CHINA GLASS HOLDINGS LIMITED
中 國 玻 璃 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 3300)

* For identification purposes only

Annual Report 2014

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Cui Xiangdong *(Chief Executive Officer)*
Mr. Li Ping (resigned on 13 February 2015)

Non-Executive Directors
Mr. Zhao John Huan *(Chairman)*
(appointed as Chairman on 13 February 2015)
Mr. Zhou Cheng *(Honorary Chairman)* (appointed as Honorary Chairman on 13 February 2015)
Mr. Peng Shou *(Deputy Chairman)*
(appointed as Deputy Chairman and Non-Executive Director on 13 February 2015)
Mr. Ning Min (resigned on 13 February 2015)
Mr. Guo Wen
Mr. Chen Shuai (resigned on 6 March 2014)

Independent Non-Executive Directors
Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Ni Wei (resigned on 13 February 2015)
Mr. Chen Huachen

SENIOR MANAGEMENT

Mr. Li Ping
Mr. Lu Guo
Mr. Ge Yankai
Mr. Yang Hongfu
Mr. Cheng Xin
Mr. Wang Jianxun

COMPANY SECRETARY

Ms. Pan Jianli (appointed on 4 June 2014)
Ms. Li Hiu Ling (resigned on 23 May 2014)

AUDIT COMMITTEE

Mr. Chen Huachen *(Chairman of audit committee)*
Mr. Zhao John Huan
Mr. Zhao Lihua
Mr. Zhang Baiheng

REMUNERATION COMMITTEE

Mr. Zhao Lihua *(Chairman of remuneration committee)*
Mr. Zhao John Huan
Mr. Zhang Baiheng

NOMINATION COMMITTEE

Mr. Zhang Baiheng *(Chairman of nomination committee)*
Mr. Zhou Cheng
Mr. Zhao Lihua

STRATEGY COMMITTEE

Mr. Zhao John Huan *(Chairman of strategy committee)*
Mr. Cui Xiangdong
Mr. Zhou Cheng

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2608, 26/F, West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Fulbright Hong Kong

As to the People's Republic of China (the "PRC") Law
Commerce & Finance

As to Bermuda and British Virgin Islands Laws
Appleby

As to Cayman Islands Law
Walkers

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China
Bank of Hankou
China Merchants Bank
Chang Hwa Bank
Xiamen International Bank
Hua Xia Bank
Bank of Jiangsu
China Citic Bank
Bank of Taiwan

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Brunswick Group Ltd.

STOCK CODE

Hong Kong Stock Exchange: 3300

Financial Highlights

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2014 are extracted from the audited financial statements of this report and the Company's 2010, 2011, 2012 and 2013 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**2,489,369**	2,760,373	2,550,175	2,946,048	3,154,796
Cost of sales	**(2,117,120)**	(2,223,219)	(2,340,121)	(2,504,040)	(2,293,413)
Gross profit	**372,249**	537,154	210,054	442,008	861,383
Other revenue	**33,315**	25,575	55,655	76,129	33,024
Other net income/(loss)	**165,690**	(3,170)	(3,196)	180,599	8,107
Distribution costs	**(77,346)**	(76,564)	(90,191)	(98,077)	(77,486)
Administrative expenses	**(292,134)**	(259,066)	(254,570)	(250,804)	(205,989)
Profit/(loss) from operations	**201,774**	223,929	(82,248)	349,855	619,039
Share of (losses)/profits of associates	**(64)**	(70)	70	–	–
Net gain from disposal of controlling equity interests in a subsidiary	**–**	–	–	–	4,608
Net gain from disposal of equity interests in an associate	**–**	963	–	–	78,025
Finance costs	**(136,088)**	(114,540)	(106,793)	(68,357)	(94,275)
Profit/(loss) before taxation	**65,622**	110,282	(188,971)	281,498	607,397
Income tax	**(52,463)**	(25,636)	3,633	(69,752)	(100,637)
Profit/(loss) for the year	**13,159**	84,646	(185,338)	211,746	506,760

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**6,164,934**	5,525,743	5,718,123	5,988,812	4,982,093
Total liabilities	**(3,575,275)**	(3,130,446)	(3,397,382)	(3,481,435)	(3,038,788)
Net assets	**2,589,659**	2,395,297	2,320,741	2,507,377	1,943,305

Chairman's Statement

To shareholders:

In the year 2014, the pace of global economic recovery was weaker than anticipated. The Chinese economic situation also stepped into the stage of "new normal". The glass industry in China experienced a full year of overcapacity while the market demand of glass was slowing down. The average selling price of glass albeit fluctuated during the year, with some increase during the boom season, the consolidated price of glass was lower comparing with the year before, and the profit level of the industry encountered some downward pressure.

During 2014, the Group not only had to strive for operating under an industry environment that was sluggish but also had to face the undisciplined competition which became even fiercer over time. Yet, in order to adapt to the new environmental protection law and the implementation of such new standards, the industry had to increase its cost of governance and face the escalating difficulty of the related technology. Hence, the Group's main business faced major challenges during the whole year of 2014. Under this environment, the Group during the year reinforced the enhancement of its internal management, increased its investment in environmental protection, understood the state's policy and leveraged on the experience of market leaders, so as to achieve energy saving and emission reduction, and to strive for reducing consumption and increasing efficiency. At the same time, the Group continued to follow the strategic thinking of "leveraging on technology innovation to support the development of differentiation and to escalate core competence". We also increased our investment in developing forward looking technology and enhancing the development of new products. Thus, our online Low-E glass technology was improved and production cost was reduced. Good progress was achieved on the R&D of online Sun-E glass new products, the development of new coating layers, and the commercialization of ultra-clear and ultra-white glass. Furthermore, the Group supplemented and adjusted its strategic plan. Based on our original long-term plan of "integrating organic growth with mergers and acquisitions", we have given it an extensive view of a new strategic direction of "organic growth, mergers and acquisition, and going abroad". We plan to seize every opportunity to cultivate our overseas market and to expedite the globalization of the layout of the Group.

It is anticipated that global economy in 2015 will fare better than that of the previous year, but the recovery will be slow. To the domestic glass industry in China, 2015 will be a critical period for the industry in capacity changes and structural adjustment as environmental protection, market, and capital requirement will continue to plague the industry.

Encountering with such adverse operating environment, the Group will follow its new strategic path, adopt a steadfast strategy of resource allocations, be adamant in maintaining a rigorous quality control system, and maintain high technology competitive edge to maintain the stability of the corporate system. At the same time, the Group will continue to perfect the construction of an innovative marketing system, and continue to enhance the promotion of high value-added products. In addition, the Group will grasp appropriate opportunity in the market, and seize every opportunity to implement our merger and acquisition strategic plan and cultivating overseas market as planned in the strategic device. Our professional and seasoned management team will closely feel every economic pulse and adapt itself to the industry situation, and respond to any complication that may arise, so as to improve profitability and face competition easily, and to gain higher return for investors.

Finally but not the least, I would like to represent the board of directors to extend our appreciation to the hard work of our staff force over the past one year, and would like to thank our customers, business partners, suppliers and shareholders for their relentless support. Thanks to their support, the Group is poised to strive for becoming a comprehensive and integrated company.

Zhao John Huan
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2014, the development of the property market was sluggish. Hence, the oversupply situation of the glass market in the country remained unrelieved. According to the data released by the State Statistical Bureau, housing construction starts commanded a total area of 179,592 square meters in 2014, a decline of 10.7% over the previous year. This slowdown in the domestic property market dragged down the demand of glass. Yet the production capacity of glass has not seen any reduction. According to the publication of the Department of Raw Material Industry, flat glass production in the year amounted to 790 million weight cases, representing a 1.1% increase over the previous year. This therefore aggravated the conflict of supply and demand. Furthermore, the capital raising environment of the domestic glass industry remained to be challenging, causing the operating cost to remain high. Even magnifying this vicious competition was that glass manufacturers competed to roll out price-cutting promotion strategies one after another.

Stepping into the second half of 2014, international oil price began to drop significantly, dealing an adverse blow to oil exporting countries that were major exporting markets for China's glass industry. The industry's export became worse. In spite of this, the Group managed to proactively adjust its export product mix and cultivate new exporting countries, thus maintaining a competitive edge in our products in terms of both export price and volume, and therefore the Group's revenue contribution from export continued to grow proportionately.

In the second half of 2014, government policy to curb the overcapacity issue was rolled out. Although production capacity in general did decrease, the overall situation was hardly changed. The glass manufacture industry faced a critical stage of production transformation and structural adjustment, and was affected by environmental protection, market and capital factors. Hence, the need of an industry upgrade was imminent.

BUSINESS OVERVIEW

Overview

The Group currently has 17 glass production lines, of which 14 are float glass production lines and three are patterned glass production lines for solar power ultra-clear photovoltaic glass. The Group's daily melting capacity amounted to 7,630 tonnes. As at 31 December 2014, the Group had 11 production lines in operation. A float glass production line in Beijing and two float glass production lines in Suqian were suspended for overhaul or technical transformation. The three pattern glass production lines in Nanjing were suspended due to the relocation plan as a result of the local government's expropriation of the land use rights. In addition, the Group has an offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

Raw material and fuel price and production cost

Coal tar, petroleum coke, coal, and natural gas are the glass industry's major fuels in nowadays. According to the data as publicized by China Construction Materials Information Center, the price of natural gas increased in September 2014 increasing the cost burden of enterprises that use such a fuel, further squeezing the already limited profit margin. As to petroleum coke, the price went down in the beginning and then went up afterwards in the year. The price of coal tar was weak in trend in the first half of 2014, and decreased significantly in the second half.

In 2014, raw materials such as silica sand, dolomite, and linestone were basically stable in price. And packing material for glass production experienced a decline in price in varying degrees.

Production, sales and selling price

In 2014, the Group produced an aggregate amount of 40.54 million weight cases of glass, roughly the same as the previous year. Comparing with the previous year, sales volume for the year came down by about 3% owing to the weakness of the overall industry sentiment. However, our export increased slightly by 2%, as compared with the previous year. Average selling price of the Group's glass products in 2014 was RMB64 per weight case, representing a decrease of 5% as compared with the previous year.

Profit analysis

In 2014, the Group recorded revenue of RMB2,489 million, representing a decrease of 10% compared with the previous year. This was mainly attributed to the decline in both average selling price and sales volume. Gross profit decreased by RMB165 million as compared with 2013. Although cost of sales was down in 2014 as compared with 2013, its extent of decrease was smaller than the extent of decrease in sales revenue, therefore resulting in an overall decline in gross profit.

MAJOR ACHIEVEMENTS IN 2014

Optimisizing internal management to enhance the input for energy saving and environmental protection

In 2014, the Group made a good step forward to enhance its operation control, system construction, and performance appraisal. The Group continued to implement the standardization of its float glass production lines, the revision and improvement of the standardized process of production technology, the improvement of the coporate quality standard and the enhancement of quality control.

According the energy consumption standard for the glass industry as promulgated by the PRC, based on the experience of the leaders, and considering the actual condition of every production line, the Group has reviewed the formulation of kiln heat consumption and comprehensive energy consumption indicators, in order to promote the launch of energy saving and consumption reduction work in various bases. In 2014, the Group installed in every base a waste heat power station that uses waste heat to generate power amounting to 110 million kilowatt-hour, representing 45% of the Group total electric power consumption.

By understanding and learning the State's policies and leveraging an the experience of industry leaders in Time, we have enhanced the enforcement of treating flue gas, and the coordination with bases in expediting the construction of environmental protection projects. During the year, the smoke indicators at the bases such as Dongtai and Wuhai all achieved the required emission standards. As to the bases in such places such as Linyi, due to their deployment of different fuels, has faced difficulties in tackling same nitrogen oxide indicators that have also been faced by other companies in the industry. The Group is cooperating with related environmental protection department to tackle those key technological problems. In order to penetrate those technology hurdles, the Group had invested RMB61 million in technology improvement in 2014.

Enhancing R&D work for new products

In 2014, the Group continued to implement the strategic thinking of "leveraging on technology innovation to support differentiation, and elevate core competitiveness". Based on this strategic thinking, we have rolled out the study of forward-looking technology to organize the implementation of the R&D for new products and technology. We also implemented such policies that cover a project manager responsibilities system, organizing the implementation of new technology, and the commercialization work for new products. Major breakthroughs are summarized as follows:

By further optimizing the online Low-E production technology, cost reduction and extended coating cycle were achieved. As such, our two production lines at the Dongtai base have become the largest single online Low-E production line in the nation.

The online Sun-E, a multi-color spectrum of color coated glass product, have been developed with indicators such as uniformities and rationalization achieving international requirements.

Our production of online easy-to-clean sunlight coated glass has achieved seamless integration with the production of online sunlight coated glass. Coating rate of above 90% was achieved.

We further improved the online TCO glass production technology, and made a new breakthrough in the study of developing new coating layers and a new type of reactor.

Ultra-clear and ultra-white glass was successfully added to our production lines in October 2014.

Enhancing market/sales working force

In 2014, in order to coordinate with the promotion of high value-added energy saving products, the Group started to reform its marketing and sales system. The reform however remained unfinished in the year, and thus our investment in high-end new products fell short of our expectation. Nevertheless, the Group managed to maintain its leading position in the traditional market of coasted glass. And we managed to make some improvements in the sales of "high value-added and high technology" new products. We also made some improvement in product positioning, price setting, and channel management. Building a distribution network for our online sunlight coated products to customers that span across the counties was also rolled out in its initial stage.

The implementation of "go abroad" strategy

In 2014, the Group established it overseas business department responsible for the implementation of the "go abroad" strategy. In the meantime, we have done some comprehensive surveys, analysis and studies on a number of countries and regions, and have basically implemented our initial target of "go abroad" strategy. We will continue to make comprehensive follow-up development.

THE GLASS MARKET OUTLOOK

Stepping into 2015, our nation's economic development has entered a "New Normal" stage, hence there are constraints for the increase in demand of construction material, which relies on the increase in investment. The glass industry, and the construction material industry as a whole, will continue to face a relatively rigorous market environment. The mounting pressure of financial resources, energy resources, and environmental constraints has developed a reverse impact on the development of the industry. This is especially true as the new environmental protection law tends to increase the difficulties of an enterprise's technological breakthrough and the cost of handling such new environmental requirements. This will then increase the industry's overall manufacturing cost and, to a certain extent, will also reduce product supply.

The production of energy-saving glass substrates in the glass industry as represented by Low-E coated glass is highly receptive by the market, which has become a must choice energy-saving product for energy-saving construction. Following the launch of new and upgraded products that command low cost, environmental protection, energy saving, good-looking, etc., the demand for traditional products will unavoidably be reduced and their prices will continue to be under pressure. Contrary to this, the demand for new and upgraded products will increase, production of these products will increase, and the market will hence be opened up. As such, this kind of products will become the growth driver of the profitability of the glass industry in general.

In conclusion, there will be both challenges and opportunities in 2015.

Forecast of price movement of raw materials and fuels

As to raw materials, the soda ash industry has manifested an over capacity in its production. Although the country has restricted the emerge of new production capacity and eliminated production capacity that lags behind, those projects which have finished construction will start producing in this year. Hence, it is expected that the supply of soda ash will continue to be sufficient and its price hike will not be sustainable.

Raw materials such as silica sand, dolomite, and limestone, based on their price changes and trend forecast, will have little room for downward adjustment, but will fluctuate according to the movement of related freight costs. The implementation of the new environmental protection law will not only affect enterprises that manufacture flat glass, but also impact to a larger extent upstream raw material supplying enterprises. These raw material supplying enterprises will also be required to achieve corresponding indicators that prevent and treat pollutions. As such, they will have to pay additional costs in order to solve the issues, and these additional costs will then be transferred to downstream enterprises.

With sufficient supply in the market, and the fact that downstream demand will remain sluggish, it is expected that the price of petroleum coke will decline. The oversupply of the coal industry will basically remain unchanged, and price expectation for 2015 will remain at a low level.

From the perspective of choosing fuels, with the implementation of online surveillance – especially with the implementation of the new environmental protection law, it is expected that the nation will enhance its control on energy saving and low emission requirements, and exert severe penalties on any violation. The pressure on the flat glass industry in respect of energy saving and emission reduction will mount. From a long-term perspective, under the sentiment of solving the overcapacity issue, clean energy will become the mainstay of fuels for the flat glass industry.

MAJOR WORK PLANS FOR 2015

Under this background, the Group has supplemented and adjusted its strategic plan, hence its medium/long-term development directions will be as follows: "**organic growth; mergers and acquisition; and going abroad**".

1. Continuing the enhancement of new product R&D and mass production

The Group will continue to enhance its investment in new product technology R&D. This will include the improvements in technological indicators for online Low-E glass and the increase of its production capacity, the mass production of ultra heat-absorbing glass, the continuing R&D of ultra-white glass, the breakthrough of energy saving and environmental protection technology to reduce the emission of nitrogen oxides and sulfides, and the laboratory research of "new coating layers". Those will be deployed to adapt to the trends of the glass industry in the areas of changing functionality and clearness.

2. Brand building and creative marketing

We would continue to finish the consolidation of the creative marketing work that had not yet been finished in 2014. We will improve such detailed works as customer channels, and establish a new direct sales model, so that the Group can expand its influence at the customer ends. At the same time, we will improve the marketing network for high value-added products so as to increase their sales volume. We will take further steps to escalate our corporate brand image, and to enhance our layout of the e-commerce networking platform.

3. **Achieving a solid breakthrough in the "go abroad" strategy**

   In 2015, the Group will stably implement the strategy of "going abroad". By leveraging on the country's promulgation of the "one belt, and one road" and support for capacity transfer policies, we will promote the projects of constructing production lines in Nigeria and Egypt in order to achieve a rapid growth for the Group's overall profit. We will also follow our "prioritizing marketing" principle to establish trading companies in target countries, and to proactively cultivate business. We will also do well in preparing for our marketing work in order to reduce risk. At the sametime, we will study the feasibility of establishing marketing companies and constructing production lines in other countries, so that we can gradually implement the Group's globalization plan.

4. **Stabilizing production, and enhancing the efforts for energy saving and environmental protection**

   We will continue to perfect the technological standards and process for float glass production, including the formulation of such technological standards and processes as the melting molding, and annealing of body tinted glass, and to enhance technology management. While observing the budget, we will lay down our product positions for various production lines, ensure that productions are stable, to satisfy every requirement of our marketing effort.

   We will explore new alternative fuels. Focus will be maintained at improving the Dongtai, Linyi, and Wuhai bases in the choices of fuels and system construction. We will follow the glass industry's new standards in energy consumption, promote making further efforts in developing energy saving and reducing wastage in various bases, and strive to achieve meeting the industry standard of energy wastage for all of the Group's float glass production lines in the year. We will keep track, monitor, and implement the environmental protection facilities of our various float glass bases, as well as their operations, and the degree of meeting the emission standards. We will follow the requirements of the environmental protection law, deploy innovative technology, adjust our structure, change our production method, reduce the consumption of energy, and reduce emission, so as to upgrade our overall level of energy saving and reducing emission capability.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 10% from RMB2.760 billion for the year ended 31 December 2013 to RMB2.489 billion for the year ended 31 December 2014. The decrease in turnover was mainly attributable to a decrease of 5% in the annual average selling price compared to last year due to a decrease in the market price of glass this year, and a decrease of sales volume of 3% compared to last year.

Cost of sales

The Group's cost of sales decreased by approximately 5% from RMB2.223 billion for the year ended 31 December 2013 to RMB2.117 billion for the year ended 31 December 2014. This was mainly attributable to a decrease of sales volume of 3% and the fruitful result of the Group's strategy in adopting low-cost fuel technology as a substitute.

Gross profit

The Group's gross profit decreased by approximately 31% from RMB537 million for the year ended 31 December 2013 to RMB372 million for the year ended 31 December 2014. This was mainly attributable to a decrease in gross profit margin. Gross profit margin decreased from 19.5% in 2013 to 15.0% in 2014, which was mainly due to a decrease in the average selling price.

Other net income/(loss)

The Group's other net income/(loss) increased from a net loss of RMB3.17 million for the year ended 31 December 2013 to a net income of RMB166 million for the year ended 31 December 2014. The net income in 2014 mainly represents a gain arising from the expropriation of the land use rights of a PRC subsidiary of the Group by local government. The net loss for the year 2013 mainly represents net loss from sales of scraps and disposal of property, plant and equipment.

Distribution costs

There was no significant fluctuation of the Group's distribution costs for the year ended 31 December 2014 and for the year ended 31 December 2013.

Administrative expenses

The Group's administrative expenses increased by approximately 13% from RMB259 million for the year ended 31 December 2013 to RMB292 million for the year ended 31 December 2014. The increase was mainly attributable to an increase in provision for doubtful debts for trade and other receivables.

Finance costs

The Group's finance costs increased by approximately 18% from RMB115 million for the year ended 31 December 2013 to RMB136 million for the year 31 December 2014. This was mainly attributable to an increase in average balance of bank and other loans in the year 2014.

Current assets

The Group's current assets increased by approximately 47% from RMB1.543 billion as at 31 December 2013 to RMB2.268 billion as at 31 December 2014. The increase was mainly attributable to an increase in cash and cash equivalents, and trade and other receivables.

Current liabilities

The Group's current liabilities decreased by approximately 1% from RMB2.832 billion as at 31 December 2013 to RMB2.795 billion as at 31 December 2014. The decrease was mainly attributable to a decrease in short-term bank and other loans.

Non-current liabilities

The Group's non-current liabilities increased by approximately 162% from RMB298 million as at 31 December 2013 to RMB780 million as at 31 December 2014. This was attributable to an increase in long-term bank and other loans by RMB456 million.

Capital structure, liquidity, financial resources and assets-liabilities ratio

As at 31 December 2014, the Group's cash and cash equivalents were RMB802 million (31 December 2013: RMB468 million), of which 78% (31 December 2013: 96%) were denominated in RMB, 6% (31 December 2013: 3%) were denominated in United States Dollars ("USD"), and 16% (31 December 2013: 1%) were denominated in Hong Kong dollars ("HK$"). Outstanding bank and other loans were RMB1.725 billion (31 December 2013: RMB1.367 billion), of which 94% (31 December 2013: 90%) were denominated in RMB, and 6% (31 December 2013: 10%) were denominated in USD. Outstanding unsecured notes amounted to RMB Nil (31 December 2013: RMB95 million), all of which were denominated in RMB (31 December 2013:100%).

As at 31 December 2014, the gearing ratio (total interest-bearing debts divided by total assets) was 30% (31 December 2013: 27%). As at 31 December 2014, the Group's current ratio (current assets divided by current liabilities) was 0.81 (31 December 2013: 0.54). The Group recorded net current liabilities amounting to RMB527 million as at 31 December 2014 (31 December 2013: RMB1.289 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.58 as at 31 December 2014 (31 December 2013: 0.57).

Details of the Group's bank and other loans and unsecured notes are set out in Notes 22 and 24 to the financial statements.

Material acquisitions and disposal and significant investments

For the year ended 31 December 2014, 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 year ended 31 December 2014.

Human resources and employees' remuneration

As at 31 December 2014, the Group employed approximately a total of 4,936 employees in the PRC and Hong Kong (31 December 2013: about 5,382 employees). According to the relevant market situation, the Group's employees' remuneration level is maintained at a competitive level and is adjusted in accordance with 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. Details of staff costs and pension schemes are set out in Note 6(b) to the financial statements.

Change on assets

Details of the Group's changes on assets are set out in Notes 20 and 22 to the financial statements.

Capital commitments

Details of the Group's capital commitments as at 31 December 2014 are set out in Note 29 to the financial statements.

Contingent liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Exchange rate risk and related hedging

The Group's transactions and monetary assets were primarily denominated in RMB, HK$, USD and Euros("EUR"). Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB will be closely related to the development of the PRC economy. Our assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the year ended 31 December 2014, the Group did not adopt any derivatives for hedging purposes.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 December 2014 attributed to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	5%
– five largest suppliers combined	19%
Sales	
– the largest customer	9%
– five largest customers combined	15%

During the year ended 31 December 2014, no Director or any associates of a Director or any substantial shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) of the Company has any interest in any of the Group's five largest customers and suppliers.

Report of the Directors

The Board of Directors (the "Board") presented its annual report together with the audited consolidated financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

Details of the principal activities of the Group are set out in Note 4 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the financial statements on pages 43 to 124.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (31 December 2013: HK$15,501,470.58).

RESERVES

Details of the distributable reserves of the Company as at 31 December 2014 are set out in Note 27(e) to the financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in Note 27(a) to the financial statements.

DONATIONS

The Group had made donations to charities amounted to RMB108,000 during the year ended 31 December 2014 (2013: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year ended 31 December 2014 are set out in Note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2014 are set out in Note 27(c) to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders under the bye-laws of the Company, except if an ordinary resolution is passed by the shareholders of the Company (before the issue of any new shares) to determine that such shares shall be offered to them in the first instance. As at the date hereof the shareholders have not passed such a resolution.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Cui Xiangdong *(Chief Executive Officer)*
Mr. Li Ping (resigned on 13 February 2015)

Non-Executive Directors

Mr. Zhao John Huan *(Chairman)*
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Peng Shou *(Deputy Chairman)* (appointed on 13 February 2015)
Mr. Ning Min (resigned on 13 February 2015)
Mr. Guo Wen
Mr. Chen Shuai (resigned on 6 March 2014)

Independent Non-Executive Directors

Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Ni Wei (resigned on 13 February 2015)
Mr. Chen Huachen

CONTINUING CONNECTED TRANSACTIONS

The Group had not entered into any non-exempted continuing connected transactions for the year ended 31 December 2014 which are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (the "Stock Exchange") (the "Listing Rules").

The material related party transactions are set out in Note 28 to the financial statements. All the related party transactions did not fall within the scope of non-exempted connected transactions under Chapter 14A of the Listing Rules which are required to comply with the reporting, annual review, announcement or independent shareholders' approval requirements.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2014, none of the Directors of the Company had any material interest, whether directly or indirectly, in any contracts of significance to which the Company, any of its holding company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save and except for the share award scheme disclosed in Note 25(b) to the financial statements, at no time during the year was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

CONTRACT OF SIGNIFICANCE

No contracts of significance of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2014.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of the Directors' emoluments are set out in Note 8 to the financial statements.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Name of Director	Company/name of associated corporation	Capacity	Total number of ordinary shares (1) (5) (6)	Percentage of interest in such corporation
Mr. Zhou Cheng	The Company	Beneficial owner	3,750,000 (L) (2)	0.21%
Mr. Li Ping(7)	The Company	Beneficial owner	2,830,000 (L) (3)	0.16%
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	16,332,000 (L) (4)	0.90%

Notes:

(1) The letter "L" denotes the Director's long position in such securities.

(2) Mr. Zhou Cheng was interested in share options to subscribe for 3,750,000 shares of HK$0.05 each in the share capital of the Company (the "Shares").

(3) It included Mr. Li Ping's interests in share options to subscribe for 1,600,000 Shares, and 1,230,000 Shares acquired under the share award scheme.

(4) It included Mr. Cui Xiangdong's interests in 12,000,000 Shares, share options to subscribe for 1,600,000 Shares, and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the share award scheme.

(5) For further details of the share option scheme adopted by the Company, please refer to the section headed "Share Option Scheme" below.

(6) For further details of the share award scheme adopted by the Company, please refer to the section headed "Share Award Scheme" below.

(7) Mr. Li Ping resigned as a Director on 13 February 2015.

Save as disclosed above, as at 31 December 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2014, the interest and/or a short position of the persons, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Total number of ordinary shares [1]	Approximate percentage of shareholding
First Fortune Enterprises Limited	Beneficial owner	272,926,000 (L)	15.08%
Hony International Limited	Interest of a controlled corporation [2]	272,926,000 (L)	15.08%
Mei Long Developments Limited	Beneficial owner	104,750,740 (L)	5.78%
Easylead Management Limited	Interest of a controlled corporation [3]	377,676,740 (L)	20.86%
Right Lane Limited	Interest of a controlled corporation [3] [4]	412,676,740 (L)	22.79%
Mr. Cao Zhijiang	Interest of a controlled corporation [5]	377,676,740 (L)	20.86%
Mr. Liu Jinduo	Interest of a controlled corporation [5]	377,676,740 (L)	20.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation [5]	377,676,740 (L)	20.86%
Legend Holdings Corporation (formerly known as Legend Holdings Limited) [6]	Interest of a controlled corporation [7]	412,676,740 (L)	22.79%
Pilkington Group Limited	Beneficial owner	390,156,318 (L)	21.55%
NSG UK Enterprises, Limited	Interest of a controlled corporation [8]	390,156,318 (L)	21.55%
NSG Holding (Europe) Limited	Interest of a controlled corporation [9]	390,156,318 (L)	21.55%
Nippon Sheet Glass Co., Ltd.	Interest of a controlled corporation [10]	390,156,318 (L)	21.55%
Triumph Technology Group Company	Beneficial owner	260,000,000 (L)	14.36%
China National Building Material Group Corporation	Interest of a controlled corporation [11]	260,000,000 (L)	14.36%

Notes:

(1) The letter "L" denotes the person's long position in such securities.

(2) First Fortune Enterprises Limited is a wholly-owned subsidiary of Hony International Limited. Hony International Limited is taken to be interested in these shares by virtue of Part XV of the SFO.

(3) Hony International Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Mei Long Developments Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited, Easylead Management Limited and Right Lane Limited are taken to be interested in the shares held by Hony International Limited and Mei Long Developments Limited by virtue of Part XV of the SFO.

(4) Elite World Investments Limited holds 35,000,000 Shares. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited. Cheer Elite Holdings Limited is wholly-owned by Right Lane Limited. Right Lane Limited is taken to be interested in the shares held by Elite World Investments Limited by virtue of Part XV of SFO.

(5) Easylead Management Limited is owned as to one-third by each of Messrs. Cao Zhijiang, Zhang Zuxiang and Liu Jinduo. Each of them is taken to be interested in the shares held by Easylead Management Limited by virtue of Part XV of the SFO.

(6) The English company name "Legend Holdings Corporation" is a direct transliteration of its Chinese company name"聯想控股股份有限公司".

(7) Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Corporation. Legend Holdings Corporation is taken to be interested in the shares held by Right Lane Limited by virtue of Part XV of SFO.

(8) Pilkington Group Limited is a direct wholly-owned subsidiary of NSG UK Enterprises, Limited. NSG UK Enterprises, Limited is taken to be interested in the shares held by Pilkington Group Limited by virtue of Part XV of SFO.

(9) NSG UK Enterprises, Limited is a direct wholly-owned subsidiary of NSG Holding (Europe) Limited. NSG Holding (Europe) Limited is taken to be interested in the shares held by NSG UK Enterprises, Limited by virtue of Part XV of SFO.

(10) Nippon Sheet Glass Co., Ltd is a Japan listed company. NSG Holding (Europe) Limited is a direct wholly-owned subsidiary of Nippon Sheet Glass Co., Ltd. Nippon Sheet Glass Co., Ltd. is taken to be interested in the shares held by NSG Holding (Europe) Limited by virtue of Part XV of SFO.

(11) Triumph Technology Group Company is a wholly-owned subsidiary of China National Building Material Group Corporation. China National Building Material Group Corporation is taken to be interested in these shares by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 December 2014, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has conditionally 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. The following is a summary of the principal terms of the rules of the share option scheme:

(a) Who may join

The Board may at its discretion grant options to: (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 (collectively, "Qualified Participants").

(b) The purpose of the share option scheme

The share option scheme seeks to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its shareholders, and to maintain or attract business relationships with the Qualified Participants whose contributions are or may be beneficial to the growth of the Group.

(c) Subscription price

The subscription price shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered to a Qualified Participant ("Offer Date"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

(d) Grant of option

An offer of the grant of an option shall be made to a Qualified Participant by letter ("Offer Letter") in such form as the Board may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to or minimum holding period for the vesting or exercise of options.

An option is deemed to have been accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the option-holder together with a remittance in favour of the Company of HK$1 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance as set out in the Offer Letter.

(e) Maximum number of Shares and entitlement of each Qualified Participant

The maximum number of Shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the listing date, which is 36,000,000 (representing 1.99% of the issued share capital as at the date of this report).

Unless approved by the shareholders in general meeting in the manner prescribed in the Listing Rules, the Board of Directors shall not grant options to any Qualified Participant if the acceptance of those options would result in the total number of Shares issued and to be issued to that Qualified Participant upon the exercise of his options (including both exercised and outstanding options) during any 12-month period exceeding 1% of the total Shares then in issue.

(f) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the share option scheme shall be a period of time to be notified by the Board to each option-holder, which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the Offer Date.

(g) Life of the share option scheme

The share option scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the share option scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the share option scheme.

On 29 February 2008, the Directors and certain employees of the Company were granted share options under the share option scheme.

The closing price of the share of the Company at the date of grant was HK$3.50 (before adjustment pursuant to the subdivision of Shares in 2011). Movement of share options granted under the option scheme during the year ended 31 December 2014 are as follow:

Participant	Date of grant	Exercise price per share[1] HK$	Exercise period from	Exercise period until	No. of Shares to be issued upon exercise of the options as at 1/1/2014 and 31/12/2014	Approximate percentage interest in the Company's issued Shares
Directors						
Zhou Cheng	29/2/2008	1.75	28/2/2009	29/5/2015	1,500,000	0.10%
	29/2/2008	1.75	28/2/2010	29/5/2015	1,125,000	0.07%
	29/2/2008	1.75	28/2/2011	29/5/2015	1,125,000	0.07%
Li Ping[2]	29/2/2008	1.75	28/2/2009	29/5/2015	640,000	0.04%
	29/2/2008	1.75	28/2/2010	29/5/2015	480,000	0.03%
	29/2/2008	1.75	28/2/2011	29/5/2015	480,000	0.03%
Cui Xiangdong	29/2/2008	1.75	28/2/2009	29/5/2015	640,000	0.04%
	29/2/2008	1.75	28/2/2010	29/5/2015	480,000	0.03%
	29/2/2008	1.75	28/2/2011	29/5/2015	480,000	0.03%
Employees	29/2/2008	1.75	28/2/2009	29/5/2015	12,660,000	0.82%
	29/2/2008	1.75	28/2/2010	29/5/2015	9,495,000	0.61%
	29/2/2008	1.75	28/2/2011	29/5/2015	9,495,000	0.61%
Total					38,600,000	

Notes:

1. The Company undergone a subdivision of shares in April 2011 where each of the existing issued and unissued shares of par value of HK$0.10 in the share capital of the Company has been subdivided into two subdivided shares of par value of HK$0.05 each. As a result of the subdivision, the exercise price per share for the option has been adjusted to HK$1.75.

2. Mr. Li Ping resigned as a Director on 13 February 2015.

No options were granted by the Group and no options granted were lapsed or cancelled during the year ended 31 December 2014. Details of the share options granted were set out in Note 25(a) to the financial statements.

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.

(a) Who may join

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the share award scheme (the "Selected Employee(s)"). Selected Employees can be any employee of the Group or Directors of the Company. If any grant of awarded shares is proposed to be made to Director (including an independent non-executive Director) of the Company, such grant must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee. In addition, where any grant of awarded shares is proposed to be made to any Director or any other person who is a connected person within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

(b) The purpose of the share award scheme

The purposes of the share award scheme are to recognise the contributions by Selected Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(c) Operation of the share award scheme

Bank of Communications Trustee Limited has been appointed as the trustee of the share award scheme (the "Trustee"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such shares are vested with the relevant Selected Employees in accordance with the scheme rules.

(d) Life of the share award scheme

The share award scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board.

From the Adoption Date up to 31 December 2014, 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 31 December 2014 and the aggregate price paid by the Company were HK$37,804,917. For the year ended 31 December 2014, no shares were purchased by the Trustee on the market for the purpose of the share award scheme. 11,170,000 shares held under the share award scheme were awarded to the Selected Employees of the Group at nil consideration on 18 January 2013. 11,170,000 shares have been vested on 8 January 2014 and transferred to the Selected Employees on 10 January 2014.

Further details of the awards granted under the share award scheme are disclosed in Note 25(b) to the financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive directors

Mr. Cui Xiangdong (崔向東), aged 54, is an Executive Director and the Chief Executive Officer of the Company. He joined the Group in March 2007. Mr. Cui is an accountant and a senior economist with a university qualification. Mr. Cui joined Weihai Blue Star Glass Company Limited in October 1977 and has previously served as director of Weihai Blue Star Glass Company Limited, Weihai Blue Star New Technology Glass Co., Ltd, Zhongbo Technology Company Limited, Shaanxi Bluestar Glass Limited, Wuhai Blue Star Glass Co., Ltd etc. He has 37 years of extensive experience in building material industry, corporate management and marketing.

Mr. Li Ping (李平), aged 53, was an Executive Director of the Company. Mr. Li has resigned as an executive Director of the Company on 13 February 2015. After his resignation as executive Director of the Company, Mr. Li will remain as senior vice president of the Company, and general manager of each of Jiangsu SHD New Materials Company Limited, Dongtai China Glass Special Glass Company Limited and Suqian Huayi Coated Glass Limited, all being indirect wholly-owned subsidiaries of the Company. He graduated in 1982 from Zhejiang University with a bachelor degree in Engineering major in materials, and a master degree in Business Administration. He is a senior engineer at postgraduate level. Mr. Li joined the Group in February 1982 and has formerly worked as deputy head of Jiangsu Glass Factory, deputy general manager and general manager of Jiangsu Glass Group Company Limited. He has over 32 years of experience in the building materials industry and enterprise management.

Non-Executive Directors

Mr. Zhao John Huan (趙令歡), aged 52, is a Non-executive Director and the Chairman of the Company. Mr. Zhao joined the Group in January 2005. Mr. Zhao graduated from the Physics Department at Nanjing University, and obtained master degrees in Electronic Engineering and Physics from Northern Illinois University in the United States, and a master degree in Business Administration from the Kellogg School of Management of Northwestern University. Mr. Zhao joined Legend Holdings Limited, a substantial shareholder of the Company, in January 2003 and founded Hony Capital Limited. Prior to launching Hony Capital Limited, Mr. Zhao held a number of senior management positions and directorships at several prestigious multinational companies. Mr. Zhao is currently a managing vice president and a member of the executive committee of Legend Holdings Limited and a president of Hony Capital Ltd. Mr. Zhao is currently an executive director of CSPC Pharmaceutical Group Limited, which is listed on the Stock Exchange (stock code: 1093) and a non-executive director of Lenovo Group Limited, which is listed on the Stock Exchange (stock code: 0992), and Chinasoft International Limited, which is listed on the Stock Exchange (stock code: 0354). Mr. Zhao is also the deputy chairman of Shanghai Chengtou Holding Co., Ltd, which is listed on the Shanghai Stock Exchange (stock code: 600649). Mr. Zhao was formerly a director of Fiat Industrial S.p.A., which is listed on the Mercato Telematico Azionario (International Securities Identification Number: IT0004644743), from January 2011 to September 2013 and Jiangsu Phoenix Publishing & Media Corporation Limited, which is listed on the Shanghai Stock Exchange (stock code: 601928), from June 2009 to June 2012. In addition, Mr. Zhao was formerly a non-executive director of New China Life Insurance Company Limited, which is listed on the Stock Exchange (stock code: 1336), from November 2012 to March 2015 and Wumart Stores, Inc, which is listed on the Stock Exchange (stock code: 1025), from November 2009 to June 2014.

Mr. Zhou Cheng (周誠), aged 58, is a Non-executive Director and the Honorary Chairman of the Company. Mr. Zhou has been an executive Director and Chief Executive Officer of the Company since the listing of the Company in 2005 until 19 October 2010 and 14 September 2007 respectively. Mr. Zhou was the Chairman of the Company from September 2007 to February 2015. He is a senior engineer and graduated from Nanjing University of Technology in 1980, majoring in inorganic chemistry. Mr. Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and chairman and general manager of Jiangsu Glass Group Company Limited. Mr. Zhou is currently the venture partner of Hony Capital Limited, which is an indirect substantial shareholder of the Company.

Mr. Peng Shou (彭壽), aged 54, was appointed as a Non-executive Director and the Deputy Chairman of the Company on 13 February 2015. Mr. Peng holds a bachelor's degree in engineering from Wuhan Institute of Building material industry (now Wuhan University of Technology) in 1982 and a master's degree in management from Wuhan Poly-technic University (now Wuhan University of Technology) in 2002. Mr. Peng is qualified as a senior engineer at professor level and was awarded a special grant of the government approved by the State Council. Mr. Peng has over 30 years of experience in business and management in the building material industry. He is an expert in inorganic materials research and development as well as engineering design and consulting. Mr. Peng is the general manager of Triumph Technology Group Company* (凱盛科技集團公司) ("Triumph Technology") (a substantial shareholder of the Company). Mr. Peng has served as an executive director of China National Building Material Co. Ltd* (中國建材股份有限公司) (stock code: 3323) ("CNBM") (an associate of Triumph Technology) since June 2006, he is also a Vice President of CNBM and the chairman and president of China Triumph International Engineering Company Limited* (中國建材國際工程集團有限公司) (an associate of Triumph Technology). At present, Mr. Peng concurrently acts as the chairman of International Commission on Glass, the Director of State Key Laboratory of Float Glass New Technology* (浮法玻璃新技術國家重點實驗室), the Vice Chairman of China Silicate Association* (中國硅酸鹽學會), the deputy chairman of the China Building and Industrial Glass Committee* (中國建築玻璃與工業玻璃協會) and the vice president of China Building Material Federation* (中國建築材料聯合會).

Mr. Ning Min (寧旻), aged 45, was a Non-executive Director. Mr. Ning joined the Group on 30 June 2011. He is currently the secretary of the board of directors, a senior vice-president and a member of the executive committee of Legend Holdings Corporation, an indirect substantial shareholder of the Company. Mr. Ning graduated and obtained a bachelor's degree in economics from Beijing City College in 1991 and an EMBA postgraduate degree from Renmin University of China in 2001. Since his joining Legend Holdings Corporation in July 1991, Mr. Ning held positions in various departments including administration, training and finance departments, and has accumulated rich experience in corporate operation, finance and capital management. Mr. Ning has resigned as a Non-executive Director on 13 February 2015.

Mr. Guo Wen (郭文), aged 46, is a Non-executive Director. He joined the Group in 6 March 2014. Mr. Guo was graduated from the University of Science and Technology Beijing with a bachelor degree, and he received an EMBA degree from Cheung Kong Graduate School of Business. Mr. Guo has extensive experience in financial, security, merger and acquisition investment in China and Hong Kong. Mr. Guo is currently a managing director of Hony Capital Limited, which is an indirect substantial shareholder of the Company.

Mr. Chen Shuai (陳帥), aged 41, was a Non-executive Director. Mr. Chen graduated from the Beijing Forestry University with a bachelor degree and he received a master degree in Business Administration from China Europe International Business School. Mr. Chen is currently a managing director of Hony Capital Limited, which is an indirect substantial shareholder of the Company. He has extensive experience in financial, banking, merger and acquisition investment in China. Mr. Chen has resigned as a Non-executive Director on 6 March 2014.

Independent Non-Executive Directors

Mr. Zhang Baiheng (張佰恒), aged 53, is an Independent Non-executive Director. He joined the Group in January 2005. Mr. Zhang is a university graduate. He was a pilot and district chief in the Sixth Flight Institute of the People's Liberation Army of China from 1979 to 1981. From 1985 to 1996, he was a staff officer at the Training Department of the People's Liberation Army Air Force Academy of China. Mr. Zhang has extensive experience in the building material industry. From 1996 to 2002, he was the deputy director of the China Building Material Industry Association and the deputy secretary of the China Architectural and Industrial Glass Association. From 2002 to 2005, he was the secretary of the China Architectural and Industrial Glass Association. Mr. Zhang currently served as the general secretary of the China Architectural and Industrial Glass Association.

Mr. Zhao Lihua (趙立華), aged 72, is an Independent Non-executive Director. Mr. Zhao joined the Group on 30 June 2011. He was graduated from Hunan University in 1965 with a bachelor's degree majoring in physics. He was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and was promoted to a professor in the same university in 1987. He was a visiting professor of University of Hanover in Germany in 1989 and the vice president of Hunan University from March 1992 to March 2000. He was also formerly a professor and a tutor of doctorate candidates of Hunan University. He served as the chairman of the board of Hebei Huda Technology & Education Development Co., Ltd. from March 2000 to October 2002. He served as the chief supervisor of Sinosafe General Insurance Co. Ltd. from July 2003 to June 2011. In addition, Mr. Zhao is an Independent Non-executive Director of CNBM (stock code: 3323) since 17 October 2014 and Hydoo International Holding Limited (stock code: 1396) since 23 November 2014.

Mr. Ni Wei (倪瑋), aged 56, was an Independent Non-executive Director, Mr. Ni joined the Group on 27 December 2012. Mr. Ni graduated from the Department of Chinese Language and Literature of Xiamen University in 1982, and in the same year he was assigned to the head office of the Motor Communication Group of Ministry of Transport. Mr. Ni was transferred to the China Communications and Transportation Association of the National Development and Reform Commission ("NDRC") in 1993, and in 2001 he served as deputy secretary general of the China Communication and Transportation Association and was primarily responsible for the association's major projects and publication work. Mr. Ni also served in various other positions, including service as deputy secretary general of the China Information Association of NDRC in 2005. In addition, Mr. Ni founded the China Logistics Investment and Financing Union and the China Logistics City Alliance during the period from 2010 to 2012, and also served as deputy chairman and secretary general of the two associations. Mr. Ni has received various awards, including the first Chinese Economic Press Innovation award in 2007, and the China Express Delivery Industry Outstanding Achievement award in 2009. Mr. Ni has resigned as an Independent Non-executive Director of the Company on 13 February 2015.

Mr. Chen Huachen (陳華晨), aged 36, is an Independent Non-executive Director. Mr. Chen joined the Group on 27 December 2012. Mr. Chen is a Chartered Financial Analyst. Mr. Chen graduated from the Capital University of Economics and Business in 2001 with a bachelor's degree in Accounting, and graduated from the Faculty of Business of the Hong Kong Polytechnic University in 2006 with a master's degree in Accounting. Mr. Chen also holds an MBA degree awarded by Columbia Business School in 2009. Mr. Chen was a senior staff member at the Department of Public Offering Supervision of the China Securities Regulatory Commission from 2003 to 2007. After graduating from Columbia University, Mr. Chen returned to China and worked for UBS Securities Co. Limited as a director in the Greater China Investment Banking Division from 2009 to 2011. Mr. Chen worked for Qiming Ventures Partners as a partner from 2011 to 2012. Mr. Chen has ample experience in the capital market and financial related matters.

Senior Management

Mr. Lu Guo (呂國), aged 52, is a vice president of the Company, Mr. Lu is a senior engineer. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material, majoring in glass. Mr. Lu joined the Group in August 1984 and has worked as head of a branch factory of Jiangsu Glass Factory, an assistant to the general manager and a deputy general manager of Jiangsu Glass Group. He has over 23 years of experience in the PRC glass industry.

Mr. Ge Yankai (葛言凱), aged 54, is a vice president of the Company and a director of Weihai Blue Star, a director and general manager of Blue Star New Technology Company. He joined the Group in March 2007. Mr. Ge is a senior engineer. He graduated with an engineering bachelor degree from Shandong University of Technology, majoring in electrical automation, in 1982. Mr. Ge joined Blue Star Glass in 1982 and has previously served as deputy general manager Shandong Blue Star Glass Group, director and deputy general manager of Blue Star Co., director and general manager of Blue Star New Technology Company. He has 33 years of extensive experience in the glass industry in the PRC.

Mr. Yang Hongfu (楊洪富), aged 53, is a vice president of the Company and a director of Dongtai Zhongbo. He joined the Group in January 2005. Mr. Yang is a senior economist and a university graduate. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, vice chairman of Jiangsu SHD New Materials Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision Jiangsu Nantong Yaorong Glass Co., Ltd.

Mr. Cheng Xin (程昕), aged 42, is a vice president of the Company and a director of Weihai Blue Star. He joined the Group in March 2007. Mr. Cheng is a registered security analyst, an economist and a master of business administration, he graduated from China Europe International Business School. Mr. Cheng has previously worked as manager of Investment Advisory Department of Haitong Securities Co., Ltd., deputy general manager of Junxin Venture Capital Investment Company. He has 21 years of extensive experience in the investment scope.

Mr. Wang Jianxun (汪建勛), aged 57, is a chief technology officer of the Company and director of Hangzhou Blue Star. He joined the Group in March 2007. Mr. Wang graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor degree in engineering. He is a professor grade senior engineer. Mr. Wang has previously worked as engineer, deputy chief engineer, senior engineer, professor grade senior engineer in Qinhuangdao Glass Design Research Institute; professor grade senior engineer in Zhejiang University; director and general manager of Hangzhou Blue Star New Materials Company. Mr. Wang has over 33 years of extensive experience in the research and development and application on the glass engineering project design. He was also awarded several National S&T Advance Awards.

Company Secretary

Ms. Li Hiu Ling (李曉玲), aged 30, was appointed as the Company Secretary of the Company on 1 March 2011. Ms. Li is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and holds a bachelor degree in social sciences (honours) from the Hong Kong Baptist University and a master degree in science from the City University of Hong Kong. Ms. Li joined the Group in April 2008 and participated in managing company secretarial and investor relations matters. Ms. Li is familiar with the Company's secretarial practice, and has good understanding of the Company's operation and extensive experience in handling the relevant affairs. Ms. Li has resigned as the Company Secretary of the Company on 23 May 2014.

Ms. Pan Jianli (潘建麗), aged 37, has been appointed as the Company Secretary of the Company on 4 June 2014. Ms. Pan joined the Group in March 2007. She was the director of the Finance Department of the Company from December 2008 to May 2012. Since March 2012 and May 2012, Ms. Pan was appointed as the secretary of the audit committee of the Board and the senior director of the Investment Department of the Company, respectively. Ms. Pan is responsible for matters relating to foreign investments, mergers and acquisitions, equity and debt financing, investor relations, corporate governance and compliance matters relating to the corporate and business affairs of the Company and its subsidiaries. Ms. Pan is familiar with the Company's secretarial practice, and has good understanding of the Company's operation and extensive experience in handling the relevant matters. Ms. Pan holds a bachelor degree in economics from the Shandong University of Finance and Economics and a master degree in corporate management from the Peking University. She is a senior accountant and a member of the Chinese Institute of Certified Public Accountants.

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

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, other than the shares of the Company purchased by the trustee of the share award scheme as disclosed in Note 25(b) to the financial statements.

SHARE CAPITAL

On 5 November 2014, the Company entered into the subscription agreement with Triumph Technology Group Company, (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 260,000,000 subscription shares at the price of HK$0.94 per subscription share for a total consideration of approximately HK$244,400,000 (the "Subscription"). The subscription shares were issued under the general mandate and rank pari passu with all other shares of the Company in all respects. The aggregate nominal value of the subscription shares is HK$13,000,000. The closing price as quoted on the Stock Exchange on 5 November 2014, being the date of the subscription agreement was HK$0.94. Completion of the Subscription took place on 17 December 2014. For the net proceeds from the subscription, part of it has been used for replenishing the regular production working capital for the Company's existing glass production lines and part of it will be used for the Company's overseas investment in constructing new production lines.

Details of the share capital of the Company and its movement during the year ended 31 December 2014 are set out in Note 27(c) to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, during the year ended 31 December 2014, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

Save as disclosed in "Material acquisitions and disposals and significant investments" in the Management Discussion and Analysis of this report, the Group had not made any material investments, acquisitions or disposals during the year ended 31 December 2014.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of non-adjusting events after the reporting period of the Group are set out in Note 31 to the financial statements.

UNSECURED NOTES

Details of the unsecured notes are set out in Note 24 to the financial statements.

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.

AUDITOR

The financial statements for the financial year ended 31 December 2014 have been audited by KPMG, who will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

By order of the Board
Zhao John Huan
Chairman

Hong Kong, 30 March 2015

Environmental, Social and Governance Report

The Group is a leading sheet glass, and the largest coated glass, manufacturer in China, with focus on the research and development, production, and sales of a range of coated glass for the construction industry, and for the energy conservation and new energy fields. Pursuant to the relevant requirements of Appendix 27 of the Listing Rules of the Stock Exchange of Hong Kong Limited regarding "Environmental, Social and Governance Reporting Guidance", the Group discloses, for the first time, its Environmental, Social and Governance Report ("ESG Report"), and will continue to do so annually. Important contents closely related to the Group's business in this year's report are provided as follows:

WORKPLACE QUALITY

Corporate Culture

The Group persisted in the combination of a people-oriented management philosophy and an innovation mechanism to allow employees to grow with the corporation. In operation management, we complied with the principle of "adapting to the market environment, actualizing values of talents and bringing out the full effects of incentives" to provide employees with a competitive remuneration mechanism, so as to achieve the target of better alignments of benefit with responsibility, value with capability, reward with risk, and income with performance. Furthermore, the Group incessantly optimized its human resources structure, and improved its management methods in order to fully bring out employees' enthusiasm, initiative and resourcefulness, thus creating an optimal corporate atmosphere.

The Group's employee categories by employment type, age and geographical regions are summarized as follows:

		As at 31 December 2014									
		Age Group				Geographical Region					
Total number of Employees	Employment Type	Below 35 Years	Between 35-45 Years	Above 45 Years	Total	Shandong	Shaanxi	Jiangsu	Inner Mongolia	Others	Total
4,936	Contract Employees	960	2,245	1,731	4,936	1,911	750	1,545	477	253	4,936

Health and Safety

The Group complies with the policy in its manufacturing management that "safety comes first; prevention is better than cure; cure is implemented by comprehensive management measures" to ensure product quality, environmental protection, and personal safety, and to warrant the smooth execution of manufacturing management activities, through the incorporation of quality, environmental protection, energy conservation, and occupational health and safety standards into a unity management system (ISO9001, GB/T24001, GB/T23331/GB/T28001).

The PDCA (Plan-Do-Check-Act) cycle mode was adopted in the various manufacturing bases in their work for production safety standardization, which resulted in the formulation and implementation of a production safety emergency plan, and a series of safety management systems, including the "Establishment of a Safety Management Organization and Employee Equipment Management System", and the "Safety Education Training Management System". Pursuant to the stipulations of the "Basic Norms for Work Safety Standardization of Enterprises" (AQ/T9006-2010) and the "Sheet Glass Enterprise Production Safety Standardization Evaluation Program" (SAWS 4 (2011) document number 111), and amalgamating these with the Group's characteristics, a production safety standardization system was established and maintained, resulting in the formulation of a scheduled inspection rounds system, which executed effective monitoring and control of major danger sources and areas of major hazards, as well as emergency measures in key locations and for key job functions.

In 2014, the Group sustained zero job related fatality.

Development and Training

The Group implemented specialized training programs, each aiming at different developmental needs of various levels of employees. Internal and external trainings were combined to gradually establish an internal training team. In 2014 the Group further improved the training system jointly developed with vocational institutions, establishing a model for the cultivation of distinctive talents in line with its development. This helped to ensure the satisfaction of the Group's future needs in human resources. The Group's main business is in traditional manufacturing; however, it has always strived to establish an organizational structure that relies on learning, training and cultivation for the enterprise's sustainable, healthy and stable development.

The Group conducted many types of training, mainly including:

- induction training;
- in-service and transferred staff skills training;
- professional job functional skills enhancement and technical backbone staff training;
- in addition to learning exchange opportunities, the core team staff are sent specialized training and seminars organized by professional authoritative institutions;
- professional training seminars organized for differing business chains;
- scheduled and focused year-round comprehensive skills training for high and middle level – management staff through the Group's cyber college.

Statistics of completed staff training by category:

	For the year ending 31 December 2014							
Staff Category	High Level Management	Middle Level Management	Base Level Management	Professional Technical Staff	Marketing Staff	Production Staff	Others	Total
Staff Size (Persons)	58	296	204	356	80	3,716	226	4,936
No. of Persons trained	58	296	122	356	80	2,973	113	3,998
Percent of Persons trained	100%	100%	60%	100%	100%	80%	50%	81%

Labour Standards

The Group complies with the stipulations of related national and local labor laws and regulations in its recruitment activities to protect employees' legal rights. Employees at job appointments must provide true information in filling out the "staff registration form". False identification or false CV will be considered as serious offence, and will be dealt with to the full extent of the Group's rules and regulations by immediate termination. The Group rigorously forbids child and forced labor.

The Group will conduct unscheduled comprehensive self-examination in regards to employment matters to uncover and to prevent any non-compliance.

ENVIRONMENTAL PROTECTION

Emissions

The Group's construction of environmental protection facilities has always been in a leading position in the glass industry; it adamantly implements government laws and regulations regarding environmental protection. Since 2014 the Group has accumulated RMB 400million in environmental protection facilities, the annual operating expenses of which are about RMB61.46 million.

Environmental, Social and Governance Report (continued)

The Group's current environmental protection system is sound, and each of the manufacturing departments has a management team, and each of the manufacturing bases has responsible staff to oversee environmental protection and energy saving matters, and for the supervision of the construction and operation of these facilities. Smoke and waste gas on-line monitoring systems installed in the manufacturing bases are connected to the Environmental Protection Department's network. Heat recovery power generation equipment has been installed and the operation is normal. A total of 109.86 million kWh of electricity was generated in 2014, representing 45% of the total electricity used by the Group.

In 2014, the various manufacturing bases of the Group completed the installation of desulfurization equipment, which were in normal operation. Sulfur compound emissions were all within legal limits. For denitration, as fuel compositions of the subsidiaries are currently different, the denitration processes differ from one subsidiary to another, and some will require the joint effort by the Group's technical departments and national authoritative institutions. Therefore nitrogen oxide emission index and performance of the subsidiaries remain to be uneven for the time being.

In 2014, smoke and waste gas control facilities of Linyi, Suqian and Xianyang manufacturing bases were in the commissioning process (and in addition there was upstream supplier's fuel specification problems in Linyi's case), nitrogen oxides emission exceeded limits for a duration of time, and the Group was penalized by local environmental protection departments. It is expected that after the facilities are put in use, emissions will fully meet standards. In March 2015, Linyi Local Government ordered 57 enterprises, including the Linyi subsidiary company of the Group, to shut down operation of one of its two production lines for renewed appraisals of their environmental governance processes. The Company has also suspended the operation of other Linyi production line and planned for further addition of environmental protection facilities. In the meantime, with full cooperation with the government's environmental re-assessment, the Company will strive for the early resumption of operation.

The Group's Dongtai, Linyi, and Xianyang manufacturing bases intensify research and development in the Online Low-E coated glass, which is a high technology, energy saving product that is becoming internationally popular, and is being promoted in China. Promotion and application of this product will have positive effects on the building of the glass product's energy saving performance.

Use of Resources

Production lines of the Group's Wuhai, Dongtai, and Linyi manufacturing bases utilized the coke oven gas for fuel, which local coking companies originally emitted into the atmosphere, and thus helped to drastically reduce air pollution caused by emission of these gases in the area. At the same time there was a saving of 300,000 tons of coal equivalent per year.

The Group vigorously implements measures for cost reduction and production increase, and encourages employees to make justifiable proposals to help the enterprise in its quest in conserving energy and reducing consumption. To this end, the Group reinforces resource consumption index appraisals.

			2014 Total Consumption					
No.	**Fuel Name**	**Unit**	**Suqian Base**	**Weihai Base**	**Xianyang Base**	**Wuhai Base**	**Dongtai Base**	**Linyi Base**
1	Coke oven gas	'000 m^3				78,940	157,990	156,690
2	Petroleum coke powder	Tons	61,292	97,027				19,667
3	Fuel Oil	Tons				15,154	15,850	3,444
4	Natural Gas	'000 m^3		999.4				
5	Electricity	'000 kWh	46,050	60,770	30,650	23,250	48,610	34,530
6	Nitrogen	m^3				23,520,200	41,260,820	37,298,400
7	Coal	Tons			124,713			

Conserving energy and lowering consumption is a continuous strategic project and a long term commitment of the Group. In 2014 it established an energy management system, phased out low capacity equipment, and took a number of measures including updating the combustion techniques. Through these activities, it conducted technological and efficiency innovations; and through reasonable and efficient energy utilization, it achieved social and corporate co-development. Overall energy consumption and furnace heat consumption in 2014 decreased compared to 2013. The Group will continue to lower overall energy consumption through technological innovations.

Glass products used to be packaged with wooden materials. From a resource saving and cost reduction perspectives, all manufacturing bases actively explored new, improved packaging materials. Unpackaged product were promoted for domestic sales as an alternative to original packaging techniques; which has significantly saved wood resources. For overseas sales, the Group is studying the use of iron shelves that can be re-used to replace traditional wood packaging techniques.

The Environment and Natural Resources

Many glass manufacturing equipment works under high temperature conditions. To keep them in good conditions and to ensure normal operation, water cooling is normally the adopted technique. To save water resources, all our manufacturing bases employ the closed-loop circulation system for recycled water, and its utilization rate reached above 80%. The Dongtai base was commended as a water conservation-conscious enterprise of Jiangsu province in 2014.

OPERATING PRODUCTS

Supply Chain Management

As at 31 December 2014, the group procured from over 100 appraised and qualified suppliers, of which over 60 suppliers supplied raw materials, over 20 suppliers supplied fuel, and over 20 suppliers supplied production line equipment; all of which were independent third parties. The Group procures needed raw materials and fuel from many other suppliers, and does not rely on any single supplier in particular (except for coke oven gas suppliers with which the Group has long term contracts). Selection of a qualified supplier will depend on its capability in sustaining quantity and quality satisfaction guarantees, reasonable prices, timely delivery and good service. The Purchasing Department will conduct regular re-appraisals of current contract suppliers annually to ensure they comply with all the standards described above.

The Group strives to establish a smooth communications channel, a sincere and honest cooperation, and a win-win strategic partnership with suppliers and dealers, for whose development we provide support and service through our integrity and contract compliance, our products' high quality, and our excellence in service, so that rights and benefits of dealers, suppliers and consumers are adequately protected.

As the Group's Linyi Base, at some point in the past, faced emission pressure due to a fuel supplier (a designated coke oven gas supplier) supplying fuel that failed to meet the environmental standard, therefore, the Group will reinforce environmental protection control in the supply chain, including the measures to establish fuel input online monitoring, and to supplement by replacement fuels. By reinforcing this type of self-restraint systems, production operational risks brought about by environmental pollution arising from the product and production process are reduced. The Group plans to build a green supply chain management concept, so that the supply chain's resource consumption and negative environmental impacts are minimized, and that the ever increasing demands of green consumers are effectively satisfied, and thus, the supply chain's competitiveness is enhanced.

PRODUCT ACCOUNTABILITY

Quality Assurance

The Group diligently implements GB/T19001-2008 idt ISO09001:2008 "Quality Management Systems" standards, and has acquired the "Quality Management System Certification" issued by the National Accreditation Board Certification Center. It has formulated and issued internal quality control standards that are more rigorous than the national standards and the execution of product quality control is based on the internal high standards. Advanced equipment for product inspection is installed in the production line, and defective products are not allowed to ex-factory. Furthermore, products are randomly sampled for scheduled and non-scheduled spot check, and accountability is rigorously traced to ensure product quality.

Pre-sales and after-sales services

Through initial training for affiliate processing factories, and on-site guidance, the Group performs pre-sales service by allowing the customer to understand product performance, processing parameters, and other matters worthy of attention, and thus reduces customer complaints regarding product processing, and decreases customer and Company losses.

The Group has formulated stringent customer complaint procedures. On receiving a customer complaint report, the Sales Department will deliver that report on the same day to the After-sales Management Department, which will send staff to site within the shortest possible time to confirm and solve the problem. The Group also published its nation-wide complaint hotlines, and arrange designated personal to follow-up.

The Group fully utilizes all effective routes to execute the collection and analysis of information regarding customer satisfaction. Rectification measures are promptly formulated and executed by the relevant specific departments according to customer opinions and proposals to incessantly enhance customer satisfaction rate.

Intellectual Property Rights

The Group occupies a high-end technology status in the domestic glass industry in the energy conservation, environmental protection and new energy fields, and possesses dozens of national and world class glass product technology patents. It protects its intellectual property rights by applying for all or for those currently registerable product technology, and seeks to develop product new patents and technology innovations through sustained efforts in research and development, and design.

ANTI-CORRUPTION

The Group has set up the Ethics and Compliance Supervision Department and has formulated the "Reporting Management System of China Glass Holdings Ltd." to reinforce the internal monitoring system, so that Company interests are not infringed upon, reporting procedures are standardized, and corruption practices are prevented. In 2014, the Group and its employees were not involved in any legal case in connection to corruption activities.

COMMUNITY INVESTMENT

Contribution to Society

Social responsibility has always been an important component of the Group's corporate development. The Group enthusiastically supports social welfare activities, including but not limited to the provision of educational assistance funds to the surrounding communities where the Group's subsidiaries are located, provision of financial support through welfare funds to the distressed farmers located at the periphery of the enterprise. Furthermore, the Group provides annually a certain sum of money for use in consolation visits to sick and retired employees who have contributed to the enterprise, and their close relatives.

The Company is committed to the establishment of good corporate governance practices and procedures. The principles of corporate governance adopted by the Company emphasise a board of high quality, sound internal control, transparency and accountability to all shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year under review, the Company has complied with the applicable code provisions of the adopted Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviations set out below:

(i) The CG Code A.2.7 requires the chairman of the board to at least annually hold meetings with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors' presence. During the year 2014, all major decisions of the Company were made by the entire Board with attendance of all Directors, and there were no special circumstances requiring independent discussions with Non-executive Directors in the absence of the Executive Directors. Therefore, no such meeting with the Non-executive Directors was held during the year 2014. Notwithstanding that, the Company has adopted policies and arrangements to allow all Directors (including the Non-executive Directors) to express their views and raise their concerns in relation to the business of the Company with the Chairman.

(ii) The CG Code A.6.7 requires that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhao John Huan as a Non-executive Director, did not attend the annual general meeting of the Company held on 22 May 2014 due to other work commitments. Despite his absence, Mr. Zhao designated his alternate Director, Mr. Ning Min to attend the annual general meeting on his behalf.

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

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 financial year ended 31 December 2014.

THE BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. The principal roles of the Board are:

- to lay down the Group's objectives, strategies, policies and business plan;
- to monitor and control operating and financial performance through the determination of the annual budget in particular the capital expenditure budget; and
- to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day responsibility to the executive management under the instruction and supervision of Chief Executive Officer. Board minutes are kept by the company secretary of the Company, which are sent to the Directors for records and are open for inspection by the Directors.

The Company has arranged for appropriate directors and officers liability insurance in respect of legal action against Directors.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Chairman and Chief Executive Officer ("CEO")

The Chairman and the CEO are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. The Board has appointed a Chairman, Mr. Zhao John Huan, who provides leadership to the Board so that the Board works effectively and discharges its responsibilities, and that all major issues are discussed by the Board in a timely manner. The current CEO, Mr. Cui Xiangdong, who is an Executive Director, has executive responsibilities over the business directions and operational decisions of the management.

Board Composition

The Board currently comprises a total of eight Directors, being one Executive Director, four Non-executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 21 to 23 to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Board comprises Independent Non-executive Directors who bring strong independent judgement, rich knowledge and expertise to the Board. As noted below, the majority of the audit committee members are Independent Non-executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

The Company has received annual confirmation of independence from each Independent Non-executive Director in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

Election of Directors

According to the bye-laws of the Company, notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company at least seven days before the date of the general meeting, or else no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting.

The information on election of Directors to ensure shareholders to make an informed decision on their election, including detailed biography of all Directors standing for election or re-election, will be set out in the circular to the shareholders and notice of annual general meeting.

Appointments, Re-election and Removal

Pursuant to the bye-law 102(A), the Company may from time to time in general meeting by ordinary resolution elect, and pursuant to the Bye-law 102(B), the Board shall have power from time to time and at any time to appoint, any person as a Director either to fill a casual vacancy or as an addition to the Board. Such Directors shall hold office until the next general meeting of the Company and shall then be eligible for re-election at the meeting.

Pursuant to the bye-law 99, at each annual general meeting, not less than one-third of the Directors shall retire from office by rotation.

Pursuant to the bye-law 104, the Company may by ordinary resolution remove any Director before the expiration of his period of office notwithstanding anything in the bye-laws or in any agreement between the Company and such Director and may elect another person in his stead.

All Non-executive Directors have contracts with the Company for a specified period of not more than three years, which is subject to retirement and rotation at the annual general meeting of the Company in accordance with the Company's bye laws and the CG Code.

Responsibilities of Directors

The Board shall ensure that every newly appointed Director shall have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements, and the business and governance policies of the Group. The Directors are continually updated with legal and regulatory developments, business and market changes, and the strategic development of the Group to facilitate the discharge of their responsibilities.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of board committees and scrutinise the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Supply of and Access to Information

In respect of regular board meetings, an agenda and the accompanying board papers of each meeting are sent to the Directors before the intended date of meeting to ensure they have adequate information before the meeting for the ad hoc matters.

The management has the obligation to supply the Board and its committees with adequate information in a timely manner, to enable them to make informed decisions. Where any Director requires more information than is volunteered by the management, each Director has separate and independent access to the Company's senior management to make further enquiries if necessary.

All Directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

Directors are provided with monthly updates on the Company's performance, position and prospects to provide necessary information to the Board and each Director to enable them to discharge their duties.

Directors' Training

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Group's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations. The company secretary also provides Directors with updates on latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged inhouse trainings for Directors in the form of seminar and reading materials in accordance with the CG Code. A summary of training received by Directors for the year ended 31 December 2014 according to the records provided by the Directors is as follows:

The Company has devised a training record to arrange the Directors to record and monitor the training they have untaken or an annual basis.

Directors	**Type of trainings**
Executive Directors	
Mr. Cui Xiangdong	A, B
Mr. Li Ping (resigned on 13 February 2015)	A, B
Non-executive Directors	
Mr. Zhao John Huan (Chairman)	A, B
Mr. Zhou Cheng (Honorary Chairman)	A, B
Mr. Peng Shou (Deputy Chairman) (appointed on 13 February 2015)	
Mr. Ning Min (resigned on 13 February 2015)	A, B
Mr. Guo Wen	A, B
Mr. Chen Shuai (resigned on 6 March 2014)	
Independent Non-executive Directors	
Mr. Zhang Baiheng	A, B
Mr. Zhao Lihua	A, B
Mr. Ni Wei (resigned on 13 February 2015)	A, B
Mr. Chen Huachen	A, B

A: attending seminars and/or conferences and/or forums relating to sustainable corporate development, corporate governance, disclosure of inside information, director's and officer's duties and responsibilities, media management and corporate communication etc.

B: reading newspapers, journals and updates relating to the economy, general business, glass industry development, director's duties and responsibilities, legal and regulatory matters and corporate governance etc.

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee, nomination committee, remuneration committee and strategy committee. All the Board committees are empowered by the Board under their own terms of reference which have been posted on the websites of the Stock Exchange and the Company.

Audit Committee

Members:

Independent Non-executive Director	Mr. Chen Huachen *(Chairman)*
	Mr. Zhao Lihua
	Mr. Zhang Baiheng
Non-executive Director	Mr. Zhao John Huan

The Company has set up an audit committee to establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The members of the audit committee possess deep management experience in the accounting profession and commercial sectors.

Full minutes of audit committee meetings are kept by the company secretary. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

During the year ended 31 December 2014, the audit committee met twice with the external auditors to discuss and review areas of concerns and internal control without the presence of the management. The audit committee reviewed the interim and annual reports before submission to the Board. The committee not only focused on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audit committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing, internal control and financial reporting matters, including the review of the annual results for the year ended 31 December 2014.

Nomination Committee

Members:

Independent Non-executive Director	Mr. Zhang Baiheng *(Chairman)*
	Mr. Zhao Lihua
Non-executive Director	Mr. Zhou Cheng

The principal responsibilities of nomination committee include examinating the structure, size and composition of the Board, identifying suitable individual qualified to become board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by nomination committee and agree any appointment of its members and recommend appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the year ended 31 December 2014, the nomination committee met twice to consider the re-election of retiring Directors and recommend the appointment of new Chairman, Deputy Chairman and Non-executive Director for the Board's approval.

The Company recognises the importance of diversity to corporate governance and the board effectiveness. The Board Diversity Policy (the "Policy") was adopted by the Board in September 2013 which set out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

Board nomination and appointments will continue to be made on merit basis based on the Company's business needs from time to time while taking into account diversity. The nomination committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Policy in the selection of Board candidates. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to age, cultural and educational background, gender, professional expertise and industry experience.

The nomination committee is responsible for reviewing the Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these objectives. The nomination committee shall review the Policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board.

Remuneration Committee

Members:

Independent Non-executive Director	Mr. Zhao Lihua *(Chairman)*
	Mr. Zhang Baiheng
Non-executive Director	Mr. Zhao John Huan

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration packages of all Executive Directors and make recommendations to the Board of the remuneration of Non-executive Directors, by reference to the Company's goals and objectives. During the year ended 31 December 2014, the remuneration committee met twice to review and approve the terms as set out in the new directors' service contracts and letters of appointment entered into between the relevant Directors and the Company.

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance. No Director is involved in deciding his own remuneration. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2014 are disclosed in notes 8 and 28(f) to the financial statements.

Strategy Committee

Members:

Non-executive Director	Mr. Zhao John Huan *(Chairman)*
	Mr. Zhou Cheng
Executive Director	Mr. Cui Xiangdong

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. The strategy committee meets regularly as when necessary.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Name of Directors	Meetings attended/held in 2014				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Cui Xiangdong	5/5	–	–	–	1/1
Mr. Li Ping[1]	5/5	–	–	–	1/1
Non-executive Directors					
Mr. Zhao John Huan[2]	5/5	2/2	2/2	–	0/1
Mr. Zhou Cheng	5/5	–	–	2/2	1/1
Mr. Ning Min[1]	5/5	–	–	–	1/1
Mr. Guo Wen	5/5	–	–	–	1/1
Mr. Peng Shou[3]	–	–	–	–	–
Mr. Chen Shuai[4]	–	–	–	–	–
Independent Non-executive Directors					
Mr. Zhang Baiheng	5/5	2/2	2/2	2/2	1/1
Mr. Zhao Lihua	5/5	2/2	2/2	2/2	1/1
Mr. Ni Wei[1]	5/5	–	–	–	1/1
Mr. Chen Huachen	5/5	2/2	–	–	1/1

1 Resigned on 13 February 2015
2 The meeting not attended in person was attended by his alternate director, Mr Ning Min
3 Appointed on 13 February 2015
4 Resigned on 6 March 2014

Delegation by the Board

The day-to-day management of the Company is delegated to the management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

ACCOUNTABILITY AND AUDIT

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board.

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group for each financial year which gives a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the Group's results and cash flows for the year then ended. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore, the Board continues to adopt the going concern approach in preparing the financial statements.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the relevant legal and regulatory requirements.

The Company engaged KPMG, as external auditors of the Group. The auditors' reporting responsibilities are set out in the Independent Auditor's Report.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group endeavors to set up an internal control system with a well defined management structure with limits of authority, which is designed for the achievement of business objectives, to safeguard assets against unauthorized use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Board has conducted a review on the effectiveness of the Group's internal control system during 2014 with a view to improve its internal control system.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on governance matters. For the year under review, the company secretary has confirmed that she has taken no less than 15 hours of relevant professional training. The biography of the company secretary is set out on page 24 of this report.

CONSTITUTIONAL DOCUMENTS

During the year, there is no significant change in the Company's constitutional documents.

AUDITORS' REMUNERATION

The Company engaged the auditors to review and audit the financial statements of the Company included in the interim and annual reports, respectively, for RMB6.2 million (which is payable by the Company). Save as disclosed above, the Company did not engage KPMG for any other non-audit services during the year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

Convening Special General Meeting ("SGM") and Putting Forward Proposals at Shareholders' Meetings

Shareholders holding not less than one-twentieth (1/20) of the paid-up capital of the Company can deposit a written request to convene a SGM (stating the objects of the meeting and signed by the shareholders concerned) at the registered office of the Company for the attention of the company secretary. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene a SGM for a day not more than 28 days after the date on which the notice convening the SGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(a) shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting; or

(b) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the company secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

Proposing a person for election as Director

Pursuant to Bye-law 103 of the bye-law of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company, i.e. Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, at least seven days before the date of the general meeting.

The period for lodgment of the notices required under the bye-law of the Company will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Enquiries to the Board

Enquiries may be put to the Board through the Company Secretarial Department of the Company at Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (email: jianli.pan@chinaglassholdings.com).

COMMUNICATIONS WITH SHAREHOLDERS

In every general meeting, in respect of each substantially separate issue, a separate resolution would be proposed by the Chairman of that meeting.

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other members of the Board and external auditors attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds analysts conferences at least twice a year following the release of interim and full year results announcements at which the Executive Directors or senior management of the Group are available to answer questions regarding the performance of the Group. Our Company's website which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA GLASS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 124, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014
(Expressed in Renminbi ("RMB"))

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**2,489,369**	2,760,373
Cost of sales		**(2,117,120)**	(2,223,219)
Gross profit	4	**372,249**	537,154
Other revenue	5	**33,315**	25,575
Other net income/(loss)	5	**165,690**	(3,170)
Distribution costs		**(77,346)**	(76,564)
Administrative expenses		**(292,134)**	(259,066)
Profit from operations		**201,774**	223,929
Share of losses of an associate		**(64)**	(70)
Net gain from disposal of equity interests in an associate		**–**	963
Finance costs	6(a)	**(136,088)**	(114,540)
Profit before taxation	6	**65,622**	110,282
Income tax	7	**(52,463)**	(25,636)
Profit for the year		**13,159**	84,646
Attributable to:			
Equity shareholders of the Company		**1,807**	81,648
Non-controlling interests		**11,352**	2,998
Profit for the year		**13,159**	84,646
Earnings per share (RMB cent)			
Basic	11(a)	**0.12**	5.30
Diluted	11(b)	**0.12**	5.27

The notes on pages 52 to 124 form part of these financial statements. Details of distributions payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in RMB)

	2014 RMB'000	2013 RMB'000
Profit for the year	**13,159**	84,646
Other comprehensive income for the year (before and after tax):		
Items 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	**(551)**	(9,539)
Total comprehensive income for the year	**12,608**	75,107
Attributable to:		
Equity shareholders of the Company	**1,256**	72,109
Non-controlling interests	**11,352**	2,998
Total comprehensive income for the year	**12,608**	75,107

The notes on pages 52 to 124 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12(a)	**3,504,510**	3,545,171
Lease prepayments	15	**249,512**	272,154
Intangible assets	16	**23,669**	38,587
Interest in an associate	17	**536**	600
Available-for-sale investment		**1,000**	1,000
Deferred tax assets	26(b)	**117,282**	124,824
		3,896,509	3,982,336
Current assets			
Inventories	18	**481,937**	403,256
Trade and other receivables	19(a)	**968,242**	664,699
Prepaid income tax	26(a)	**16,012**	7,534
Cash and cash equivalents	20(a)	**802,234**	467,918
		2,268,425	1,543,407
Current liabilities			
Trade and other payables	21(a)	**1,609,257**	1,580,216
Bank and other loans	22(a)	**1,095,114**	1,193,357
Obligations under finance leases	23	**24,993**	–
Income tax payable	26(a)	**65,741**	58,636
		2,795,105	2,832,209
Net current liabilities		**(526,680)**	(1,288,802)
Total assets less current liabilities		**3,369,829**	2,693,534

The notes on pages 52 to 124 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

At 31 December 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank and other loans	22(b)	**629,586**	173,728
Obligations under finance leases	23	**119,211**	–
Unsecured notes	24	**–**	95,027
Deferred tax liabilities	26(b)	**31,373**	29,482
		780,170	298,237
NET ASSETS		**2,589,659**	2,395,297
CAPITAL AND RESERVES	27		
Share capital		**84,867**	74,553
Reserves		**2,245,268**	2,072,331
Total equity attributable to equity shareholders of the Company		**2,330,135**	2,146,884
Non-controlling interests		**259,524**	248,413
TOTAL EQUITY		**2,589,659**	2,395,297

Approved and authorised for issue by the board of directors on 30 March 2015.

Zhao John Huan
Director

Cui Xiangdong
Director

The notes on pages 52 to 124 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12(b)	**3**	12
Investments in subsidiaries	13	**854,680**	851,718
Loans to subsidiaries	14	**65,024**	64,799
		919,707	916,529
Current assets			
Other receivables	19(b)	**1,372,410**	924,660
Cash and cash equivalents	20(b)	**301,130**	9,311
		1,673,540	933,971
Current liabilities			
Other payables	21(b)	**47,103**	41,666
Bank and other loans	22(a)	**46,560**	38,539
		93,663	80,205
Net current assets		**1,579,877**	853,766
Total asset less current liabilities		**2,499,584**	1,770,295
Non-current liabilities			
Bank loan	22(b)	**565,045**	–
NET ASSETS		**1,934,539**	1,770,295
CAPITAL AND RESERVES	27		
Share capital		**84,867**	74,553
Reserves		**1,849,672**	1,695,742
TOTAL EQUITY		**1,934,539**	1,770,295

Approved and authorised for issue by the board of directors on 30 March 2015.

Zhao John Huan
Director

Cui Xiangdong
Director

The notes on pages 52 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Statutory reserves RMB'000 (Note 27(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 27(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013	74,553	2,019,042	–	17,920	40,785	(447,466)	(22,990)	393,130	2,074,974	245,767	2,320,741
Changes in equity for 2013:											
Profit for the year	–	–	–	–	–	–	–	81,648	81,648	2,998	84,646
Other comprehensive income	–	–	–	–	–	–	(9,539)	–	(9,539)	–	(9,539)
Total comprehensive income for the year	–	–	–	–	–	–	(9,539)	81,648	72,109	2,998	75,107
Shares purchased under the share award scheme (Note 25(b))	–	–	(12,604)	–	–	–	–	–	(12,604)	–	(12,604)
Shares granted under the share award scheme (Note 25(b))	–	–	–	12,053	–	–	–	–	12,053	–	12,053
Effect on equity arising from the acquisition of non-controlling interests	–	–	–	–	–	352	–	–	352	(352)	–
	–	–	(12,604)	12,053	–	352	–	–	(199)	(352)	(551)
Balance at 31 December 2013	74,553	2,019,042	(12,604)	29,973	40,785	(447,114)	(32,529)	474,778	2,146,884	248,413	2,395,297

The notes on pages 52 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2014
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Statutory reserves RMB'000 (Note 27(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 27(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014	74,553	2,019,042	(12,604)	29,973	40,785	(447,114)	(32,529)	474,778	2,146,884	248,413	2,395,297
Changes in equity for 2014											
Profit for the year	-	-	-	-	-	-	-	1,807	1,807	11,352	13,159
Other comprehensive income	-	-	-	-	-	-	(551)	-	(551)	-	(551)
Total comprehensive income for the year	-	-	-	-	-	-	(551)	1,807	1,256	11,352	12,608
Issuance of shares (Note 27(c)(ii))	10,314	183,590	-	-	-	-	-	-	193,904	-	193,904
Distribution approved in respect of the previous year (Note 27(b)(ii))	-	-	-	-	-	-	-	(12,187)	(12,187)	-	(12,187)
Effect on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(241)	(241)
Shares granted under the share award scheme (Note 25(b))	-	-	-	278	-	-	-	-	278	-	278
Shares vested under the share award scheme (Note 25(b))	-	-	12,604	(12,331)	-	-	-	(273)	-	-	-
Transfer between share premium accounts and accumulated loss accounts of the Company (Note 27(e))	-	(120,720)	-	-	-	-	-	120,720	-	-	-
	10,314	62,870	12,604	(12,053)	-	-	-	108,260	181,995	(241)	181,754
Balance at 31 December 2014	84,867	2,081,912	-	17,920	40,785	(447,114)	(33,080)	584,845	2,330,135	259,524	2,589,659

The notes on pages 52 to 124 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**65,622**	110,282
Adjustments for:			
Depreciation and amortisation	6(c)	**276,968**	257,974
Net (gain)/loss on disposal of property, plant and equipment	5	**(512)**	1,060
Interest income	5	**(9,710)**	(9,548)
Impairment loss on property, plant and equipment	5	**18,620**	–
Interest expenses and other borrowing costs	6(a)	**134,555**	119,472
Share of losses of an associate		**64**	70
Net gain from disposal of equity interests in an associate		**–**	(963)
Net gain on relocation of a production plant	5	**(184,768)**	–
Equity-settled share-based payment expenses	6(b)	**278**	12,053
Changes in working capital:			
(Increase)/decrease in inventories		**(91,328)**	30,407
Decrease in non-current receivables from related companies		**–**	4,473
Decrease in trade and other receivables		**59,172**	216,730
Increase in trade and other payables		**144,276**	65,235
Cash generated from operations		**413,237**	807,245
The People's Republic of China (the "PRC") Income Tax paid	26(a)	**(44,403)**	(34,118)
Net cash generated from operating activities		**368,834**	773,127
Investing activities			
Payments for the purchase of property, plant and equipment		**(307,032)**	(338,160)
Payments for land use right premiums		**(2,785)**	(5,854)
Proceeds from disposal of property, plant and equipment and land use rights		**7,090**	18,593
Payment for establishment of an associate		**–**	(600)
Proceeds from disposal of equity interests in an associate		**–**	963
Decrease/(increase) in time deposits	20(a)	**6,100**	(38,350)
Interest received		**9,710**	9,548
Net cash used in investing activities		**(286,917)**	(353,860)

The notes on pages 52 to 124 form part of these financial statements.

For the year ended 31 December 2014
(Expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from bank and other loans		**1,765,906**	1,436,004
Repayment of bank and other loans		**(1,409,768)**	(1,542,450)
Repayment of unsecured notes	24	**(97,180)**	(150,000)
Proceeds from the issuance of unsecured notes, net of transaction costs	24	**–**	93,687
Proceeds from issuance of new shares	27(c)(ii)	**193,904**	–
Payments for purchase of shares under share award scheme	25(b)	**–**	(12,604)
Payments for acquisitions of non-controlling interests in subsidiaries		**(35,277)**	(5,559)
Distribution paid to the equity shareholders of the Company	27(b)(ii)	**(12,187)**	–
Dividends paid to non-controlling interests		**(4,240)**	(19)
Borrowing costs paid		**(142,661)**	(132,469)
Net cash generated from/(used in) financing activities		**258,497**	(313,410)
Net increase in cash and cash equivalents		**340,414**	105,857
Cash and cash equivalents at 1 January	20(a)	**421,818**	316,515
Effect of foreign exchange rate changes		**2**	(554)
Cash and cash equivalents at 31 December	20(a)	**762,234**	421,818

The notes on pages 52 to 124 form part of these financial statements.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2014 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended HKFRSs, which are relevant to the Group's financial statement, are discussed below:

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

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

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

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

HK(IFRIC) 21, Levies

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity interests in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between the non-controlling interests and the equity shareholders of the Company. Contractual obligations towards these equity shareholders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(p).

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held-for-sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated statement of profit or loss.

When the Group cease to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a finance asset.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Plant and buildings	8-45 years
Machinery and equipment	3-30 years
Motor vehicles and others	3-15 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs (see Note 2(u)), where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible assets (continued)

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Intellectual properties	7 years

Both the period and method of amortisation are reviewed annually.

(h) Lease prepayments

Lease prepayments represent land use right premiums paid and are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(k)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(k)(i)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– for investment in an associate accounted for under the equity method in the consolidated financial statements (see Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

– for unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– for trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(k)(i) and 2(k)(ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's contributions to defined contribution retirement plans are charged to profit or loss when incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense or cost of construction in progress not yet transferred to property, plant and equipment.

(ii) Share-based payments

– Share options granted to employees under the share option scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to retained profits).

– Shares granted to employees under the share award scheme

The shares awarded under the share award scheme are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as "Shares held under share award scheme" and deducted from equity.

For shares granted under the share award scheme, the fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is based on the closing price of the Company's shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(ii) Share-based payments (continued)

– Shares granted to employees under the share award scheme (continued)

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest with a corresponding adjustment to the capital reserve.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average acquisition cost of the awarded shares vested are credited to "Shares held under share award scheme", and the grant date fair value of the awarded shares vested are debited to the capital reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or continuing management involvement with the goods.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

(t) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Translation of foreign currencies (continued)

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products, the nature of production processes, the type or class of customers, the methods used to distribute the products and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement.

Determine whether an arrangement contains a lease

During the year ended 31 December 2014, the Group entered into service contracts whereby suppliers installed sets of machinery and equipment to generate electricity and will provide power services to certain production plants of the Group for periods from 7-10 years. The production plants pay fixed annual amount over the term of the arrangements.

Although the arrangements are not in the legal form of a lease, the Group concluded that the arrangements contain leases of the machinery and equipment, because fulfilment of the arrangements is economically dependent on the use of the specific machinery and equipment, it is unlikely that any parties other than the Group will receive more than an insignificant part of the output and the Group pays a fixed annual amount over the term of the arrangements.

The leases were classified as finance leases as the durations of the arrangements are for more than major parts of the specific machinery and equipment's useful life and the Group has the right to purchase the leased machinery and equipment at nil consideration at the end of the arrangements. At the inception of the arrangements, obligations under finance leases are recognised at amounts equal to the present value of the minimum lease payments and the imputed finance charges on the finance leases liabilities have been estimated using the Group's incremental borrowing rate. The remaining payments under the arrangements are accounted for as arising under executory contracts for the purchase of inventory and are therefore recognised in accordance with the policy set out in Note 2(i)(ii).

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 25 and 30 contain information about the assumptions and their risk factors relating to fair value of shares granted under share award scheme and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the customers and debtors to make the required payments. The management bases the estimates on the ageing of the individual receivable balance, customer and debtor credit-worthiness and historical write-off experience. If the financial condition of the customers or debtors were to deteriorate, actual write-offs would be higher than estimated.

(ii) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 2(k)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(iii) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The management reviews the estimated useful lives and the residual values, if any, of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The determination of the useful lives and the residual values, if any, are based on historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iv) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are the production, marketing and distribution of glass and glass products, and the development of glass production technology.

Turnover represents the sales value of goods supplied to customers, net of value added tax.

The Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's turnover for the years ended 31 December 2014 and 2013. Details of concentrations of credit risk are set out in Note 30(a).

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which the information is 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 reportable 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.

4 TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the years ended 31 December 2014 and 2013. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Revenue from external customers and reportable segment revenue	**911,397**	1,087,064	**631,051**	790,095	**748,864**	710,115	**198,057**	173,099	**2,489,369**	2,760,373
Reportable segment gross profit	**47,848**	212,802	**104,614**	85,158	**197,039**	208,359	**22,748**	30,835	**372,249**	537,154

4 TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, lease prepayments, intangible assets and interest in an associate (together as the "specified non-current assets"). The geographical location of customers is determined based on the location at which the goods were delivered. The geographical location of the specified non-current assets is determined based on the physical location of the assets, in the case of property, plant and equipment and lease prepayments, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interest in an associate.

	Revenue from external customers		Specified non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (including Hong Kong) (place of domicile)	**1,870,276**	2,158,594	**3,778,227**	3,856,512
Middle East	**149,883**	339,759	**–**	–
Columbia	**116,041**	36,297	**–**	–
South Korea	**75,224**	48,385	**–**	–
Nigeria	**58,559**	56,874	**–**	–
Bangladesh	**37,699**	–	**–**	–
Peru	**24,554**	423	**–**	–
Philippines	**10,208**	18,729	**–**	–
Brazil	**7,253**	8,933	**–**	–
Other countries	**139,672**	92,379	**–**	–
	619,093	601,779	**–**	–
	2,489,369	2,760,373	**3,778,227**	3,856,512

5 OTHER REVENUE AND NET INCOME/(LOSS)

	2014 RMB'000	2013 RMB'000
Other revenue		
Interest income	**9,710**	9,548
Government grants	**18,424**	9,510
Others	**5,181**	6,517
	33,315	25,575
Other net income/(loss)		
Net gain on relocation of a production plant (Note (i))	**184,768**	–
Net gain/(loss) on disposal of property, plant and equipment	**512**	(1,060)
Impairment loss on property, plant and equipment	**(18,620)**	–
Net loss from sale of raw and scrap materials	**(970)**	(2,110)
	165,690	(3,170)

Note:

(i) The amount represents a gain of RMB184.8 million arising from the expropriation of the land use rights of a PRC subsidiary of the Group by the local government during the year ended 31 December 2014 due to the change of the local city development plan, after netting off disposal loss of a production plant amounting to RMB52.8 million and impairment loss of certain machinery and equipment amounting to RMB107.45 million, respectively.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2014 RMB'000	2013 RMB'000
Interest on bank advances and other borrowings wholly repayable within five years	**111,612**	101,792
Finance charges on obligations under finance leases	**12,806**	–
Bank charges and other finance costs	**30,058**	34,508
Total borrowing costs	**154,476**	136,300
Less: amounts capitalised into property, plant and equipment*	**(19,921)**	(16,828)
Net borrowing costs	**134,555**	119,472
Net foreign exchange loss/(gain)	**1,533**	(4,932)
	136,088	114,540

* The borrowing costs have been capitalised at 6.70% per annum for the year ended 31 December 2014 (2013: 6.71% per annum).

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs#:

	2014 RMB'000	2013 RMB'000
Salaries, wages and other benefits	**236,159**	231,387
Contributions to defined contribution retirement plans	**28,891**	30,289
Equity-settled share-based payment expenses in respect of share award scheme (see Note 25(b))	**278**	12,053
	265,328	273,729

The employees of the subsidiaries of the Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates ranging from 14% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant salaries, subject to a cap of monthly relevant salaries of HK$30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items:

	2014 RMB'000	2013 RMB'000
Cost of inventories# (Note 18)	**2,117,120**	2,223,219
Auditors' remuneration – audit services	**6,200**	6,600
Depreciation and amortisation# (Notes 12, 15 and 16)	**276,968**	257,974
Impairment losses on trade and other receivables (Note 19(a)(ii))	**29,326**	568
Impairment losses on property, plant and equipment (Note 12)	**126,072**	–
Operating lease charges in respect of		
– land	**196**	196
– plant and buildings	**8,213**	6,716
– motor vehicles	**2,346**	2,486
Research and development costs (other than capitalised costs and related amortisation)	**1,758**	859

Cost of inventories includes RMB401.0 million (2013: RMB380.3 million) for the year ended 31 December 2014, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current taxation – PRC Corporate Income Tax (Note 26(a))		
– Provision for the year	**41,423**	44,432
– Under-provision in respect of prior years	**1,607**	591
	43,030	45,023
Deferred taxation (Note 26(b))		
– Origination and reversal of temporary differences	**(7,609)**	(8,034)
– Write-down of deferred tax assets	**14,990**	4,242
– Recognition of prior years' unused tax losses previously not recognised	**–**	(15,595)
– Effect on deferred tax balances at 1 January resulting from a change in tax rate	**2,052**	–
	9,433	(19,387)
	52,463	25,636

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**65,622**	110,282
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii) and (iii))	**19,289**	23,525
Tax effect of non-deductible expenses	**1,644**	2,823
Tax effect of unused tax losses and temporary differences not recognised (Note 26(c))	**16,051**	10,643
Tax concessions (Notes (iv) and (v))	**(3,170)**	(593)
Tax effect of recognition of prior years' unused tax losses previously not recognised	**–**	(15,595)
Tax effect of write-down of deferred tax assets (Note (vi))	**14,990**	4,242
Effect on deferred tax balances at 1 January resulting from a change in tax rate (Note (v))	**2,052**	–
Under-provision in respect of prior years	**1,607**	591
Income tax	**52,463**	25,636

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

(i) The Hong Kong Profits Tax rate for the year ended 31 December 2014 is 16.5% (2013: 16.5%). No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2014 (2013: RMBNil).

(ii) 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.

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2013: 25%).

(iv) 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% (2013: 15%).

(v) Certain 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, from the year in which the approval is obtained. One of those subsidiaries did not obtain approvals to extend its qualification as enterprises with advanced and new technologies in 2014, and is therefore subject to PRC Corporate Income Tax rate of 25% from year 2014 onwards (2013:15%).

(vi) The Group wrote down previously recognised tax losses of RMB15.0 million (2013: RMB4.2 million), as the utilisation of these unused tax losses have changed due to changes were made to the estimates of the future operating results of certain subsidiaries of the Group.

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Cui Xiangdong	–	818	660	46	1,524	41	1,565
Mr. Li Ping (Note(ii))	–	612	464	31	1,107	11	1,118
Non-executive directors							
Mr. Zhao John Huan	1	–	–	–	1	–	1
Mr. Zhou Cheng	1	61	–	–	62	–	62
Mr. Guo Wen (appointed on 6 March 2014)	1	–	–	–	1	–	1
Mr. Chen Shuai (resigned on 6 March 2014)	–	–	–	–	–	–	–
Mr. Ning Min (Note (ii))	1	–	–	–	1	–	1
Independent non-executive directors							
Mr. Zhang Baiheng	142	–	–	–	142	–	142
Mr. Zhao Lihua	142	–	–	–	142	–	142
Mr. Chen Huachen	142	–	–	–	142	–	142
Mr. Ni Wei (Note (ii))	142	–	–	–	142	–	142
	572	1,491	1,124	77	3,264	52	3,316

8 DIRECTORS' REMUNERATION (continued)

	2013						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive directors							
Mr. Cui Xiangdong	–	532	–	33	565	1,789	2,354
Mr. Li Ping	–	398	170	29	597	494	1,091
Mr. Zhang Zhaoheng (resigned on 22 November 2013)	–	711	–	33	744	3,578	4,322
Non-executive directors							
Mr. Zhou Cheng	1	62	–	–	63	–	63
Mr. Zhao John Huan	1	–	–	–	1	–	1
Mr. Chen Shuai (resigned on 6 March 2014)	1	–	–	–	1	–	1
Mr. Ning Min	1	–	–	–	1	–	1
Independent non-executive directors							
Mr. Zhang Baiheng	144	–	–	–	144	–	144
Mr. Zhao Lihua	144	–	–	–	144	–	144
Mr. Ni Wei	144	–	–	–	144	–	144
Mr. Chen Huachen	144	–	–	–	144	–	144
	580	1,703	170	95	2,548	5,861	8,409

There were no amounts paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

(i) These represent the estimated value of awarded shares granted to the directors under the Company's share award scheme. The value of these awarded shares is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(o)(ii). The details of these benefits in kind, including the principal terms and number of awarded shares granted, are disclosed under the section "Share award scheme" in the Report of the Directors and Note 25(b).

(ii) On 13 February 2015, the Company has announced that Mr. Li Ping resigned as executive director of the Company, Mr. Ning Min resigned as non-executive director of the Company, and Mr. Ni Wei resigned as independent non-executive director of the Company. On the same day, the Company announced the appointment of Mr. Peng Shou as non-executive director of the Company.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2013: three) individuals is as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**1,603**	1,139
Discretionary bonuses	**1,415**	558
Share-based payments	**58**	2,866
Retirement scheme contributions	**118**	55
	3,194	4,618

The emoluments of the employees who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2014	2013
(In Hong Kong dollar ("HK$"))		
1,000,001 – 1,500,000	**3**	1
2,000,001 – 2,500,000	**–**	2

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB23.1 million (2013: RMB5.0 million) which has been dealt with in the financial statements of the Company (see Note 27(a)).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,807,000 (2013: RMB81,648,000) and the weighted average of 1,560,557,000 ordinary shares (2013: 1,539,338,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2014	2013
	’000	’000
Issued ordinary shares at 1 January	**1,538,977**	1,550,147
Effect of shares issued on 17 December 2014	**10,685**	–
Effect of shares purchased and/or vested under a share award scheme (Notes 25(b)	**10,895**	(10,809)
Weighted average number of ordinary shares at 31 December	**1,560,557**	1,539,338

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,807,000 (2013: RMB81,648,000) and the weighted average of 1,560,832,000 ordinary shares (2013: 1,549,762,000 ordinary shares) in issue during the year, calculated as follows:

	2014	2013
	’000	’000
Weighted average number of ordinary shares at 31 December	**1,560,557**	1,539,338
Effect of deemed issue of shares under the share award scheme (Note 25(b))	**275**	10,424
Weighted average number of ordinary shares (diluted) at 31 December	**1,560,832**	1,549,762

12 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2013	1,538,342	2,777,657	33,620	360,847	4,710,466
Additions	7,106	35,208	2,198	140,439	184,951
Transfer in/(out)	14,740	80,707	–	(95,447)	–
Disposals	–	(87,265)	(2,172)	–	(89,437)
At 31 December 2013	1,560,188	2,806,307	33,646	405,839	4,805,980
Accumulated depreciation and impairment losses:					
At 1 January 2013	237,339	858,374	14,151	–	1,109,864
Charge for the year	43,486	188,987	3,206	–	235,679
Written back on disposals	–	(83,284)	(1,450)	–	(84,734)
At 31 December 2013	280,825	964,077	15,907	–	1,260,809
Net book value:					
At 31 December 2013	1,279,363	1,842,230	17,739	405,839	3,545,171
Cost:					
At 1 January 2014	**1,560,188**	**2,806,307**	**33,646**	**405,839**	**4,805,980**
Additions	**7,528**	**174,691**	**2,130**	**183,279**	**367,628**
Transfer in/(out)	**8,909**	**133,263**	**–**	**(192,105)**	**(49,933)**
Disposals	**(39,845)**	**(5,333)**	**(4,004)**	**–**	**(49,182)**
At 31 December 2014	**1,536,780**	**3,108,928**	**31,772**	**397,013**	**5,074,493**
Accumulated depreciation and impairment losses:					
At 1 January 2014	**280,825**	**964,077**	**15,907**	**–**	**1,260,809**
Charge for the year	**50,316**	**201,621**	**3,430**	**–**	**255,367**
Impairment losses for the year (Note (i))	**–**	**89,598**	**–**	**36,474**	**126,072**
Transfer out	**–**	**(49,933)**	**–**	**–**	**(49,933)**
Written back on disposals	**(15,973)**	**(3,819)**	**(2,540)**	**–**	**(22,332)**
At 31 December 2014	**315,168**	**1,201,544**	**16,797**	**36,474**	**1,569,983**
Net book value:					
At 31 December 2014	**1,221,612**	**1,907,384**	**14,975**	**360,539**	**3,504,510**

At 31 December 2014, property certificates of certain properties with an aggregate net book value of RMB466.4 million (31 December 2013: RMB610.8 million) are yet to be obtained.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group (continued)

Note:

(i) In 2014, the Group considered the value of certain property, plant and equipment were impaired and therefore assessed the recoverable amount of these assets. As a result, a provision of RMB126.07 million was made in respect of these property, plant and equipment with the carrying amount of RMB144.7 million as at 31 December 2014. The recoverable amounts of these assets have been estimated based on their value in use.

(b) The Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:			
At 1 January 2013 and 31 December 2013	2,183	2,654	4,837
Accumulated depreciation:			
At 1 January 2013	2,174	2,429	4,603
Charge for the year	3	219	222
At 31 December 2013	2,177	2,648	4,825
Net book value:			
At 31 December 2013	6	6	12
Cost:			
At 1 January 2014 and 31 December 2014	**2,183**	**2,654**	**4,837**
Accumulated depreciation:			
At 1 January 2014	**2,177**	**2,648**	**4,825**
Charge for the year	**3**	**6**	**9**
At 31 December 2014	**2,180**	**2,654**	**4,834**
Net book value:			
At 31 December 2014	**3**	**–**	**3**

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Property, plant and equipment held under finance leases

The Group leases machinery and equipment under finance leases expiring from 7-10 years. These leases are arrangements that are not in the legal form of a lease, but are accounted for as such based on their terms and conditions. At the end of arrangements, the Group has the right to purchase the leased machinery and equipment at nil consideration. None of the leases includes contingent rentals.

During the year ended 31 December 2014, additions to machinery and equipment of the Group financed by new finance leases were RMB138.2 million (2013: RMBNil). At 31 December 2014, the net book value of machinery and equipment held under finance leases of the Group was RMB127.9 million (2013: RMBNil).

13 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**854,680**	851,718

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Baoji China Glass Mining Company Limited* 寶雞中玻礦業有限公司	The PRC	Registered and paid-up capital of RMB3,000,000	82.21%	–	83%	Mining, production and sale of minerals to group companies
Beijing Qinchang Glass Company Limited* 北京秦昌玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* 東台中玻特种玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
Fangchenggang Zhongbo New Energy Technology Development Company Limited* 防城港中玻新能源科技发展有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Hangzhou Blue Star New Materials Technology Company Limited* 杭州藍星新材料技術有限公司	The PRC	Registered and paid-up capital of RMB1,000,000	88.08%	–	90%	Development of glass production technology
Hanzhong Blue Star Silicon Sand Company Limited* 漢中藍星硅砂有限公司	The PRC	Registered and paid-up capital of RMB2,400,000	89.24%	–	90.10%	Processing and sale of silicon sand to group companies
Huada (HK) International Company Limited	Hong Kong	10,000 shares	100%	–	100%	Provision of financing to group companies
Jiangsu SHD New Materials Company Limited* 江蘇蘇華達新材料有限公司	The PRC	Registered and paid-up capital of RMB136,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
JV Investments Limited	The Cayman Islands	Issued and paid-up capital of United States dollar ("USD")90,313	100%	100%	–	Investment holding
Liaocheng Weitong New Energy Technology Company Limited* 聊城市威通新能源科技有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Nanjing Yuanhong Special Glass Company Limited* 南京遠鴻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB80,000,000	73.07%	–	80.95%	Production, marketing and distribution of glass and glass products
Rongcheng Zhongbo New Energy Company Limited* 榮成中玻新能源有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Shaanxi Blue Star Glass Company Limited* 陝西藍星玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	99.05%	–	100%	Production, marketing and distribution of glass and glass products
Suqian Huasheng Management Consulting Company Limited* 宿遷華盛投資顧問有限公司	The PRC	Registered and paid-up capital of RMB100,000	100%	–	100%	Provision of management services to group companies

(Expressed in RMB unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
Suqian Huayi Coated Glass Company Limited* 宿遷華毅鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	100%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Glass Company Limited ("Weihai Blue Star")* 威海藍星玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB107,700,000	90.42%	–	91.09%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Import & Export Company Limited* 威海藍星進出口有限公司	The PRC	Registered and paid-up capital of RMB5,000,000	90.42%	–	100%	Trading of glass and glass products
Weihai Blue Star New Technology Glass Company Limited* 威海藍星新技術玻璃有限公司	The PRC	Registered and paid-up capital of USD12,000,000	91.46%	–	98.50%	Production, marketing and distribution of glass and glass products
Weihai Blue Star Technology Industrial Park Company Limited* 威海藍星科技工業園有限公司	The PRC	Registered and paid-up capital of RMB25,680,000	90.42%	–	100%	Investment holding
Weihai China Glass Solar Company Limited* 威海中玻光電有限公司	The PRC	Registered and paid-up capital of USD14,920,000	60.58%	–	67.00%	Production, marketing and distribution of photovoltaic battery module products
Wuhai Blue Star Glass Company Limited ("Wuhai Blue Star")* 烏海藍星玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	94.20%	–	99.76%	Production, marketing and distribution of glass and glass products
Xianyang Blue Star Coated Glass Company Limited* 咸陽藍星鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB90,000,000	88.28%	–	88.89%	Production, marketing and distribution of glass and glass products
Yanbian Zhongbo New Energy Company Limited* 延邊中玻新能源有限公司	The PRC	Registered and paid-up capital of RMB10,000,000	60.58%	–	100%	Provision of technical consultation service on photovoltaic system, marketing and distribution of photovoltaic equipment
Zhongbo Blue Star (Linyi) Glass Company Limited * 中玻藍星（臨沂）玻璃有限公司	The PRC	Registered and paid-up capital of RMB206,800,000	77.98%	–	82.01%	Production, marketing and distribution of glass and glass products
Zhongbo Technology Company Limited* 中玻科技有限公司	The PRC	Registered and paid-up capital of RMB194,860,000	82.76%	–	88.16%	Production, marketing and distribution of glass and glass products
China Glass Investment Limited 中玻投資有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	100%	Investment holding

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

13 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the combined financial information of Weihai Blue Star and its subsidiaries and Wuhai Blue Star and its subsidiaries, two sub-groups within the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014 RMB'000	2013 RMB'000
Turnover	**1,493,284**	1,626,327
Profit for the year	**133,700**	119,481
Attributable to NCI	**17,926**	4,343
Dividend paid to NCI	**4,240**	19
Non-current assets	**2,185,165**	2,290,228
Current assets	**2,289,780**	2,027,016
Current liabilities	**(2,494,563)**	(2,663,106)
Non-current liabilities	**(485,840)**	(291,651)
Net assets	**1,494,542**	1,362,487
Carrying amount of NCI	**232,456**	214,771

14 LOANS TO SUBSIDIARIES

The Company's loans to subsidiaries are unsecured, bear interest at 9.625% per annum and are repayable between 10 January 2016 to 7 March 2017.

15 LEASE PREPAYMENTS

	The Group RMB'000
Cost:	
At 1 January 2013, 31 December 2013 and 1 January 2014	**318,538**
Decrease through disposal	**(17,406)**
At 31 December 2014	**301,132**
Accumulated amortisation:	
At 1 January 2013	39,007
Charge for the year	7,377
At 31 December 2013	**46,384**
Charge for the year	**6,683**
Written back on disposal	**(1,447)**
At 31 December 2014	**51,620**
Net book value:	
At 31 December 2014	**249,512**
At 31 December 2013	272,154

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC. At 31 December 2014, land use right certificates of certain land use rights with an aggregate carrying value of RMB7.2 million (31 December 2013: RMB7.5 million) are yet to be obtained.

16 INTANGIBLE ASSETS

	The Group Intellectual properties RMB'000
Cost:	
At 1 January 2013, 31 December 2013 and 31 December 2014	**145,017**
Accumulated amortisation and impairment losses:	
At 1 January 2013	91,512
Charge for the year	14,918
At 31 December 2013	**106,430**
Charge for the year	**14,918**
At 31 December 2014	**121,348**
Net book value:	
At 31 December 2014	**23,669**
At 31 December 2013	38,587

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

17 INTEREST IN AN ASSOCIATE

	The Group	
	2014	2013
	RMB'000	RMB'000
Share of net assets	**536**	600

The following list contains the particulars of the Group's associate at 31 December 2014, which is an unlisted entity whose quoted market price is not available:

Name of associate	Place of establishment and operations	Particulars of registered and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Weihai Lvjian New Energy Technology Company Limited* 威海綠建新能源科技有限公司	The PRC	Registered and paid-up capital of RMB1,800,000	20.19%	–	33.33%	Design and research of photovoltaic system

* The English translation of the name is for reference only and the official name of this entity is in Chinese.

The Group's associate is not material to the consolidated financial statements, and is accounted for using the equity method in the consolidated financial statements.

18 INVENTORIES

	The Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**112,875**	149,407
Work in progress and finished goods	**337,493**	236,639
Racks, spare parts and consumables	**40,674**	40,196
	491,042	426,242
Less: write-down of inventories	**(9,105)**	(22,986)
	481,937	403,256

An analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**2,111,193**	2,230,140
Write-down/(Reversal of write-down) of inventories	**5,927**	(6,921)
	2,117,120	2,223,219

All of the inventories are expected to be recovered within one year.

19 TRADE AND OTHER RECEIVABLES

(a) The Group

	2014 RMB'000	2013 RMB'000
Trade receivables from (Notes 19(a)(i) and 19(a)(iii)):		
– Third parties	**272,715**	231,970
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**16,166**	24,226
– Companies under common significant influence	**20,485**	5,425
Bills receivables	**95,820**	200,741
	405,186	462,362
Less: allowance for doubtful debts (Note 19(a)(ii))	**(52,070)**	(26,074)
	353,116	436,288
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (aa))	**280**	280
– Companies under common significant influence (Note (aa))	**11,768**	3,116
	12,048	3,396
Less: allowance for doubtful debts (Note 19(a)(ii))	**(1,784)**	(1,784)
	10,264	1,612
Prepayments, deposits and other receivables:		
– Prepayments for the purchase of inventories	**56,129**	44,709
– Prepayments for the purchase of property, plant and equipment and land use rights	**43,565**	31,933
– Value added tax refundable	**57,323**	52,054
– Advances to third parties	**62,961**	66,285
– Receivable for disposal of land use rights	**8,129**	12,129
– Receivable for relocation of a production plant (Note 5(i))	**345,098**	–
– Others	**40,813**	27,751
	614,018	234,861
Less: allowance for doubtful debts (Note 19(a)(ii))	**(9,156)**	(8,062)
	604,862	226,799
	968,242	664,699

19 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (continued)

Note:

(aa) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(i) Ageing analysis

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:

	2014	2013
	RMB'000	RMB'000
Within 1 month	**121,858**	101,778
More than 1 month but less than 3 months	**59,078**	117,173
More than 3 months but less than 6 months	**49,591**	86,514
Over 6 months	**122,589**	130,823
	353,116	436,288

Further details on the Group's credit policy are set out in Note 30(a).

(ii) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see Note 2(k)(i)).

The movements in the allowance for doubtful debts during the year are as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**35,920**	35,352
Impairment losses recognised	**29,326**	568
Uncollectible amounts written off	**(2,236)**	–
At 31 December	**63,010**	35,920

At 31 December 2014, the Group's trade and other receivables of RMB63.0 million (31 December 2013: RMB35.9 million) were individually determined to be impaired. The individually impaired receivables related to customers and debtors that were in financial difficulties and management assessed that these receivables are irrecoverable. The Group does not hold any collateral over these balances.

19 TRADE AND OTHER RECEIVABLES (continued)

(a) The Group (continued)

(iii) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**115,179**	207,208
Less than 1 month past due	**63,900**	61,575
More than 1 month but less than 3 months past due	**32,892**	23,626
More than 3 months but less than 6 months past due	**18,556**	13,712
More than 6 months past due	**122,589**	130,167
	237,937	229,080
	353,116	436,288

Receivables that were neither past due nor impaired relate to bills receivables from the issuing banks and customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(b) The Company

	2014 RMB'000	2013 RMB'000
Amounts due from equity shareholders of the Company (Note (aa))	**24**	24
Amounts due from subsidiaries (Note (aa))	**1,371,164**	922,712
Prepayments, deposits and other receivables	**1,222**	1,924
	1,372,410	924,660

Note:

(aa) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the receivables are expected to be recovered or recognised as expenses within one year.

20 CASH AND CASH EQUIVALENTS

(a) The Group

	2014 RMB'000	2013 RMB'000
Cash at bank and on hand	**762,234**	421,818
Time deposits with banks	**40,000**	46,100
Cash and cash equivalents in the consolidated statement of financial position	**802,234**	467,918
Less: time deposits with original maturity over 3 months	**(40,000)**	(46,100)
Cash and cash equivalents in the consolidated cash flow statement	**762,234**	421,818

At 31 December 2014, cash and cash equivalents of RMB276.1 million (31 December 2013: RMB284.1 million) were pledged to secure bills issued by the Group and the Company's short-term bank loan.

(b) The Company

	2014 RMB'000	2013 RMB'000
Cash at bank and on hand	**301,130**	9,311

(c) RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

21 TRADE AND OTHER PAYABLES

(a) The Group

	2014 RMB'000	2013 RMB'000
Trade payables to:		
– Third parties	**574,063**	520,489
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**550**	550
– Companies under common significant influence	**9,478**	2,234
Bills payables	**311,350**	310,780
	895,441	834,053
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**1,258**	2,458
– An affiliate of a non-controlling equity holder of a subsidiary of the Group (Note (ii))	**–**	10,540
– Companies under common significant influence (Note (iii))	**93,516**	15,775
	94,774	28,773
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**298,297**	388,722
– Payables for staff related costs	**87,826**	86,451
– Payables for acquisitions of non-controlling interests in subsidiaries of the Group	**5,905**	40,092
– Payables for miscellaneous taxes	**27,457**	34,263
– Payables for transportation expenses	**14,816**	14,688
– Advances from third parties	**46,948**	8,969
– Others	**48,685**	54,791
	529,934	627,976
Financial liabilities measured at amortised cost	**1,520,149**	1,490,802
Advances received from customers	**89,108**	89,414
	1,609,257	1,580,216

Notes:

(i) The amounts are unsecured, non-interest bearing and are repayable within one year.

(ii) The amount at 31 December 2013 was unsecured, non-interest bearing and had been repaid in 2014.

(iii) The amounts are unsecured. Except for an amount of RMB5.5 million at 31 December 2014 (31 December 2013: RMB8.3 million) which is non-interest bearing (31 December 2013: 6.12% per annum) and is repayable within one year, all of the remaining balances are non-interest bearing and have no fixed terms of repayment.

21 TRADE AND OTHER PAYABLES (continued)

(a) The Group (continued)

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:

	2014 RMB'000	2013 RMB'000
Due within 1 month or on demand	**618,936**	668,173
Due after 1 month but within 6 months	**276,505**	165,880
	895,441	834,053

(b) The Company

	2014 RMB'000	2013 RMB'000
Amounts due to subsidiaries (Note (i))	**42,590**	41,033
Accrued charges and other payables	**4,513**	633
	47,103	41,666

Note:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the payables are expected to be settled within one year or are repayable on demand.

22 BANK AND OTHER LOANS

(a) The Group's and the Company's short-term bank and other loans

	The Group		**The Company**	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Bank loans	**960,169**	1,008,506	**38,671**	38,539
Loans from third parties	**7,889**	5,000	**7,889**	–
Loans from a company under common significant influence	**15,000**	10,000	**–**	–
	983,058	1,023,506	**46,560**	38,539
Add: current portion of long-term bank and other loans (Note 22(b))	**112,056**	169,851	**–**	–
	1,095,114	1,193,357	**46,560**	38,539

22 BANK AND OTHER LOANS (continued)

(a) The Group's and the Company's short-term bank and other loans (continued)

At 31 December 2014, the Group's and the Company's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans:				
– Pledged by bank bills	**151,827**	198,406	**–**	–
– Secured by the Group's property, plant and equipment and land use rights	**222,000**	198,000	**–**	–
– Guaranteed by a subsidiary of the Company	**–**	–	**38,671**	38,539
– Unguaranteed and unsecured	**586,342**	612,100	**–**	–
	960,169	1,008,506	**38,671**	38,539
Loans from third parties:				
– Unguaranteed and unsecured	**7,889**	5,000	**7,889**	–
Loans from a company under common significant influence:				
– Unguaranteed and unsecured	**15,000**	10,000	**–**	–
	983,058	1,023,506	**46,560**	38,539

At 31 December 2014, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's short-term bank loans is RMB532.1 million (31 December 2013: RMB344.4 million).

(b) The Group's and the Company's long-term bank and other loans

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans	**681,222**	240,595	**565,045**	–
Loans from an equity shareholder of the Company	**38,403**	75,966	**–**	–
Loans from third parties	**22,017**	27,018	**–**	–
	741,642	343,579	**565,045**	–
Less: current portion of long-term bank and other loans (Note 22(a))	**(112,056)**	(169,851)	**–**	–
	629,586	173,728	**565,045**	–

22 BANK AND OTHER LOANS (continued)

(b) The Group's and the Company's long-term bank and other loans (continued)

The Group's long-term bank and other loans are repayable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**112,056**	169,851	**–**	–
After 1 year but within 2 years	**151,331**	109,261	**113,009**	–
After 2 years but within 5 years	**478,255**	64,467	**452,036**	–
	741,642	343,579	**565,045**	–

At 31 December 2014, the Group's and the Company's long-term bank and other loans are secured as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans:				
– Secured by the Group's property, plant and equipment and land use rights	**80,600**	168,800	**–**	–
– Secured by shares of several subsidiaries of the Company	**565,045**	–	**565,045**	–
– Unguaranteed and unsecured	**35,577**	71,795	**–**	–
	681,222	240,595	**565,045**	–
Loans from an equity shareholder of the Company:				
– Secured by the Group's property, plant and equipment and land use rights	**8,860**	17,706	**–**	–
– Unguaranteed and unsecured	**29,543**	58,260	**–**	–
	38,403	75,966	**–**	–
Loans from third parties:				
– Unguaranteed and unsecured	**22,017**	27,018	**–**	–
	741,642	343,579	**565,045**	–

22 BANK AND OTHER LOANS (continued)

(b) The Group's and the Company's long-term bank and other loans (continued)

At 31 December 2014, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's long-term bank loans is RMB706.0 million (31 December 2013: RMB991.6 million).

All of the non-current interest-bearing borrowings are carried at amortised cost and are not expected to be settled within one year.

At 31 December 2014, the Group's banking facilities amounted to RMB269.1 million (31 December 2013: RMB320.0 million) were utilised to the extent of RMB198.9 million (31 December 2013: RMB195.3 million).

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b). At 31 December 2014, none of the covenants relating to the bank and other loans had been breached (31 December 2013: RMBNil).

23 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2014, the Group had obligations under finance leases repayable as follows:

	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	24,993	29,417
After 1 year but within 2 years	23,304	28,277
After 2 year but within 5 years	56,629	83,310
After 5 years	39,278	74,180
	119,211	185,767
	144,204	215,184
Less: total future interest expenses		(70,980)
Present value of finance lease obligations		144,204

There was no obligations under finance leases repayable as at 31 December 2013.

24 UNSECURED NOTES

	The Group	
	2014 **RMB'000**	2013 RMB'000
Unsecured notes at 9.50% due in 2015 (Note (i))	–	95,027

Note:

(i) On 8 May 2013, a subsidiary of the Group issued unsecured notes with an aggregate principal amount of RMB97.2 million at par to individual investors. The unsecured notes bear interest at 9.5% per annum, and interest is payable on 8 May and 8 November of each year, beginning on 8 November 2013. The unsecured notes will mature on 8 May 2015 and are guaranteed by a third party. The holders of the unsecured notes have an option to require this subsidiary to redeem the notes at the principal amount on 8 November 2014, and have exercised such option on the same date. This subsidiary fully settled the balances accordingly in November 2014.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) 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. For the share options granted, 40% will vest after one year from the date of grant; another 30% will vest after two years from the date of grant; and the remaining 30% will vest after three years from the date of grant. The share options will lapse on 29 May 2015. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

(i) *The terms and conditions of the grants are as follows:*

	Number of instruments	Vesting conditions	Contractual life of options
Share options granted to directors:			
– on 29 February 2008	4,280,000	One year from the date of grant	7.25 years
– on 29 February 2008	3,210,000	Two years from the date of grant	7.25 years
– on 29 February 2008	3,210,000	Three years from the date of grant	7.25 years
Share options granted to employees:			
– on 29 February 2008	11,720,000	One year from the date of grant	7.25 years
– on 29 February 2008	8,790,000	Two years from the date of grant	7.25 years
– on 29 February 2008	8,790,000	Three years from the date of grant	7.25 years
Total share options granted	40,000,000		

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

(ii) The number and weighted average exercise price of share options are as follows:

	2014 and 2013	
	Weighted average exercise price	**Number of options '000**
Outstanding at the beginning and end of the year	**HK$1.75**	**38,600**
Exercisable at the end of the year	**HK$1.75**	**38,600**

The share options outstanding at 31 December 2014 had an exercise price of HK$1.75 (31 December 2013: HK$1.75) and a weighted average remaining contractual life of 0.42 years (31 December 2013: 1.42 years).

(b) Share award scheme

On 12 December 2011 (the "Adoption Date"), the directors of the Company adopted a share award scheme (the "Share Award Scheme") as a mean of rewarding and retaining employees of the Group and to attract suitable personnel for further development with the Group. A trust has been set up for the purpose of administering the Share Award Scheme.

Pursuant to the Share Award Scheme, the trust may purchase shares of the Company from the Stock Exchange with cash contributed by the Group, and to hold such shares until they are vested.

The directors of the Company may, from time to time, at its discretion select any employee of the Group for participation in the Share Award Scheme and grant such number of awarded shares to any selected employee of the Group at nil consideration. The directors of the Company are entitled to impose any conditions (including a period of continued service within the Group after the award) with respect to the vesting of the awarded shares. In addition, the selected employee shall not transfer or dispose of more than 50% of the awarded shares during the period of one year after the date of vesting of such awarded shares.

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the directors of the Company.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Share award scheme (continued)

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

	2014			2013		
	Average purchase price HK$	**No. of shares held**	**Value RMB'000**	Average purchase price HK$	No. of shares held	Value RMB'000
At 1 January	**1.39**	**11,170,000**	**12,604**		–	–
Shares purchased during the year		**–**	**–**	1.39	11,170,000	12,604
Shares vested during the year		**(11,170,000)**	**(12,604)**		–	–
At 31 December		**–**	**–**		11,170,000	12,604

On 18 January 2013, 11,170,000 ordinary shares held under the Share Award Scheme were awarded to certain directors and employees of the Group with a fair value per share of HK$1.36 (equivalent to approximately RMB1.10 per share). The fair value of these awarded shares is determined by reference to the closing price of the Company's ordinary shares on 18 January 2013. All of the awarded shares have been vested on 8 January 2014 and transferred to the selected employees of the Group on 10 January 2014.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements in current taxation in the consolidated statement of financial position are as follows:

	The Group	
	2014 **RMB'000**	2013 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**51,102**	40,197
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**41,423**	44,432
Under-provision in respect of prior years (Note 7(a))	**1,607**	591
Income tax paid	**(44,403)**	(34,118)
Balance of income tax payable (net of prepaid income tax) at 31 December	**49,729**	51,102
Represented by:		
Income tax payable	**65,741**	58,636
Prepaid income tax	**(16,012)**	(7,534)
	49,729	51,102

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write-down of inventories RMB'000	Impairment losses on trade and other receivables RMB'000	Depreciation expenses in excess of related tax allowances, and amorttisation of government grants RMB'000	Impairment losses on property, plant and equipment and intangible assets RMB'000	Total RMB'000	Fair value adjustments on property, plant and equipment, lease prepayments, finance lease and intangible assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2013	66,888	7,415	8,668	18,357	6,348	107,676	(31,721)	75,955
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	19,028	(1,688)	138	(330)	–	17,148	2,239	19,387
At 31 December 2013	**85,916**	**5,727**	**8,806**	**18,027**	**6,348**	**124,824**	**(29,482)**	**95,342**
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	**(8,032)**	**(4,978)**	**1,405**	**3,738**	**325**	**(7,542)**	**(1,891)**	**(9,433)**
At 31 December 2014	**77,884**	**749**	**10,211**	**21,765**	**6,673**	**117,282**	**(31,373)**	**85,909**

(ii) The Company

There were no significant unrecognised deferred tax assets and liabilities at 31 December 2014 and 2013.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB317.6 million (31 December 2013: RMB119.5 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB36.5 million which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2014 will expire on or before 31 December 2019.

(d) Deferred tax liabilities not recognised

At 31 December 2014, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB750.7 million (31 December 2013: RMB707.2 million). Deferred tax liabilities of RMB75.1 million (31 December 2013: RMB70.7 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	74,553	2,019,042	–	17,920	(173,502)	(106,726)	1,831,287
Changes in equity for 2013:							
Loss for the year	–	–	–	–	–	(5,013)	(5,013)
Other comprehensive income	–	–	–	–	(55,428)	–	(55,428)
Total comprehensive income for the year	–	–	–	–	(55,428)	(5,013)	(60,441)
Shares purchased under the share award scheme (Note 25(b))	–	–	(12,604)	–	–	–	(12,604)
Shares granted under the share award scheme (Note 25(b))	–	–	–	12,053	–	–	12,053
	–	–	(12,604)	12,053	–	–	(551)
At 31 December 2013	74,553	2,019,042	(12,604)	29,973	(228,930)	(111,739)	1,770,295

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(a) Movements in components of equity (continued)

The Company (continued)

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	**74,553**	**2,019,042**	**(12,604)**	**29,973**	**(228,930)**	**(111,739)**	**1,770,295**
Changes in equity for 2014:							
Loss for the year	–	–	–	–	–	(23,140)	(23,140)
Other comprehensive income	–	–	–	–	5,389	–	5,389
Total comprehensive income for the year	–	–	–	–	5,389	(23,140)	(17,751)
Distribution approved in respect of the previous year (Note 27(b)(ii))	–	–	–	–	–	(12,187)	(12,187)
Issuance of shares (Note 27(c)(ii))	10,314	183,590	–	–	–	–	193,904
Shares granted under the share award scheme (Note 25(b))	–	–	–	278	–	–	278
Shares vested under share award scheme (Note 25(b))	–	–	12,604	(12,331)	–	(273)	–
Transfer between share premium accounts and accumulated losses accounts of the Company (Note 27(e))	–	(120,720)	–	–	–	120,720	–
	10,314	62,870	12,604	(12,053)	–	108,260	181,995
At 31 December 2014	**84,867**	**2,081,912**	**–**	**17,920**	**(223,541)**	**(26,619)**	**1,934,539**

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(b) Dividends/distributions

(i) Dividends/distributions payable to equity shareholders of the Company attributable to the year

	2014 RMB'000	2013 RMB'000
Final dividends/distribution proposed after the end of the reporting period of HK$Nil per ordinary share (2013: HK$0.01 per ordinary share)	–	12,187

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

	2014 RMB'000	2013 RMB'000
Final distribution/dividend in respect of the previous financial year, approved and paid during the year, of HK$0.01 per ordinary share (2013: HK$Nil per ordinary share)	12,187	–

(c) Share capital

(i) Authorised and issued share capital

	2014		2013	
	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:				
At 1 January and 31 December, at HK$0.05 each	3,600,000,000	180,000	3,600,000,000	180,000

	2014		2013	
	No. of shares	HK$'000	No. of shares	HK$'000
Ordinary shares, issued and fully paid:				
At 1 January	1,550,147,058	74,553	1,550,147,058	74,553
Shares issued on 17 December 2014 (Note 27(c)(ii))	260,000,000	10,314	–	–
At 31 December	1,810,147,058	84,867	1,550,147,058	74,553

(Expressed in RMB unless otherwise indicated)

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(c) Share capital (continued)

(ii) Issuance of ordinary shares

In a board meeting held on 5 November 2014, the Company's board of directors approved the issuance of 260,000,000 new ordinary shares to the Triumph Technology Group Company (the "Subscription"). Upon completion of the Subscription on 17 December 2014, the proceeds of HK$13.0 million (equivalent to approximately RMB10.3 million) received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, of HK$231.4 million (equivalent to approximately RMB183.6 million) were credited to the Company's share premium account.

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price	2014 Number	2013 Number
28 February 2009 to 29 May 2015	HK$1.75	**15,440,000**	15,440,000
28 February 2010 to 29 May 2015	HK$1.75	**11,580,000**	11,580,000
28 February 2011 to 29 May 2015	HK$1.75	**11,580,000**	11,580,000
		38,600,000	38,600,000

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 25(a) to these financial statements.

(iv) At 31 December 2014, no ordinary shares are held by the Company under the Share Award Scheme (31 December 2013: 11,170,000 ordinary shares) (see Note 25(b)).

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Shares held under share award scheme

The shares held under share award scheme represents the weighted average acquisition cost for unvested shares acquired under the Share Award Scheme that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(o)(ii).

(iii) Capital reserve

The capital reserve represents the portion of the grant date fair value of unexercised share options and unvested shares under the Share Award Scheme granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(o)(ii).

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(iv) Statutory reserves

In accordance with the articles of association of the subsidiaries of the Group established in the PRC, these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which have a functional currency other than RMB into RMB. The reserve is dealt with in accordance with the accounting policy set out in Note 2(t).

(e) Distributable reserves

At 31 December 2014, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval) available for distribution to equity shareholders of the Company was RMB2,081.9 million (31 December 2013: RMB2,019.0 million). The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: distribution of HK$0.01 per ordinary share).

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

Upon completion of the above transfer, which was approved by the equity shareholders of the Company at the Company's Annual General Meeting on 22 May 2014, an amount of HK$151.7 million (equivalent to approximately RMB120.7 million) was transferred from share premium account to the accumulated loss account of the Company.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other loans, unsecured notes, obligations under finance leases, and trade and other payables) plus unaccrued proposed dividends/distributions, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends/distributions.

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(f) Capital management (continued)

During 2014, the Group's strategy was to continue to maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to improve the Group's capital structure, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2014 and 2013 was as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Current liabilities:		
Trade and other payables	**1,609,257**	1,580,216
Obligations under finance leases	**24,993**	–
Bank and other loans	**1,095,114**	1,193,357
	2,729,364	2,773,573
Non-current liabilities:		
Bank and other loans	**629,586**	173,728
Unsecured notes	**–**	95,027
Obligations under finance leases	**119,211**	–
	748,797	268,755
Total debt	**3,478,161**	3,042,328
Add: proposed dividends/distributions	**–**	12,187
Less: cash and cash equivalents	**(802,234)**	(467,918)
Adjusted net debt	**2,675,927**	2,586,597
Total equity	**2,589,659**	2,395,297
Less: proposed dividends/distributions	**–**	(12,187)
Adjusted capital	**2,589,659**	2,383,110
Adjusted net debt-to-capital ratio	**103%**	109%

27 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS (continued)

(f) Capital management (continued)

	The Company	
	2014	2013
	RMB'000	RMB'000
Current liabilities:		
Other payables	**47,103**	41,666
Bank and other loans	**46,560**	38,539
	93,663	80,205
Non-current liabilities:		
Bank loan	**565,045**	–
Total debt	**658,708**	80,205
Add: proposed dividends/distributions	**–**	12,187
Less: cash and cash equivalents	**(301,130)**	(9,311)
Adjusted net debt	**357,578**	83,081
Total equity	**1,934,539**	1,770,295
Less: proposed dividends/distributions	**–**	(12,187)
Adjusted capital	**1,934,539**	1,758,108
Adjusted net debt-to-capital ratio	**18%**	5%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

(a) Transactions with companies under common significant influence

(i) Purchase of properties

On 4 January 2005, the Group purchased the properties it had previously leased from Jiangsu Glass Group under operating leases. The consideration is RMB56.1 million and is repayable by 120 monthly equal instalments within ten years. At 31 December 2014, the outstanding amount is non-interest bearing (31 December 2013: 6.12% per annum). For the year ended 31 December 2014, interest expenses of RMB0.3 million had incurred and been paid to Jiangsu Glass Group (2013: RMB0.7 million).

(ii) Other transactions

	Note	**2014** **RMB'000**	2013 RMB'000
Sale of glass and glass products to related parties		**42,996**	31,451
Purchase of raw materials from related parties		**16,283**	13,658
Labour service expenses (Note 28(g))		**–**	2,366
Operating lease expenses		**1,786**	1,702
Interest expenses	(ii)	**1,706**	51
Net increase/(decrease) in non-interest bearing advances granted to related parties	(iii)	**862**	(2,741)
Net (decrease)/increase in non-interest bearing advances received from related parties	(iii)	**(6,079)**	1,722
Proceeds of loans from a related party	(vii)	**5,000**	10,000

(b) Transactions with equity shareholders of the Company and their affiliate

	Note	**2014** **RMB'000**	2013 RMB'000
Interest expenses	(ii)	**3,246**	5,894
Net decrease in non-interest bearing advances granted to a related party	(iv)	**–**	735
Repayment of loans received from a related party	(v)	**38,987**	39,020

(c) Transactions with non-controlling equity holders of subsidiaries of the Group and their affiliates

	2014 **RMB'000**	2013 RMB'000
Sale of glass and glass products to a related party	**382**	6,066

28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with subsidiaries of the Group

	Note	2014 RMB'000	2013 RMB'000
Interest income	(i)	**6,253**	9,862
Settlement of loans granted to subsidiaries	(vi)	**–**	38,329
Net increase in non-interest bearing advances granted to subsidiaries	(iii)	**485,258**	69,443
Net increase/(decrease) in non-interest bearing advances received from subsidiaries	(iii)	**1,557**	(4)

(e) Transactions with a then associate of the Group

	Note	2014 RMB'000	2013 RMB'000
Net decrease in non-interest bearing advances granted to a related party	(iv)	**–**	10,055

(f) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employees as disclosed in Note 9, is as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**7,927**	4,980
Contributions to defined contribution retirement plans	**303**	285
Equity compensation benefits under share award scheme (see Note 25(b))	**211**	9,162
	8,441	14,427

Total remuneration is included in "staff costs" (see Note 6(b)).

Notes:

(i) Interest income represented interest charges on the loans granted to related parties.

(ii) Interest expenses represented interest charges on the advances and loans received from related parties.

(iii) The advances are unsecured and have no fixed terms of repayment.

(iv) The advances had been fully settled in 2013.

(v) The loans are unsecured, bear interest ranging from 4.66% to 7.73% per annum and are repayable by instalments from 2010 to 2015.

(vi) The loans granted are unsecured, bear interest at 9.625% per annum and are repayable between 1 January 2013 to 7 March 2017.

(vii) The loans are unsecured, bear interest from 10.00% to 10.14% per annum and are repayable within one year.

28 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(g) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2014, the related party transactions in respect of receiving labour service from a company under common significant influence above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

29 COMMITMENTS

(a) Capital commitments

At 31 December 2014, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**115,886**	230,577
– Authorised but not contracted for	**64,620**	80,360
	180,506	310,937

At 31 December 2014, capital commitments in respect of land and buildings, and machinery and equipment are for the expansion and upgrade of the production lines of the Group.

In addition, the Group had entered into various finance leases over a period of seven to ten years. At 31 December 2014, the obligations under finance leases have been included in the consolidated statement of financial position, and further committed minimum payments is RMBNil (31 December 2013: RMB129.1 million).

29 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

(i) The Group

	2014 RMB'000	2013 RMB'000
Within 1 year	**5,926**	6,495
After 1 year but within 5 years	**14,249**	13,865
After 5 years	**3,957**	5,942
	24,132	26,302

The Group leases certain land, plant and buildings and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 18 years, where all terms are renegotiated upon renewal. None of the leases includes contingent rentals.

(ii) The Company

	2014 RMB'000	2013 RMB'000
Within 1 year	**2,022**	2,117
After 1 year but within 5 years	**1,163**	3,185
	3,185	5,302

The Company leases its office premises under operating leases. The leases run for an initial period of 1 to 5 years, where all terms are renegotiated upon renewal. The leases do not include contingent rentals.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group considers its exposure to equity price risk arising from its equity investment in other entity to be insignificant.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates.

For sales of glass and glass products, cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing or separately negotiated repayment schedules may be granted to customers and debtors, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers and debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 December 2014, 6.8% (31 December 2013: 11.3%) and 24.1% (31 December 2013: 25.5%) of the total trade and bills receivables was due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 19.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authorisation. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At 31 December 2014, the Group had net current liabilities of RMB526.7 million (31 December 2013: RMB1,288.8 million). The Group is currently under negotiation with several institutions in the raising of new long term bank loans or issuing new shares that if successfully obtained, would be sufficient to cover most of the Group's short-term liquidity needs, in particular for the purpose of the repayment of short-term bank and other loans that are to fall due during the year ending 31 December 2015. In addition to the above, based on a cash flow forecast of the Group for the year ending 31 December 2015 prepared by the management, the directors of the Company anticipate that the Group would generate sufficient cash inflows from its operating activities to meet its operating liabilities as they fall due for at least twelve months from the end of the current reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group and the Company can be required to pay:

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The Group

	2014 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 year but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Trade and other payables measured at amortised cost	**1,520,149**	**–**	**–**	**–**	**1,520,149**	**1,520,149**
Bank and other loans	**1,164,853**	**187,429**	**530,569**	**–**	**1,882,851**	**1,724,700**
Obligations under finance leases	**29,417**	**28,277**	**83,310**	**74,180**	**215,184**	**144,204**
	2,714,419	**215,706**	**613,879**	**74,180**	**3,618,184**	**3,389,053**

	2013 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables measured at amortised cost	1,491,054	–	–	1,491,054	1,490,802
Bank and other loans	1,234,581	116,535	67,901	1,419,017	1,367,085
Unsecured notes	105,072	–	–	105,072	95,027
	2,830,707	116,535	67,901	3,015,143	2,952,914

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The Company

	2014 Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years RMB'000**	**More than 2 years but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount at 31 December RMB'000**
Other payables	**47,103**	**–**	**–**	**47,103**	**47,103**
Bank and other loans	**83,385**	**144,527**	**503,537**	**731,449**	**611,605**
	130,488	**144,527**	**503,537**	**778,552**	**658,708**

	2013	
	Contractual undiscounted cash flow within 1 year or on demand RMB'000	Carrying amount at 31 December RMB'000
Other payables	41,666	41,666
Bank loans	39,047	38,539
	80,713	80,205

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	The Group			
	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Obligations under finance leases	**9.51%**	**144,204**	–	
Bank and other loans	**5.73%**	**961,855**	5.36%	1,051,049
Amounts due to a related company		**–**	6.12%	8,328
Unsecured notes		**–**	9.50%	95,027
		1,106,059		1,154,404
Variable rate borrowings:				
Bank and other loans	**6.82%**	**762,845**	6.93%	316,036
Total borrowings		**1,868,904**		1,470,440
Fixed rate borrowings as a percentage of total borrowings		**59%**		79%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile (continued)

	The Company			
	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowing:				
Bank loan	**3.31%**	**46,560**	3.30%	38,539
Variable rate borrowings:				
Bank loans	**6.63%**	**565,045**		–
		611,605		38,539
Fixed rate borrowing as a percentage of total borrowings		**8%**		100%

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB7.13 million (31 December 2013: the Group's profit after tax and retained profits by approximately RMB2.37 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of the reporting period. The impact on the Group's results after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2013.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, RMB, HK$ and Euros. The Group manages this risk as follows:

(i) *Recognised assets and liabilities*

In respect of receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) *Exposure to currency risk*

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	2014			
	Exposure to foreign currencies			
	USD	**RMB**	**HK$**	**Euros**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and other receivables	**33,176**	**–**	**–**	**–**
Cash and cash equivalents	**33,151**	**179,473**	**2,398**	**247**
Trade and other payables	**(231,816)**	**(5,076)**	**(52,080)**	**–**
Bank and other loans	**(104,011)**	**(565,045)**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**(269,500)**	**(390,648)**	**(49,682)**	**247**

	2013			
	Exposure to foreign currencies			
	USD	RMB	HK$	Euros
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	36,738	–	–	–
Cash and cash equivalents	9,780	2,706	1,902	950
Trade and other payables	(284,876)	(49,586)	(50,962)	–
Bank and other loans	(138,703)	–	–	–
Gross exposure arising from recognised assets and liabilities	(377,061)	(46,880)	(49,060)	950

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Company

	Exposure to foreign currencies	
	2014	2013
	RMB	RMB
	RMB'000	RMB'000
Cash and cash equivalents	**163,359**	2,706
Other payables	**(5,076)**	(5,076)
Bank loan	**(565,045)**	–
Gross exposure arising from recognised assets and liabilities	**(406,762)**	(2,370)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	The Group			
	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and (decrease)/ increase in retained profits RMB'000
USD	**5%**	**(10,650)**	5%	(14,630)
	(5%)	**10,650**	(5%)	14,630
RMB	**5%**	**(19,532)**	5%	(2,344)
	(5%)	**19,532**	(5%)	2,344
HK$	**5%**	**(1,907)**	5%	(1,891)
	(5%)	**1,907**	(5%)	1,891
Euros	**10%**	**18**	10%	20
	(10%)	**(18)**	(10%)	(20)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis (continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' results after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(e) Fair value measurement

The Group does not have any financial instruments measured at fair value at the end of the reporting period.

The carrying amounts of the Group's and of the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 2013 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	The Group			
	2014		2013	
	Carrying amount at 31 December RMB'000	**Fair value measurements at 31 December categorised into Level 3 RMB'000**	Carrying amount at 31 March RMB'000	Fair value measurements at 31 December categorised into Level 3 RMB'000
Assets				
Available-for-sale equity investments	**1,000**	*****	1,000	*
Liabilities				
Long-term bank and other loans	**629,586**	**627,372**	173,728	169,937
Unsecured notes	**–**	**–**	95,027	103,612

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

	The Company			
	2014		2013	
	Carrying amount at 31 December RMB'000	**Fair value measurements at 31 December categorised into Level 3 RMB'000**	Carrying amount at 31 December RMB'000	Fair value measurements at 31 December categorised into Level 3 RMB'000
Assets				
Non-current loans to subsidiaries	**65,024**	**68,104**	64,799	69,093

* The available-for-sale investment represents unquoted equity securities in a PRC company and is measured at cost less any impairment losses. The investment does not have a quoted market price in an active market and accordingly a reasonable estimate of the fair value of the investment cannot be measured reliably. Hence, the directors of the Company consider it is not meaningful to disclose its fair value.

Valuation techniques and inputs used in Level 3 fair value measurements

(i) Long-term bank and other loans and non-current loans to subsidiaries

The fair value is estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

	2014	2013
Long-term bank and other loans	**6.55%**	7.06%
Non-current loans to subsidiaries	**6.55%**	7.06%

(ii) Unsecured notes

The fair value at 31 December 2013 is estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments. The interest rate used by the Group is 6.78%, which is published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount financial instruments.

31 NON-ADJUSTING EVENTS AFTER THE END OF THE REPORTING PERIOD

On 30 March 2015, the Company made an announcement to disclose that as instructed by local government, one PRC subsidiary of the Group has suspended one of its production lines. The PRC subsidiary will take this opportunity to perform maintenance and equipment upgrade to meet local government environmental protection requirements before resuming production in near future.

(Expressed in RMB unless otherwise indicated)

32 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2014 to be First Fortune Enterprises Limited and Easylead Management Limited, respectively, which are both incorporated in the British Virgin Islands. Neither of these companies produces financial statements available for public use.

33 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these new standards and amendments to standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which will begin on 1 January 2015) in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the disclosure requirements of the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.