange loss	**1,347**	7,937
	52,009	85,628

* The borrowing costs have been capitalized at 9.12% per annum for the six months ended 30 June 2017 (8.96% per annum for the six months ended 30 June 2016).

(b) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Cost of inventories	**960,717**	821,373
Depreciation and amortisation	**130,527**	122,227
Impairment losses (reversed)/recognised on trade and other receivables	**(650)**	18,914
Impairment losses on property, plant and equipment	**–**	14,659
Operating lease charges in respect of		
– land	**83**	76
– plant and buildings	**2,511**	1,937
– motor vehicles	**1,289**	1,613
Research and development costs (other than capitalised costs and related amortisation)	**–**	160

6 INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current taxation:		
– Provision for Corporate Income Tax on the estimated taxable profits for the period	**23,186**	6,940
– Under-provision of Income Tax in respect of prior years	**237**	328
	23,423	7,268
Deferred taxation	**(14,506)**	(10,612)
	8,917	(3,344)

The Hong Kong Profits Tax rate for the six months ended 30 June 2017 is 16.5% (2016: 16.5%).

The subsidiaries of the Group incorporated in Cayman Islands and British Virgin Islands 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 2017 (2016: 25%).

The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2017 (2016: 30%).

A subsidiary of the Group established in Nigeria is established in one of Nigerian Export Processing Zones and exempted from all Federal, State and Local Government taxes and levies.

A subsidiary 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 2017 (2016: 15%).

A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from 2016, in which year the approval is obtained.

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB22,885,000 (six months ended 30 June 2016: loss attributable to equity shareholders of the Company of RMB94,170,000) and the weighted average of 1,810,147,000 ordinary shares (six months ended 30 June 2016: 1,810,147,000 shares) in issue during the six months ended 30 June 2017.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB20,219,000 and the weighted average of 1,871,128,000 ordinary shares (diluted), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	Six months ended 30 June 2017 *RMB'000*
Profit attributable to equity shareholders	**22,885**
After tax effect of effective interest on the liability component of convertible bonds (Note 10)	**4,827**
After tax effect of changes in fair value recognised on the derivative components of convertible bonds (Note 10)	**(7,493)**
Profit attributable to equity shareholders (diluted)	**20,219**

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June 2017 *'000*
Weighted average number of ordinary shares at 30 June	**1,810,147**
Effect of conversion of convertible bonds (Note 10)	**60,981**
Weighted average number of ordinary shares (diluted) at 30 June	**1,871,128**

There were no dilutive potential ordinary shares during the six months ended 30 June 2016. The Group's convertible bonds (see Note 10) were not included in the calculation of dilutive loss per share because they were anti-dilutive during the six months ended 30 June 2016.

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade receivables from:		
– Third parties	**185,684**	183,815
– An affiliate of a non-controlling equity holder of a subsidiary	**15,707**	15,880
– Companies under common significant influence	**2,659**	2,736
Bills receivables	**92,341**	95,735
	296,391	298,166
Less: allowance for doubtful debts	**(70,433)**	(66,933)
	225,958	231,233
Amounts due from related companies:		
– Equity shareholders of the Company and their related parties	**573**	318
– Non-controlling equity holders of a subsidiary	**15,002**	15,002
– Companies under common significant influence	**1,728**	1,979
	17,303	17,299
Less: allowance for doubtful debts	**(1,784)**	(1,784)
	15,519	15,515
Other debtors	**280,759**	280,343
Less: allowance for doubtful debts	**(49,936)**	(54,086)
	230,823	226,257
Loans and receivables	**472,300**	473,005
Prepayments	**95,243**	96,765
Less: allowance for doubtful debts	**(6,521)**	(6,521)
	88,722	90,244
	561,022	563,249

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 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within 1 month	**65,284**	95,682
More than 1 month but less than 3 months	**48,738**	31,656
More than 3 months but less than 6 months	**34,341**	26,976
Over 6 months	**77,595**	76,919
	225,958	231,233

9 TRADE AND OTHER PAYABLES

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade payables to:		
– Third parties	**563,591**	516,059
– An affiliate of a non-controlling equity holder of a subsidiary	**599**	599
– Companies under common significant influence	**–**	9,416
Bills payables	**195,611**	238,217
	759,801	764,291
Amounts due to related parties:		
– The equity shareholders of the Company and their related parties	**202,835**	73
– A director of the Group	**1,200**	–
– Companies under common significant influence	**305**	218,930
	204,340	219,003
Accrued charges and other payables	**589,886**	667,753
Financial liabilities measured at amortised cost	**1,554,027**	1,651,047
Advances received from customers	**103,236**	157,687
	1,657,263	1,808,734

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 2017	At 31 December 2016
	RMB'000	*RMB'000*
Due within 1 month or on demand	**549,486**	461,894
Due after 1 month but within 6 months	**210,315**	302,397
	759,801	764,291

10 CONVERTIBLE BONDS

	Liability component	**Derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	–	–	–
Convertible bonds issued	33,294	30,509	63,803
Accrued finance charges for the year	8,219	–	8,219
Interest paid	(3,831)	–	(3,831)
Fair value changes on the derivative components	–	(9,712)	(9,712)
Exchange adjustment	2,169	1,670	3,839
At 31 December 2016 and 1 January 2017	39,851	22,467	62,318
Accrued finance charges for the period (Note 5(a))	4,827	–	4,827
Interest paid	(2,451)	–	(2,451)
Fair value changes on the derivative components (Note 5(a))	–	(7,493)	(7,493)
Exchange adjustment	(1,098)	(555)	(1,653)
At 30 June 2017	41,129	14,419	55,548

On 4 February 2016, the Company issued unsecured convertible bonds with an aggregate face value of US$10,000,000 (equivalent to approximately RMB65,419,000), interest bearing at 7.5% per annum and maturing on 4 February 2021 to China-Africa Manufacturing Investment Co., Limited (the "Bondholder").

Upon issuance, the Bondholder could, at any time till 25 January 2021, convert the bonds into the Company's shares at HK$1.28 per share (i.e. the conversion option). The Bondholder shall have the right to require the Company to redeem the convertible bonds by depositing a notice of redemption at its face value at any time from 4 February 2019 to 4 February 2021, (i.e. the put option). If at any time till 25 January 2021, the closing price per share for each trading day of any 15 consecutive trading day period equals to or exceeds HK$2.56, the Bondholder shall be obliged to convert the bonds into the Company's shares (i.e. the forced conversion option). The conversion, put and forced conversion options are all classified as derivative financial instruments and have been included in the balance of convertible bonds in the consolidated statement of financial position.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$Nil).

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

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2016: HK$Nil).

(b) Equity-settled share-based transactions

(i) Share option scheme

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 30 May 2005 and expired on 22 June 2015. Before its expiry, the Company granted 33,370,000 share options to a director and certain employees of the Group on 13 May 2015 with a contractual life of seven years.

A new share option scheme (the "New Share Option Scheme") has been approved by a special general meeting of shareholders of the Company on 19 February 2016.

No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

No share options issued under the Share Option Scheme were exercised during the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017 under the Share Award Scheme (six months ended 30 June 2016: Nil).

12 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY OF THE GROUP

On 24 March 2017, the Group entered into a series of equity transfer agreements to acquire 2.56% equity interests in a subsidiary, namely Zhongbo Technology Company Limited ("Zhongbo Technology") from certain non-controlling equity holders of Zhongbo Technology at a consideration of RMB9.4 million.

Upon completion of the above acquisition on 26 April 2017, the Group's effective interest in Zhongbo Technology increased from 82.76% to 85.32%. Consequently, the Group recognised a decrease in non-controlling interests of RMB9.1 million.

13 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Finance lease arrangement

On 1 August 2017, the Company announced that a subsidiary of the Company had entered into a finance lease arrangement ("**New Finance Lease Arrangement**") pursuant to which the Group is subject to an aggregate lease payment of approximately RMB71.5 million for the lease assets during a period of three years.

The New Finance Lease Arrangement, when aggregated with the existing finance lease arrangements, constituted a major transaction of the Group and are subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Hence, the New Finance Lease Arrangement was subject to approval by the shareholders of the Company.

As at the date of this announcement, the transaction has not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2017, the world economy continued to gradually recover and China's overall economy remained stable and even showed an improving trend since the second half of 2016. Focused on structural reforms on the supply side, China's economy growth remained at a reasonable level and structural adjustments continued. In the first half of the year, new housing construction area in China was 857 million sqm, representing a growth of 10.6% as compared with the same period of last year. In despite of tightened control over the property market, the infrastructure industry has performed well as a whole. The utilization rate of downstream processing enterprises remained at around 80%. In terms of export, the aggregate export volume of China's flat glass was 106.6 thousand tonnes in the first half of the year, representing growth of 23.31% as compared with the same period of last year.

The glass market operated well and showed a decrease and then increase pattern. Affected by the low season of the Spring Festival, glass price was trending down to the bottom in the first quarter before it steadily rose with the recovery in demand side in the second quarter. In general, the market sentiment of glass industry was at a high level in the first half of the year as compared with the same period of last year. Despite a recovery in glass price, there was also a sharp rise in the industry's raw material and fuel, transportation and environmental protection costs as compared with the same period of last year.

BUSINESS REVIEW

The Group currently has 14 glass production lines, carrying a daily melting capacity of 7,050 tonnes. As at 30 June 2017, the Group had 10 float glass production lines in operation, while those production lines not in operation were suspended due to cold repair, debugging, technological renovation or other reasons. In addition, the Group has an offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

The business of the Group covers four categories, namely clear glass products, painted glass products, coated glass products and energy saving and new energy glass products. Affected by market factors, environmental protection requirements and product demands, coupled with the adjustments on marketing strategies and production structures made by the Group according to market and production lines conditions, the Group recorded changes in selling price and sales volume as compared with the same period of last year. Thus, the revenue of clear glass products increased by 15% as compared with the same period of last year mainly due to the increase of both price and sales volume, the revenue of painted glass products increased by 3% as compared with the same period of last mainly due to the increase of price which has offset the effect of the decrease in sales volume, the revenue of coated glass products decreased by 6% as compared with the same period of last year mainly due to the decrease of sales volume, and the revenue of energy saving and new energy glass products increased by 190% as compared with the same period of last year mainly due to the increase of both price and sales volume.

RAW MATERIAL AND FUEL PRICE

In the first half of 2017, the prices of raw materials and fuel for glass production rose sharply as compared with the same period of last year. In spite of the V-shaped trend of domestic soda ash market in the first half of the year, the average price of soda ash was significantly higher than the same period of last year. Prices of other raw materials such as silica sand, dolomite and limestone remained relatively stable. In respect of fuels, all the prices of coal, petroleum coke and coal tar recorded a rise as compared with the same period of last year.

PRODUCTION, SALES AND SELLING PRICE

In the first half of 2017, the Group produced an aggregate amount of approximately 18.11 million weight cases of various glasses, representing an increase of 4% as compared to the same period of last year. The integrated average selling price of the Group's products was approximately RMB69 per weight case, representing an increase of 13% as compared to the same period of last year.

In the first half of 2017, the Group recorded a revenue of approximately RMB1,102 million, representing an increase of 20% as compared to the same period of last year, with a year-on-year increase of 6% in its sales volume and a net profit of approximately RMB20.03 million. The increase in revenue was mainly attributable to the increase of average unit selling price and growth in sales volume of the Group.

The increase of unit production costs of the Group as compared to the same period of last year, was mainly attributable to the increase in costs of materials, costs of fuels, and costs of drivers due to market price, as well as the increase in desulfurization and denitration expense of environmental equipment at each production line.

MAJOR ACHIEVEMENTS IN THE FIRST HALF OF 2017

In the first half of 2017, under the strong support of shareholders and the correct leadership of the board of Directors, the management of the Company led the staff to actively tackle various challenges, overcome difficulties, and push forward our work steadily.

The main achievements of the Group in the first half of 2017 include:

1. **The Company's "featured products" production and sales volume increased substantially, with "applied research" steadily implemented and "basic research" making breakthrough**

   The applications of ultraviolet-proof high transmittance (ultra clear) glass product continued to expand in the industrial glass areas such as light heating, home decoration, furniture, lighting, interior decoration, with market share rapidly increased and achieving product structure transformation;

   Electronic glass production line has been put into operation, with the quality of product improving continually, and achieving the Company's product structure transformation and upgrading.

   More efforts were put on the development of production techniques for online Low-E and online Sun-E® Reflective glass to achieve a substantial increase in terms of production capacity and market share.

   The Group completed the upgrading of on-line silicon solar control film and new solar control film with visible light reflectance ratio of 15% and 20% was introduced by applying environmental constraints to visible light reflectance in accordance with national standards. The new product has the complex characteristics of sun-shading, privacy, high transmittance, comfortable reflection mirror, and crystal clear visual sense, which has expanded its application in the fields of building energy saving and decoration, thus entering the high-end glass field.

   New on-line solar control Low-E product was trial-produced, with emission rate as low as 0.13.

2. **Tightening product quality and reducing production cost**

The Group has refined its production process according to the input-and-output requirements, strengthened the control over the entire processes and specific key processes and rationalize its technical process. The problems encountered in production has been resolved by our professional technicians through self-initiative and collaboration. Benefiting from the further enhanced energy saving and cost reducing consciousness among employees, the energy consumption of a majority of the Company's production lines reduced as compared with the corresponding period of last year. Meanwhile, the activities of making rationalization proposals on "revenue enhancement and cost reduction" were properly implemented as per plan.

3. **Strengthening sales and brand operation and management efforts**

The Group has improved its performance assessment programme to further embody its "performance-oriented" and "fair and just" principle. It also established price benchmarking system to strengthen benchmarking management. Besides, it also devoted greater efforts on brand operation and new product promotion, such as utilizing the platform resources of e-commerce and media to demonstrate and promote the Company's new product as well as display the outstanding property and promising prospect of market acceptance of the Company's featured new product from all-rounded perspective.

4. **The construction of the new project are proceeding at a stable pace**

In July 2017, our electronic glass manufacturing bases in Suqian that has a capacity of 400 tons/day was put into operation; our auto glass project that has a capacity of 600 tons/day has commenced; the civil engineering works of our Nigeria project was largely finished; the business expansion of our offshore direct trading company proceeded smoothly; and other transformation and upgrading project also implemented smoothly, thus our businesses were further expanded.

THE GLASS MARKET OUTLOOK

The glass market is expected to experience its traditional peak season in the second half of the year, and the demand generated from the real estate sector rebound are still available. Although the rising tendency of glass market price in the first half of the year speeded up the release of some potential production capacity, considering the influences of various factors, such as increasing environmental pressure and the inhibiting effect of national policy on capacity growth, it is expected that the supply pressure will be alleviated to some extent. The glass price will show a tendency of steady rising in the second half of 2017.

PRICE FORECASTING OF RAW MATERIALS AND FUELS

During the second half of the year, the supply of soda fluctuated with interweaves of long and short position. It is expected that domestic soda price may be affected by environmental factors and record a slight increase in the third quarter of this year and further increase in the last quarter of this year as a result of advance stockpile of downstream users and the implementation of more stringent environmental protection policies. It is expected that the prices for raw materials including silica sand, limestone and dolomite will remain stable.

In terms of fuel, the price for coal tar may slightly increase to respond the demand. Petroleum coke price will fluctuate due to the conflict of environmental protection and objective demand and have limited room for increase. Coal price may likely record a slight growth. Though the prices of raw materials and fuels are expected to increase overall, it is expected that the purchase prices for raw materials and fuels of the Group will remain stable as the Group is putting more efforts on strategic purchase and the improvement of purchase and transportation methods.

WORK PLANS FOR THE SECOND HALF OF 2017

1. **Maintaining technical advantages and improving application and research**

   The Company will continue to optimize the production technology of online Low-E and online Sun-E[T] reflective glass and improve production capacity and quality; carry forward the industrialization of new solar control coated glass and increase the market share; strengthen the development of ultraviolet-proof high transmittance (ultra-white) glass with a thickness of 2.5 mm, and exploit its application in solar power double glass components and glass greenhouse.

2. **Refining production management, lowering manufacturing cost and optimizing product structure**

   The Company will further refine its production process according to input and output requirements, strengthen management and control of the whole process and key points, apply standardized production technology and reduce production costs; utilize the remote quality control platform to supervise, manage and control the online detection of product quality at production base, properly accomplish the statistics and analysis on the quality data, and achieve timely detection and promptly solving of problems; properly accomplish product positioning, and further take advantage of the featured products of the Company.

3. **Further enhancing the centralization of purchasing of the Group**

   The Group will further enhance the centralization of the purchasing of bulk raw materials and fuel such as soda ash and petroleum coke. Despite the expectation of rising raw material and fuel prices, the Group will make efforts to stabilize and further lower its procurement cost so as to improve the Group's overall profitability.

4. **Unswervingly implementing the "Go abroad" strategy**

   The Company will accelerate construction progress of the production lines in Nigeria, and commence the preliminary discussion on cooperation intention and plans of the projects in Kazakhstan.

5. **Steadily implementing domestic transformation and upgrade project**

   Upon the trial production of the electronic glass production lines, the Company will reach production capacity and standards as quickly as possible, deploy market structure and accelerate construction progress of 600t/d auto glass project.

FINANCIAL REVIEW

Revenue

For the first six months of 2017, the revenue of the Group from its principal business increased by approximately 20% to approximately RMB1,101 million as compared to approximately RMB918 million in the first six months of 2016. The increase in revenue from its principal business was mainly due to the combined effect of the recovery of glass market and the resumed operation of a production line of the Group after maintenance, leading to an increase of approximately 13% in the average selling price of glass and an increase of 6% in the sales volume.

Cost of sales

The Group's cost of sales increased by approximately 17% from approximately RMB821 million for the first six months of 2016 to approximately RMB961 million for the first six months of 2017. This was mainly attributable to the combined effect of the increase of sales volume brought by the recovery of market and the increase of unit production cost due to the rising raw material and fuel prices.

Gross profit

The Group's gross profit increased by approximately 47% from approximately RMB96 million for the first six months of 2016 to approximately RMB141 million for the first six months of 2017. This was mainly attributable to the combined effect of the increase of average selling price, the unit production cost and the sales volume, in line with the market trend.

Other income

The Group's other income decreased from approximately RMB75 million for the first six months of 2016 to approximately RMB73 million for the first six months of 2017. Other income is mainly government grant for the period ended 30 June 2017.

Administrative expenses

For the first six months of 2017, the administrative expenses of the Group decreased by 28% to RMB94 million as compared to RMB131 million in the first six months of 2016. The decrease was mainly attributable to the decrease in provision for doubtful debts for trade and other receivables.

Finance costs

For the first six months of 2017, the finance costs of the Group decreased by 40% to approximately RMB52 million as compared to approximately RMB86 million in the first six months of 2016. This was mainly due to the increase of capitalized interest into the production lines under construction.

Profit for the period

The Group's profit for the first six months of 2017 amounted to approximately RMB20 million, as compared to a loss of approximately RMB94 million for the first six months of 2016, turning from loss making to profit making.

Profit attributable to equity shareholders for the period

The Group's profit attributable to equity shareholders of the Company for the first six months of 2017 amounted to approximately RMB23 million, representing an increase of approximately RMB117 million as compared to a loss attributable to shareholders of approximately RMB94 million for the first six months of 2016.

Current assets

The Group's current assets increased by approximately 11% from approximately RMB1.519 billion as at 31 December 2016 to approximately RMB1.685 billion as at 30 June 2017.

Current liabilities

The Group's current liabilities increased by approximately 1% from approximately RMB3.381 billion as at 31 December 2016 to approximately RMB3.429 billion as at 30 June 2017.

Non-current liabilities

The Group's non-current liabilities increased by approximately 96% from approximately RMB224 million as at 31 December 2016 to approximately RMB439 million as at 30 June 2017. This was attributable to a number of finance lease arrangements conducted by certain subsidiaries of the Group.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND ASSETS LIABILITIES RATIO

As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB561 million (31 December 2016: RMB492 million), of which 97% (31 December 2016: 95%) were denominated in Renminbi ("RMB"), 1% (31 December 2016: 3%) in United States Dollars ("USD") and 2% (31 December 2016: 2%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans and convertible bonds amounted to approximately RMB1.979 billion (31 December 2016: RMB1.576 billion), of which 96% (31 December 2016: 95%) were denominated in RMB and 4% (31 December 2016: 5%) were denominated in USD. As at 30 June 2017, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 35% (31 December 2016: 29%). As at 30 June 2017, the Group's current ratio (current assets divided by current liabilities) was 0.49 (31 December 2016: 0.45). In addition, the Group recorded net current liabilities amounted to approximately RMB1.744 billion as at 30 June 2017 (31 December 2016: RMB1.862 billion). As at 30 June 2017, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.64 (31 December 2016: 0.62).

As at 30 June 2017, the Group's short-term bank and other loans were approximately RMB1.667 billion (31 December 2016: RMB1.485 billion), and the Group's long-term bank and other loans were approximately RMB257 million (31 December 2016: RMB28 million), among which approximately RMB169 million (31 December 2016: RMB13 million) will be due after one year but within two years, and approximately RMB87 million (31 December 2016: RMB12 million) will be due after two years but within five years, and approximately RMB1 million (31 December 2016: RMB3 million) will be due after five years. In the first six months of 2017, the weighted average interest rate of the Group's bank loans was 7.38%.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HK$ and USD. 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 2017, the Group did not purchase any derivatives for hedging purposes.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$Nil).

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "Old 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 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Old Share Option Scheme. Further details of the share options are disclosed in Note 11(b)(i).

On 22 June 2015, the Old Share Option Scheme was expired and a new share option scheme (the "New Share Option Scheme") was approved by a special general meeting of shareholders of the Company on 19 February 2016.

No options were exercised during the six months ended 30 June 2017.

SHARE AWARD SCHEME

The Board approved the adoption of the share award scheme of the Company on 12 December 2011. The share award scheme would operate in parallel with the Old Share Option Scheme adopted on 30 May 2005 and the New Share Option Scheme adopted on 19 February 2016.

No shares were awarded to directors and employees of the Group during the six months ended 30 June 2017 under the share award scheme. Further details of the awards granted under the share award scheme are disclosed in Note 11(b)(ii).

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

During the six months ended 30 June 2017, 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 2017, the Group had employed a total of approximately 3,952 employees in the PRC and Hong Kong (31 December 2016: about 4,007 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. Staff costs (including salaries, wages, bonuses, benefits, contributions to defined contribution retirement plans and equity-settled share based payments expenses in respect of share option scheme) amounted to RMB130 million in aggregate, representing 12% of total revenue of the Group during the Review Period.

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 2017.

MATERIAL ACQUISITION(S), DISPOSAL(S), SIGNIFICANT INVESTMENT(S) AND EVENT(S)

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries, associates and joint ventures, or significant investments for the six months ended 30 June 2017. As disclosed in the announcement of the Company dated 5 June 2017, the Company is currently holding negotiations in relation to a potential acquisition of a controlling stake in a float glass production line construction project in Kazakhstan (the "**Potential Investment**"). No formal agreement in relation to the Potential Investment has been entered into as at the date of this announcement. Further announcement in respect of the Potential Investment will be made by the Company in the event that the formal agreement of the Investment has been signed. Save as disclosed above, 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

The details of event after the reporting period are disclosed in Note 13.

BOARD COMMITTEES

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

Audit committee

The audit committee of the Company comprised of one non-executive Director, namely Mr. Peng Shou 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 2017, 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, risk management and internal governance system and financial reporting matters, including the review of the unaudited interim financial report for the six months ended 30 June 2017.

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 2017, the nomination committee has considered the appointment of a new non-executive Director, the change of chairman of the Board, the change of composition of the Board committees and re-election of retiring Directors.

Remuneration committee

The remuneration committee of the Company comprised of one non-executive Director, namely Mr. Peng Shou, 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 2017, 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 three non-executive Directors, namely Mr. Peng Shou, Mr. Zhao John Huan and Mr. Zhou Cheng. The chairman of the strategy committee is Mr. Peng Shou. 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 2017, 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. Zhang Baiheng and Mr. Zhao Lihua both are independent non-executive Director, was unable to attend the annual general meeting of the Company held on 6 June 2017 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 2017.

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
Peng Shou
Chairman

Hong Kong, 29 August 2017

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. Peng Shou *(Chairman)*; Mr. Zhao John Huan; Mr. Zhou Cheng *(Honorary Chairman)*; and Mr. Tang Liwei

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

* *For identification purpose only*