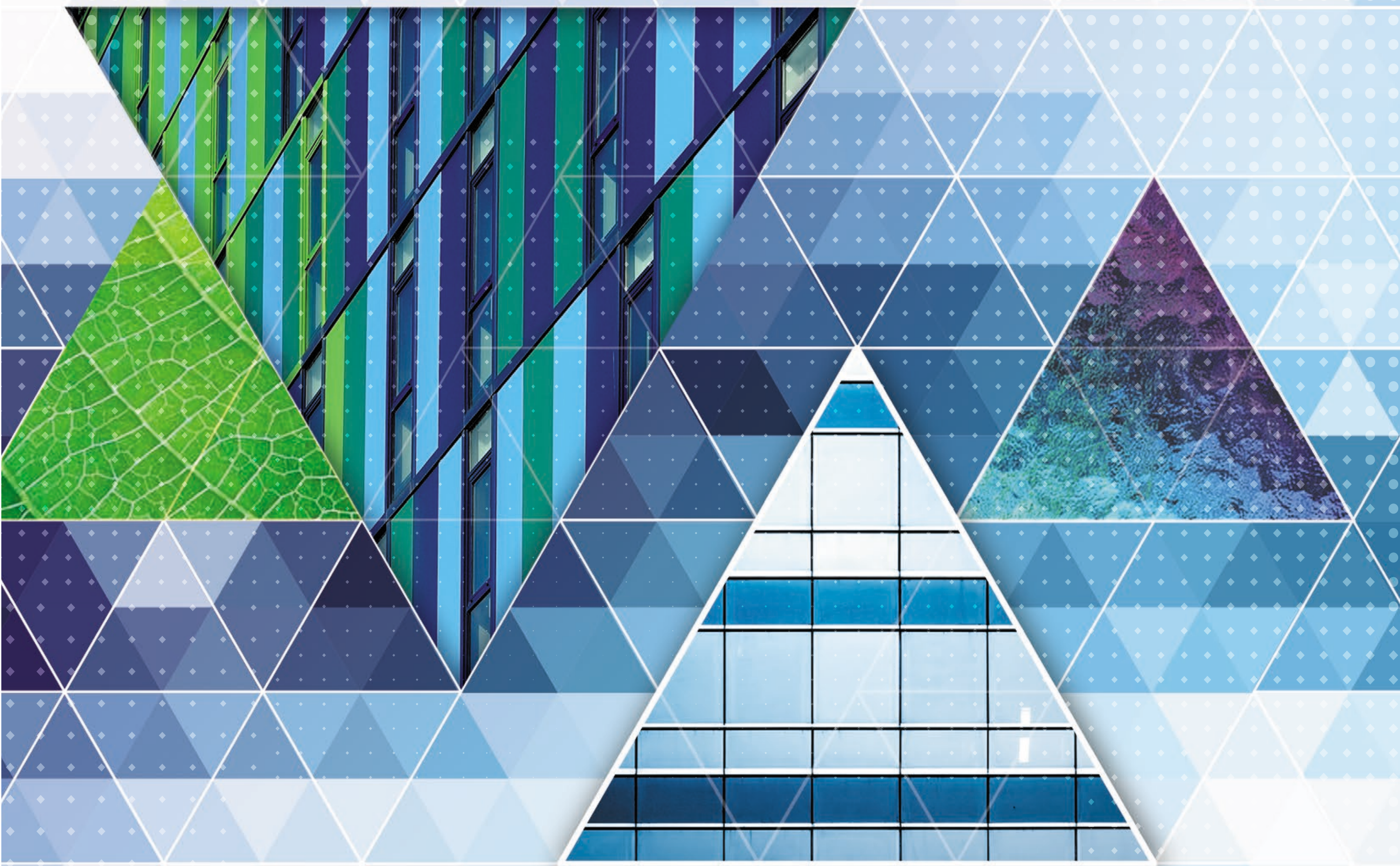
CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 3300



ANNUAL REPORT 2016

*For identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors

Mr. Peng Shou *(Chairman)*
Mr. Zhao John Huan
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Guo Wen (resigned on 28 March 2017)
Mr. Tang Liwei (appointed on 28 March 2017)

Independent Non-Executive Directors

Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Chen Huachen

SENIOR MANAGEMENT

Mr. Li Ping
Mr. Lu Guo
Mr. Ge Yankai
Mr. Yang Hongfu
Mr. Xu Ning (appointed as Vice President on 13 May 2016)
Mr. Cheng Xin (resigned on 31 December 2016)
Mr. Wang Jianxun
Mr. Han Liming (appointed as Chief Finance Officer on 28 March 2017)

COMPANY SECRETARY

Ms. Pan Jianli

AUDIT COMMITTEE

Mr. Chen Huachen *(Chairman of audit committee)*
Mr. Peng Shou
Mr. Zhao Lihua
Mr. Zhang Baiheng

REMUNERATION COMMITTEE

Mr. Zhao Lihua *(Chairman of remuneration committee)*
Mr. Peng Shou
Mr. Zhang Baiheng

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Peng Shou *(Chairman of strategy committee)*
Mr. Zhao John Huan
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

Estera 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 Law Offices

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
Industrial and Commercial Bank
Bank of Communications
Shanghai Pudong Development 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 2016 are extracted from the audited financial statements of this report and the Company's 2012, 2013, 2014 and 2015 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2016 **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**2,139,650**	1,968,857	2,489,369	2,760,373	2,550,175
Cost of sales	**(1,812,394)**	(1,890,567)	(2,117,120)	(2,223,219)	(2,340,121)
Gross profit	**327,256**	78,290	372,249	537,154	210,054
Other income	**163,389**	29,063	217,625	22,405	52,459
Distribution costs	**(75,599)**	(73,218)	(77,346)	(76,564)	(90,191)
Administrative expenses	**(214,123)**	(397,117)	(292,134)	(259,066)	(254,570)
Other expenses	**(39,260)**	(62,563)	(18,620)	–	–
Profit/(loss) from operations	**161,663**	(425,545)	201,774	223,929	(82,248)
Share of (losses)/profits of associates	**(69)**	(43)	(64)	(70)	70
Net gain from disposal of equity interests in an associate	**–**	–	–	963	–
Finance costs	**(134,476)**	(130,386)	(136,088)	(114,540)	(106,793)
Profit/(loss) before taxation	**27,118**	(555,974)	65,622	110,282	(188,971)
Income tax	**(6,384)**	75,876	(52,463)	(25,636)	3,633
Profit/(loss) for the year	**20,734**	(480,098)	13,159	84,646	(185,338)

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2016 **RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**5,781,637**	5,645,602	6,164,934	5,525,743	5,718,123
Total liabilities	**(3,605,323)**	(3,515,001)	(3,575,275)	(3,130,446)	(3,397,382)
Net assets	**2,176,314**	2,130,601	2,589,659	2,395,297	2,320,741

Chairman's Statement

To shareholders,

While the global economy was under increasing downward pressure in 2016 and the financial environment was getting worse, resulting in fluctuation around the world, the Chinese economy was sinuously developing under the process of transformation. In the second half of the year, the Group witnessed a better-than-expected overall performance in the glass sector caused by the recovery of the property market.

During the year under review, leveraging on its strong business capabilities, the Group continued to enhance its operation management and strived to improve its operating results. The Group survived after a tough market during the 1st half of the year, and with our employees' relentless efforts, all the targets set at the beginning of the year were reached, and the results of the Company turned from loss to profit.

The Group insisted on its development strategy of "leveraging on technology innovation to support the development of differentiation and to escalate core competence" and continued its efforts on research and development, pursuant to which, a number of new products have passed the national verification.

After the past years of decline in the glass sector, its market recovered significantly in the second half of 2016, affected by the adjustment of production capacity pattern and recovery of demands. This led to the resumption of certain productions lines, the release of idle production capacities and rising utilizations of production capacities. Under the macro background of reforms on the supply side and increasing environmental-related regulations, 2017 will be a year of risk and opportunities.

In the coming year, we will continue to carry out the upgrade of our sales and manufacturing processes, deepen our strategic procurement and strengthen cooperation and connection with our strategic partners by sharing resources with them, while deepening our benchmarking management. In the meantime, we will make sure the completion and putting into operation of our two major projects, i.e. a glass production line in Nigeria and an electronic glass project in Suqian. We will also actively push forward our other overseas manufacturing projects, further optimise our business structure, improve the profitability of the Group as a whole, and bring satisfying returns to our investors.

On behalf of the board of directors, I would like to express my sincere gratitude to our shareholders and investors for their support and to our staff for their contributions to the development of the Company.

Peng Shou
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2016, the China's economy had stabilized and showed positive development despite the slowdown. Structural reforms on the supply side became the main focus of the economy.

The rate of growth of new property projects in the real estate market in 2016 has turned from negative to positive, with the area of new construction reaching 1,669,280,000m^2, representing an increase of 8.1% as compared to last year. The real estate market in China hit new records in 2016 in terms of sales area and sales volume since 2013.

Along with the recovery of the downstream real estate market in 2016, the number of float glass production lines increased by 15 on a year-on-year basis. As at the end of 2016, there were 236 float glass production lines in China, with the annual total output of sheet glass reaching 774 million weight cases, representing a year-on-year increase of 4.8%, also representing a growth in capacity utilization rate in general.

In 2016, the overall performance of glass market was better than expected. The price was trending down initially before it is started to pick up during the year. The market was slow in the first quarter, which continued the trend in the previous two years. In the second quarter, there was a slight improvement in the market. In the third quarter, the price in the glass market was rising gradually with the traditional peak season and increase in downstream demands. In the fourth quarter, the price in the glass market in most regions remained at a high level due to the rising prices of raw materials and low level of stock.

BUSINESS REVIEW

Overview

The Group currently has 14 glass production lines, with a daily melting capacity of 7,050 tonnes per day. As at 31 December 2016, the Group had 9 float glass production lines in operation, while those production lines not in operation were temporarily suspended for technical upgrades such as cold repair. In addition, the Group had an offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

The Group's business covered four segments, namely clear glass products, painted glass products, coated glass products, as well as energy saving and new energy glass products. The overall revenue from the above segments recorded growth during the period under review. The performance of each of those segments is as follows: the revenue of clear glass products decreased by 13% as compared to last year, mainly resulting from the decrease of sales volume of clear glass products due to product structure adjustment; the revenue of painted glass products increased by 11% as compared to last year, mainly due to the increase in selling price and sales volume of this category; the revenue of coated glass products increased by 4% as compared to last year, which was mainly benefited from the increase in unit selling price of product in this category; and the revenue from energy saving and new energy glass products increased by 133% as compared to last year, mainly attributable to the increase in both selling price and sales volume of ultraviolet-proof high transmittance glass and other energy saving and new energy glass products.

Raw material and fuel prices, and production costs

Raw material and fuel prices showed different trends in 2016. Prices of silica sand, limestone and dolomite remained stable. Due to the combined effects of decrease in supply and increase in downstream demand, the overall price for soda ash showed an upward trend, particularly in the fourth quarter in which the price rose rapidly being affected by the shortage caused by maintenance of certain manufacturers. The Group ensured the raw material supply through strategic procurement. The purchase price slightly rose as compared to the previous year but the rise was relatively less than market price volatility.

In terms of fuels, coal tar and petroleum coke prices fell initially before they began to rise. Coal prices in China had a rising trend in 2016 due to the policies to eliminate overcapacities started to show effect. However, due to the Group's geographical advantages and accurate purchasing timing, the Group's overall purchase price of coal fell slightly in 2016.

Production, sales and selling price

In 2016, the Group produced an aggregate amount of 34.25 million weight cases of glass, representing an increase of 4% whereas sales volume decreased slightly as compared to last year while export sales increased by 4% as compared to the last year. The average selling price of the Group's glass products increased to RMB64 per weight case or 12% in 2016 as compared to the last year.

Profitability analysis

In 2016, the Group recorded revenue of RMB2.140 billion, representing an increase of 9% compared to last year. The increase in revenue was mainly attributable to the improvement of unit selling price benefiting from market recovery and effective cost control. The Group achieved turnaround evidenced by the facts that gross profit increased significantly by RMB249 million and gross margin increased by 11 percentage points while the net profit increased sharply by RMB501 million as compared to the last year.

MAJOR ACHIEVEMENTS IN 2016

In 2016, glass market faced a recovery trend of rising prices and increasing sales volume, which closely related to the adjustment policies on the national supply-side reform. The reform, which promoted demand-side improvement and aimed at cutting overcapacity on the supply-side, caused a noticeable rebound in the glass prices. The Group took the opportunity of industrial recovery and increase in product price, and implements a number of market strategic, industry reduction of purchase cost through strategic procurement, diversification of product portfolio, improvements on efficiency and costs saving measures to increase profit margin of the Group and with expectation of further return to normal level of profitability.

1. **Continuing to strengthen the product quality system and stabilizing production**

   Each base actively carried out quality standard upgrading activities, further raised product quality and improved the production management quality of the Group.

2. **Promoting the deployment of high and new technologies and strengthening the R&D of new products**

   One of the priorities for the Group is to carry out renovative technological studies and industrialize new technologies. In 2016, achievements have been made in terms of technology research and development and expansion, such as the creation of a market demand-oriented multi-product "customization" production system and the creation of new methods of switch for float online coating of multifunctional film. Several new products like Online Sun-Eⓣ Reflective glass and ultraviolet-proof high transmittance glass product is also filling the gap of float glass technology both at home and abroad.

3. Steadily implementing the major projects

The projects in Nigeria were still under construction and progressing steadily. The Nigerian trading company actively expanded its local sales channels and made preliminary market preparation before the commencement of operation of the production lines.

The construction of the First CNG Electronic Glass production line was fundamentally completed and is expected to begin operation soon. The operation of the production line will enhance the diversity of the Group's product portfolio and increase the overall competitiveness of the Group, further optimizing the product structure and laying a solid foundation for further development of the Group in the electronic glass field in the future.

4. Strengthening marketing and focusing on the promotion and market structure of new products

The Group timely guided the product positioning of products and formulated the production plan for each production based on the available market information and the status of production lines. It also devoted efforts on strengthening the logistic management to reduce the cost of logistics.

5. Improving the development of procurement system process and maximizing the strategic procurement efficiency

The Group increased the variety of strategic procurement of mass raw materials and fuel in 2016. While meeting the service demand, the Group also conducted the optimization and integration of supply chains in due course, effectively integrated suppliers, manufacturers, warehouses and users, further improved and standardized the supplier review procedure, and expanded its procurement channels. The Group successfully utilized its scale advantage as the Group's procurement cost realized a slight decline in 2016 despite the increasing prices of fuel and raw materials in the market.

THE GLASS MARKET OUTLOOK

The market price of glass had been showing an increasing trend for an extended period in 2016, which speeded up the release of some potential production capacity. Considering the restraining effect of government policies on the growth of production capacity, it is expected that there will be a limited increase in capacity under construction. Overall, the glass price is likely to fluctuate within a narrow range in 2017.

Forecast of prices of raw and fuel materials, and production costs

The production costs of the glass industry in 2017 is expected to rise in a certain degree, with a trend of rising at first and declining afterwards.

MAJOR WORK PLANS FOR 2017

Glass market began to recover in the second half of 2016, which brought additional variables to the policies of cutting down capacity in the glass industry. As some glass enterprises resumed production after cold repair and increased capacity being put into operation, the glass industry will continue to face difficulties such as "fierce market competition, rising manufacturing costs, limited operating capital and more environmental pressures" in 2017.

By taking an overall look at the internal and external situation, the Company will focus on "realizing normalization of profitability, promoting upgrade of product and management and achieving breakthroughs in the three key projects" in 2017.

1. **Continue to optimize and stabilize production and operation management and cultivate new profit growth points**

   The Company will strive to accelerate transformation and upgrade to improve its financial performance with new projects and products; further refine its production process, strengthen management and control of the whole process and key points to reduce production cost; strengthen our quality control through the launch of a glass information control center which will supervise the information on glass quality test in a timely manner and standardize the product quality, packaging and loading and unloading throughout all manufacturing facilities; and continue to implement activities of making rationalization proposals on revenue enhance and cost reduction across the Company.

2. **Deepening benchmarking management and realizing management upgrade**

   Based on "benchmarking management" carried out in 2016, the Company will promote the overall upgrade of its procurement, sales and production system.

3. **Deepening the strategic procurement, lowering procurement cost to reflect scale advantages**

   The Group will carry out strategic procurement of bulk raw materials as the next step, and strengthen the strategic cooperation with strategic partners, and share resources to obtain mutual benefits. The Group will improve its procurement system and process to ensure the effective implementation of strategic procurement, and optimize strategic procurement information platform and procurement logistic management to reduce procurement cost.

4. **Steady implementation of key projects**

   In 2017, the Group will continue promote the construction and operation of two major projects, namely the Nigerian Float Production Line Project and Suqian CNG Electronic Glass Project and achieve its targets. At the same time, the Group will push forward other applied research projects including the continuous research on products such as ultraviolet-proof glass and Low-E glass, to achieve further breakthrough.

5. **Strengthen our efforts on energy saving and environment protection**

   In 2017, building on the ability of all of its production lines to meet the waste gas emission standards, the Group will continue to strengthen its efforts on energy saving and environment protection, including studies on recycling of solid waste and reducing costs of environment protection; and further reduce its energy consumption to ensure energy efficiency of each of its production lines exceeding industry standards.

6. **Upgrade marketing model to enable the "price realization" of the products**

   In 2017, the Group will continue to optimize and upgrade its existing marketing model, strengthen efforts on receivables management, upgrade its sales and logistic platform to lower logistic cost, and integrate upstream and downstream resources through tightening strategic partnerships with relevant companies, to enable the "price realization" of the products.

7. **Optimize internal control and performance appraisal system**

   In line with the requirements of "management upgrade" of the Company, the Group will optimize its internal control system by establishing key control points and a comprehensive management and control system that cover every dimension of our operations; and enhance and deepen our HR management and performance appraisal system to further boost morale through the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 9% from RMB1.969 billion for the year ended 31 December 2015 to RMB2.140 billion for the year ended 31 December 2016. The increase in revenue was mainly attributable to an increase of 12% in the annual average selling price compared to last year due to the combined effect of an increase in the market price of glass this year, and a decrease of sales volume of 2% compared to last year.

Cost of sales

The Group's cost of sales decreased by approximately 4% from RMB1.891 billion for the year ended 31 December 2015 to RMB1.812 billion for the year ended 31 December 2016. This was mainly attributable to the combined effect of the decrease in sales volume and unit production cost.

Gross profit

The Group's gross profit increased by approximately 319% from RMB78 million for the year ended 31 December 2015 to RMB327 million for the year ended 31 December 2016. This was mainly attributable to an increase in gross profit margin. Gross profit margin increased from 4% in 2015 to 15% in 2016, which was mainly due to the combined effect of the increased average selling price and decreased unit production costs.

Other income

The Group's other income increased from RMB29 million for the year ended 31 December 2015 to RMB163 million for the year ended 31 December 2016. This was mainly due to the Group's net gain arising from additional compensation and net gain arising from debt restructuring received in accordance with a supplementary agreement regarding expropriation of the land use rights of the Group by the local government, and the net gain arising from the disposal of certain equipments.

Administrative expenses

The Group's administrative expenses decreased by approximately 46% from RMB397 million for the year ended 31 December 2015 to RMB214 million for the year ended 31 December 2016. The decrease was mainly attributable to a decrease in provision for doubtful debts for trade and other receivables.

Other expenses

The Group's other expenses decreased from RMB63 million for the year ended 31 December 2015 to RMB39 million for the year ended 31 December 2016. The decrease was mainly attributable to a decrease in impairment losses on property, plant and equipment and intangible assets.

Current assets

The Group's current assets decreased by approximately 15% from RMB1.787 billion as at 31 December 2015 to RMB1.519 billion as at 31 December 2016. The decrease was mainly attributable to a decrease in cash and cash equivalents.

Current liabilities

The Group's current liabilities increased by approximately 18% from RMB2.872 billion as at 31 December 2015 to RMB3.381 billion as at 31 December 2016. The increase was mainly due to the combined effect of increased trade and other payables and the transfer of long-term bank and other loans falling due within one year to current liabilities.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 65% from RMB643 million as at 31 December 2015 to RMB224 million as at 31 December 2016. This was attributable to the transfer of long-term bank and other loans falling due within one year to current liabilities.

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

As at 31 December 2016, the Group's cash and cash equivalents were RMB492 million (31 December 2015: RMB775 million), of which 95% (31 December 2015: 93%) were denominated in RMB, 3% (31 December 2015: 6%) were denominated in United States Dollars ("USD"), and 2% (31 December 2015: 1%) were denominated in Hong Kong dollars ("HK$"). Outstanding bank and other loans were RMB1.513 billion (31 December 2015: RMB1.640 billion), of which 99% (31 December 2015: 96%) were denominated in RMB, and 1% (31 December 2015: 4%) were denominated in USD.

As at 31 December 2016, the gearing ratio (total interest-bearing debts divided by total assets) was 29% (31 December 2015: 31%). As at 31 December 2016, the Group's current ratio (current assets divided by current liabilities) was 0.45 (31 December 2015: 0.62). The Group recorded net current liabilities amounting to RMB1.862 billion as at 31 December 2016 (31 December 2015: RMB1.085 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.62 as at 31 December 2016 (31 December 2015: 0.62).

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and associated companies or significant investments during the year of 2016.

The Company issued convertible bonds in the principal amount of US$10 million to China-Africa Manufacturing Investment Co., Limited on 4 February 2016. Further details of the convertible bonds are set out in Note 22 to the financial statements.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2016, the Group employed approximately a total of 4,007 employees in the PRC and Hong Kong (31 December 2015: about 4,078 employees). The decrease in staff number of the Group as at 31 December 2016 as compared to 31 December 2015 was mainly attributable to higher workplace efficiency of the Group and reduced headcount as production lines of several production bases were moved and stopped. 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (31 December 2015: Nil).

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 31 December 2016 are set out in Note 29 to the financial statements.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HK$ and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and 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. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the year ended 31 December 2016, 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 2016 attributed to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	7%
– five largest suppliers combined	26%
Sales	
– the largest customer	11%
– five largest customers combined	20%

During the year ended 31 December 2016, no director of the Company (the"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.

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 2016.

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 2016 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 53 to 130.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (31 December 2015: nil).

RESERVES

Details of the distributable reserves of the Company as at 31 December 2016 are set out in Note 26(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 26(a) to the financial statements.

DONATIONS

The Group had made donations to charities amounted to RMB113,074 during the year ended 31 December 2016 (2015: RMB127,000).

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 2016 are set out in Note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2016 are set out in Note 26(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 Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors

Mr. Peng Shou *(Chairman)*
Mr. Zhao John Huan
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Guo Wen (resigned on 28 March 2017)
Mr. Tang Liwei (appointed on 28 March 2017)

Independent Non-Executive Directors

Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Chen Huachen

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2016, 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 option schemes and the share award scheme disclosed in pages 18 to 23 of this report and Note 24 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 2016.

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 2016, 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 of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Company/name of associated corporation	Capacity	Total number of ordinary shares (1) (3) (4)	Percentage of interest in such corporation (5)
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	19,532,000(L)(2)	1.08%

Notes:

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

(2) It included Mr. Cui Xiangdong's interests in 12,000,000 Shares, share options to subscribe for 4,800,000 Shares, and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the share award scheme.

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

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

(5) As at 31 December 2016, the total number of issued shares of the Company is 1,810,147,058.

Save as disclosed above, as at 31 December 2016, 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 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 2016, 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 shareholders	Capacity	Total number of ordinary shares (1)	Approximate percentage of shareholding (12)
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)	5.79%
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)	22.80%
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)	22.80%
Pilkington Group Limited	Beneficial owner	233,731,697(L)	12.91%
NSG UK Enterprises, Limited	Interest of a controlled corporation (8)	233,731,697(L)	12.91%
NSG Holding (Europe) Limited	Interest of a controlled corporation (9)	233,731,697(L)	12.91%
Nippon Sheet Glass Co., Ltd.	Interest of a controlled corporation (10)	233,731,697(L)	12.91%
China Triumph International investment Company Limited	Beneficial owner	156,424,621(L)	8.64%
Triumph Technology Group Company	Beneficial owner/interest of a controlled corporation (11)	416,424,621(L)	23.01%
China National Building Material Group Co., Ltd	Interest of a controlled corporation (11)	416,424,621(L)	23.01%

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) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Technology Group Company, which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd. Triumph Technology Group Company is taken to be interested in the shares held by China Triumph International Investment Company Limited; and each of China National Building Material Group Co., Ltd and Triumph Technology Group Company is taken to be interested in the shares held by China Triumph International Investment Company Limited by virtue of Part XV of the SFO.

(12) As at 31 December 2016, the total number of issued shares of the Company is 1,810,147,058.

Save as disclosed above, as at 31 December 2016, 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 SCHEMES

A. The Old Share Option Scheme

The Company conditionally adopted a share option scheme (the "Old Share Option Scheme") on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares. The following is a summary of the principal terms of the rules of the Old 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 Old 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 original maximum number of Shares in respect of which options may be granted under the Old 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 was 36,000,000 Shares. As a result of the division of shares in 2011, the maximum number of shares in respect of which options may be granted under the Old Share Option Scheme and other share option schemes of the Company was adjusted to 72,000,000 Shares. The Old Share Option Scheme was expired on 22 June 2015. No further options will be granted under the Old Share Option Scheme.

(f) *Timing for exercise of options*

The period during which an option may be exercised in accordance with the terms of the Old 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 Old Share Option Scheme*

The Old 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. The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme.

On 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Old Share Option Scheme. Further details of the share options are set out in Note 24(a) to the financial statements.

The closing price of the shares of the Company on 13 May 2015 was HK$1.25 per share. Movement of share options granted under the option scheme during the year ended 31 December 2016 are as follow:

					No. of Share			
Participant	Date of grant[1]	Exercise price per share	Exercise period from	until	Held as at 1/1/2016	Forfeited during the period	Held as at 31/12/2016	Approximate percentage interest in the Company's issued Shares
Cui Xiangdong	13/5/2015	1.25	13/5/2016	12/5/2022	1,920,000	–	1,920,000	0.11%
	13/5/2015	1.25	13/5/2017	12/5/2022	1,440,000	–	1,440,000	0.08%
	13/5/2015	1.25	13/5/2018	12/5/2022	1,440,000	–	1,440,000	0.08%
Employees	13/5/2015	1.25	13/5/2016	12/5/2022	11,428,000	144,000	11,284,000	0.63%
	13/5/2015	1.25	13/5/2017	12/5/2022	8,571,000	108,000	8,463,000	0.47%
	13/5/2015	1.25	13/5/2018	12/5/2022	8,571,000	108,000	8,463,000	0.47%
Total					33,370,000	360,000	33,010,000	

Notes:

(1) The fair value of the share options granted during the year ended 31 December 2015 was estimated to be approximately from HK$0.5100 to HK$0.7102 per share as at 13 May 2015, being the date of grant, using the Binomial Model. The accounting policy adopted in relation to share options is in accordance with the same accounting policy adopted in the 2015 annual financial statements.

The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme.

B. The New Share Option Scheme

The Company adopted the new share option scheme (the "New Share Option Scheme") at its special general meeting held on 19 February 2016. As at the date of the report, no options have been granted under the New Share Option Scheme. The following is a summary of the principal terms of the rules of the New 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 New Share Option Scheme*

The New 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 New 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 19 February 2016, the date of the special general meeting approving the New Share Option Scheme, which is 181,014,705 Shares (representing 10.00% 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 New 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 New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New 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 New 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 New Share Option Scheme.

SHARE AWARD SCHEME

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

(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.

No shares were awarded to directors and employees of the Group during the year ended 31 December 2016 under the share award scheme. Further details of the awards granted under the share award scheme are set out in Note 24(b) to the financial statements.

CONVERTIBLE BONDS

On 4 February 2016, the Company issued unsecured redeemable convertible bonds with a principal amount of US$10,000,000, at the interest rate of 7.5% per annum and maturing on 4 February 2021 (the "**Convertible Bonds**") to China-Africa Manufacturing Investment Co., Limited (the "**Bondholder**").

The Bondholder could, until 25 January 2021, convert the bonds into the Company's shares at HK$1.28 per share (the "**Initial Conversion Price**") (subject to adjustment in accordance with the subscription agreement for the Convertible Bonds). The Bondholder shall have the right to require the Company to redeem, in stages, the convertible bonds by depositing a notice of redemption the outstanding principal amount at any time from 4 February 2019 to 4 February 2021. If at any time till 25 January 2021, the closing price per share for each trading day of any 15 consecutive trading day period equals to or exceeds HK$2.56, the Bondholder shall be obliged to convert the bonds into the Company's shares. Based on the initial Conversion Price of HK$1.28 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price under the Subscription Agreement and based on the prevailing exchange rate on 4 February 2016, the date of the subscription agreement for the Convertible Bonds, the Convertible Bonds will be convertible into 60,554,687 conversion shares of the Company. The Convertible Bonds bear interest from the issue date of the Convertible Bonds at the rate of 7.5% per annum payable semi-annually in arrears on 30 April and 31 October in each year. There was no movement in the number of Convertible Bonds during the year since the issue of the Convertible Bonds. The net proceeds from the issue of the Convertible Bonds has been applied to the Group's investment projects in Africa, including the establishment of the new production base in Nigeria.

Further details of the Convertible Bonds are set out in Note 22 to the financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Director

Mr. Cui Xiangdong (崔向東), aged 56, is the Executive Director and the Chief Executive Officer of the Company. Mr. Cui now serves as Chairman and Legal representative of Weihai CNG Coated Glass Co., Ltd., Weihai CNG New Technology Glass Ltd., Zhongbo Technology Co., Ltd., Linyi CNG Glass Co., Ltd., Suqian CNG New Materials Co.,Ltd, subsidiaries of the Company. Mr. Cui is an accountant and a senior economist with a university degree. Mr. Cui has previously served as financial director of Weihai Glass Factory, General Manager of Shandong Blue Star Glass Group Co., Ltd., and Senior Vice President of the Company, Mr. Cui has extensive experience in building material industry, corporate management and marketing over 30 years.

Non-Executive Directors

Mr. Peng Shou (彭壽), aged 56, is a non-executive Director and the Chairman of the Company. Mr. Peng joined the Group since 13 February 2015. Mr.Peng obtained the Bachelor's Degree of Engineer from Wuhan Institute of Building Material Industry (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree of Management from Wuhan Poly-technic University (now renamed as Wuhan University of Technology in 2001). Mr. Peng is a senior engineer at professor level, doctoral supervisor, a national engineering survey and design master, expert enjoying special allowance from the State Council, one of the first national candidates for "New Century Talent Project", Deputy Supervisor of Material Technology International Promotion Center of United Nations Industrial Development Organization, adjunct professor of Wuhan University of Technology, member of the Academic Committee of Major Laboratory of Silicate Material Engineering under the Ministry of Education. He won Science and Technology Prize Awarded by the Ho Leung Ho Lee Foundation, Guanghua Engineering Science and Technology Award and National Excellent Science and Technology Worker and bearer of National May 1 Labor Medal. Mr. Peng led science and technology research team to the second prize of National Science & Technology Progress Award for three times. Mr. Peng has accumulated over 30 years of professional and managerial experience in the building material industry. He is an expert in inorganic material research and development and engineering design and consultancy. Mr. Peng is the general manager of Triumph Technology Group Company("Triumph Technology")(a substantial shareholder of the Company) and has been working as the executive director of China National Building Material Group Corporation("CNBM")(Stock Code:3323), an associate of Triumph Technology, Vice President of CNBM, Chairman of the Board 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. Mr. Peng worked as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016. At present, Mr. Peng is also working as 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), etc.

Mr. Zhao John Huan (趙令歡), aged 54, is a Non-executive Director of the Company. Mr. Zhao obtained a bachelor degree in physics from Nanjing University (南京大學) in 1984, dual master degrees in electrical engineering and physics from Northern Illinois University in United States in 1990, a master degree in business administration from the Kellogg School of Management at Northwestern University in the United States of America ("USA") in 1996. Mr. Zhao is currently an executive director and executive vice president of Legend Holdings Corporation Limited (a substantial shareholder of the Company), a non-executive director of Lenovo Group Limited (a company listed on the Stock Exchange, stock code: 0992), the chairman of the board and chief executive officer of Best Food Holding Company Limited (a company listed on the Stock Exchange, stock code: 1488), the chairman of the board of Hospital Corporation of China Limited (a company listed on the Stock Exchange, stock code: 3869), the deputy chairman of Shanghai Environment Group Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 601200), the non-executive director of Shanghai Jin Jiang International Hotels (Group) Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600754), the non-executive director of Zoomlion Heavy Industry Science&Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 1157) and the Shenzhen Stock Exchange (stock code: 000157)). Mr. Zhao also held senior management positions at several large companies at home and abroad before, accumulating rich experience in corporate management. He acted as a director in each of Beijing Wumart Stores, Inc. (a company listed on the Stock Exchange), New China Life Insurance Company Ltd. (a company listed on the Stock Exchange), China Soft International Limited (a company listed on the Stock Exchange), CSPC Pharmaceutical Group Limited (a company listed on the Stock Exchange), and Fiat Industrial S.p.A. (a company listed on the Italian Stock Exchange); he also served as the research & development director and senior manager of Shure Brothers, Inc., vice president of US Robotics Inc. (a company listed on NASDAQ Stock Market), chairman of the board and president of Vadem, Inc., chairman of the board and president of Infolio Inc. and a managing partner and chief executive officer of eGarden Ventures, Ltd.

Mr. Zhou Cheng (周誠), aged 60, 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 the 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. Guo Wen (郭文), aged 48, was a Non-executive Director of the Company. He joined the Group on 6 March 2014. Mr. Guo 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 International Limited, which is an indirect substantial shareholder of the Company; at the same time, Mr. Guo is currently the member of the Listed Companies Merger and Reorganisation Vetting Committee of the CSRC. Mr. Guo has resigned as a Non-executive Director of the Company on 28 March 2017.

Mr. Tang Liwei (湯李煒), aged 43, is a Non-Executive Director of the Company. Mr. Tang joined the Group on 28 March 2017. Mr. Tang graduated from Shanghai University of Finance and Economics with an Executive Master in Business Administration degree, and is a senior accountant and certified management accountant. Mr. Tang has over 20 years of experience in business and management in the manufacturing industry. Mr. Tang is currently the deputy general manager and the general accountant of Triumph Technology Group Company Limited*（凱盛科技集團有限公司）, a substantial shareholder of the Company since October 2014. Prior to this role, Mr. Tang was the head of finance department and chief executive assistant at China Triumph International Engineering Company Limited*（中國建材國際工程集團有限公司）since March 2005. Mr. Tang is currently also a non-executive director of Luoyang Glass Company Limited*（洛陽玻璃股份有限公司）, a company listed on the Stock Exchange of Hong Kong (stock code: 1108).

Independent Non-Executive Directors

Mr. Zhang Baiheng (張佰恒), aged 55, is an Independent Non-executive Director of the Company. 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. He was the deputy director of the China Building Material Industry Association, the deputy secretary general of the China Architectural and Industrial Glass Association, the secretary general of the China Architectural and Industrial Glass Association, the independent director of AVIC Sanxin Co., Ltd*（中航三鑫股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 002163) and the independent director of Jiangsu Xiuqiang Glasswork Co., Ltd*（江蘇秀強玻璃工藝股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300160). Mr. Zhang currently serves as the Executive Vice President and the secretary general of the China Architectural and Industrial Glass Association.

Mr. Zhao Lihua (趙立華), aged 74, is an Independent Non-executive Director of the Company. Mr. Zhao joined the Group on 30 June 2011. He 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. Mr. Zhao was also a former professor and tutor of doctorate candidates of Hunan University, the Chairman of Hebei Huda Technology & Education Development Co., Ltd. and the chief supervisor of Sinosafe General Insurance Co. Ltd. He also served as the Independent Non-executive Director of CNBM (stock code: 3323) in 2014 and resigned on 7 April 2016. Mr. Zhao has also been an Independent Non-executive Director of Hydoo International Holding Limited (stock code: 1396) since 23 November 2014.

Mr. Chen Huachen (陳華晨), aged 38, is an Independent Non-executive Director of the Company. 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. Li Ping (李平), aged 55, is the Senior Vice President of the Company. Mr. Li is the Chairman of the CNG Glass (Nigeria) Fze, a subsidiary of the Company. He is a senior engineer at postgraduate level and graduated in 1982 from Zhejiang University with a bachelor degree in Engineering majoring in metasilicate, and obtained a master's degree in Business Administration from China University of Mining and Technology in 2002. He has formerly worked as deputy head of Jiangsu Glass Factory, general manager of Jiangsu Glass Group Company Limited and Executive Director of the Company. He has 33 years of extensive experience in the building material industry and corporate management.

Mr. Lu Guo (呂國), aged 54, is a Vice President of the Company. Mr. Lu is a director of Linyi CNG Glass Co., Ltd., Xianyang CNG Coated Glass Limited and Suqian CNG New Materials Co.,Ltd, subsidiaries of the Company. Mr. Lu is a senior engineer at postgraduate level. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material, majoring in glass. He has worked as head of a branch factory of Jiangsu Glass Factory, a deputy general manager of Jiangsu Glass Group, General Manager of Jiangsu SHD New Materials Co. Ltd., and Dongtai China Glass Special Glass Co. Ltd.. He has 31 years of extensive experience in glass industry.

Mr. Ge Yankai (葛言凱), aged 56, is a Vice President of the Company. He is a director of Weihai CNG Coated Glass Co., Ltd., Weihai CNG New Technology Glass Ltd., Zhongbo Technology Co., Ltd. and Linyi CNG Glass Co., Ltd., subsidiaries of the Company; 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 has previously served as deputy general manager Shandong Blue Star Glass Group Co., Ltd. and head of a branch factory of Float Glass Factory, director and deputy general manager of Weihai CNG Coated Glass Co., Ltd., Weihai CNG New Technology Glass Ltd. and Zhongbo Technology Co., Ltd. He has 35 years of extensive experience in the glass industry in the PRC.

Mr. Yang Hongfu (楊洪富), aged 55, is a Vice President of the Company. He is Chairman of Jiangsu SHD New Materials Co. Ltd., Dongtai China Glass Special Glass Co., Ltd. and Beijing Qinchang Glass Co., Ltd., subsidiaries of the Company; 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 of Jiangsu Nantong Yaorong Glass Co., Ltd.

Mr. Xu Ning (徐寧), age 53, is the Vice President of the Company. Mr. Xu was appointed as Vice President of the Company on 13 May 2016. Mr. Xu currently serves as a director of Weihai CNG New Technology Glass Ltd., Linyi CNG Glass Co., Ltd., Shaanxi CNG New Technology Co., Ltd., Xianyang CNG Coated Glass Limited (中玻(咸陽)鍍膜玻璃有限公司) and Wuhai CNG Special Glass Limited, etc. subsidiaries of the Company. Mr. Xu, a senior economist with a university degree, has previously served as Chief Economist and deputy head of Shaanxi Glass Factory, general manager and chairman of Shaanxi Blue Star Glass Company Limited (陝西藍星玻璃有限公司), general manager of Linyi CNG Glass Co., Ltd., director, vice president, chairman and President of China Yaohua Glass Group Limited (中國耀華玻璃集團有限公司). Mr. Xu has extensive experience in the glass sector over 30 years, and was awarded honorary titles such as Model Worker in National Building Material Industry (全國建材行業勞動模範).

Mr. Cheng Xin (程昕), aged 44, was a Vice President of the Company. Mr. Cheng is a director of Weihai CNG Coated Glass Co., Ltd., Weihai CNG New Technology Glass Ltd., Linyi CNG Glass Co., Ltd., Wuhai CNG Special Glass Limited, and Shaanxi CNG New Technology Co.,Ltd., subsidiaries of the Company, and Supervisor of Zhongbo Technology Co., Ltd., Jiangsu SHD New Materials Co. Ltd., and Dongtai China Glass Special Glass Co., Ltd. Mr. Cheng is a registered security analyst, economist and a Master of Business Administration from China Europe International Business School. Mr. Cheng has previously worked as the manager of Investment Advisory Department of Haitong Securities Co., Ltd., and deputy general manager of Junxin Venture Capital Investment Company. He has 22 years of extensive experience in mergers and acquisitions and investment field. Mr. Cheng has resigned as a Vice President of the Company on 31 December 2016.

Mr. Wang Jianxun (汪建勛), aged 59, is the Chief Technology Officer of the Company. Mr. Wang is the Chairman of Hangzhou Blue Star New Materials Technology Company Limited, a subsidiary of the Company. He is a senior engineer at professor level. He graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor's degree in engineering. Mr. Wang has previously worked as engineer, deputy chief engineer, senior engineer, senior engineer at professor level in Qinhuangdao Glass Design Research Institute; he is a professor of Zhejiang University and was awarded National S&T Progress Awards for several times. Mr. Wang has over 34 years of extensive experience in the research and development and application on the glass engineering project design.

Mr. Han Liming (韓黎明), aged 41, is the Chief Finance Officer of the Company. Mr. Han joined the Group on 28 March 2017. Mr. Han is an accountant with a master's degree in Business Administration. Mr. Han worked in finance department of China National Building Material Group Corporation (中國建築材料集團有限公司) and served as the general manager of finance department of China Building Material Glass Limited (中建材玻璃公司). Mr. Han also acted as the deputy director of financial audit department of Triumph Technology Group Company (凱盛科技集團公司), a substantial shareholder of the Company. Mr. Han has 18 years of experience in financial management in the glass industry.

Company Secretary

Ms. Pan Jianli (潘建麗), aged 39, is the Company Secretary of the Company. Ms. Pan joined the Group in March 2007. Ms. Pan holds a master's degree in corporate management from Peking University, and is a senior accountant and a Chinese Certified Public Accountants. 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.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group entered into one transaction (the "**Triumph Group Transaction**") which constituted a non-exempt connected transaction under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules:

1. On 25 August 2016, Suqian CNG Electronic Glass Co., Ltd. ("**CNG Electronic Glass**") (a wholly-owned subsidiary of the Company) entered into two construction contracts with Shenzhen Triumph Technology Engineering Co., Ltd. ("**Shenzhen Triumph Technology Engineering**") at the contract price of around RMB31,180,000, pursuant to which CNG Electronic Glass engaged Shenzhen Triumph Technology Engineering to carry out design, procurement and installation work for the relevant components in the Group's new electronic glass production line. The purpose of the transaction is that in line with the Company's strategy to promote innovation and maintain its high technology competitive edge in the industry, the Company has been focusing on new product planning, one of which is the research and development on electronic glass.

Triumph Technology Group Limited ("Triumph Group Company"), a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules and Shenzhen Triumph Technology Engineering is an associate of Triumph Group Company under the Listing Rules. Accordingly, the entering into the Triumph Group Transaction constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Save as disclosed above, the Group had not entered into any other connected transactions or non-exempted continuing connected transactions for the year ended 31 December 2016 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 material related party transactions are set out in Note 27 to the financial statements. Save as disclosed above, 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.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

During the year ended 31 December 2016, there were no changes to the total number of shares or the share capital structure of the Company.

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 2016, 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 2016.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of non-adjusting events after the reporting period of the Group are set out in Note 32 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business operates in an industry that is subject to changes in market conditions, changing industry standards, environmental regulations, industry competition and changing customers' needs. It is important for the Group to timely respond to these changes which may adversely affect the Group's business and financial results.

In 2017, the glass industry will be further differentiated and adjusted as the process to cut excessive industrial capacity will continue further. As for ordinary float glass, parts of potential capabilities may accelerate to release attributed to the price recovery in 2016. The Group has taken a number of measures to address the uncertainties faced by the industry, for further details, please refer to the section headed "Major Work Plans for 2017" on page 8 to 9 of this Report.

The Group is also subject to other financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk, in the normal course of the Group's business. Particulars of financial risk management of the Group are set out in Note 30 to the consolidated financial statements.

RELATIONSHIP WITH EMPLOYEES

The Group understands that employees are valuable assets to the Group and their valuable contribution to the success of the Group. The Group persisted in the combination of a people-oriented management philosophy and an innovation mechanism. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Company and its staff, and created a positive, healthy and motivated corporate culture and work environment for its employees. Meanwhile, the Group 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. Moreover, the Group also incessantly optimized its human resources structure, and improved its management methods in order to fully bring out employees' enthusiasm and initiatives.

RELATIONSHIP WITH CUSTOMERS

As a glass manufacturer, the Group's business depends on its ability to develop and maintain successful commercial relationships with its customers. The Group has always been focusing on the concerns of its customers, and 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's effective opinions and advice. Through various ways including initial training and on-site guidance, the Group strives to perform excellent pre-sales service by allowing the customers to understand product performance, processing parameters, and other matters worthy of attention. The Group has set up nation-wide complaint hotlines and formed stringent customer complaint feed-back mechanism and the relevant solving procedures.

RELATIONSHIP WITH SUPPLIERS

The Group selects and reserves quality suppliers as its partners to establish a long-term strategic partnership. Insisting on equal consultation and win-win principle, the Group has set up a unified supplier management system and established a fair and just supplier evaluation system by tender and negotiated tender procurement, creating a favourable competitive environment for the suppliers. The Group also offers free technology guidance to suppliers, continuously improving their quality management at various aspects including raw material and fuel procurement, product manufacturing, packaging, storage and transportation, protection and product delivery, ensuring the quality control of each process and maximizing the product quality standard.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's construction of environmental protection facilities has been in a leading position in the industry; it adamantly implements government laws and regulations regarding environmental protection. Each of the manufacturing bases has been equipped with environmental protection facilities up to standard.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended on 31 December 2016 and up to the date of this report, there is no material non-compliance with the relevant laws and regulations applicable to the Group.

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 2016 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
Peng Shou
Chairman

Hong Kong, 28 March 2017

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

WORK ENVIRONMENT

Corporate Culture

The Group persisted in the combination of a people-oriented management philosophy and an innovation mechanism. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Company and its staff, and created a positive, healthy and motivated corporate culture and work environment for its employees. Meanwhile, the Group 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. Moreover, the Group also incessantly optimized its human resources structure, and improved its management methods in order to fully bring out employees' enthusiasm and initiatives.

The number of the Group's employees by employment type, age group and geographical region is set out as follows:

		As of 31 December 2016								
		Age Group				Geographical Region				
Total number of employees	Employment type	Below 35 years	Between 35-60 years	Above 60 years	Total	Shandong	Shaanxi	Jiangsu	Inner Mongolia	Others
4007	Contract employee	770	3,231	6	4,007	1,478	680	1,309	452	88

Health and Safety

The Group constantly complies with the policy in its safety production that "safety comes first; prevention is better than cure; cure is implemented by comprehensive management measures", based on people orientation and safe development, to ensure the smooth execution of production activities through carrying out quality, environmental protection, energy, occupational health and safety, and safety production standardization (GB/T19001-2016, GB/T24001-2015, GB/T23331-2012 (RB/T111-2014), GB/T28001-2011, AQ/T9006-2010) in the activities of manufacturing and operations.

The key persons in charge of various production & operation units and supervisors at all levels of the Group take full responsibility for the safety production in their own unit or department. Production must follow the safety needs to achieve safe production and civilized production. The Company has set up a safety production standardization management system, with a series of safety measures required to be taken, including but not limited to setting up safety management organization, equipping safety management personnel, establishing goals and indicators for safety production, ensuring safe input, regularly providing education and training for staff, and enhancing the operation and maintenance of production equipment and facilities.

In 2016, the Group implemented the procedures, rules and regulations above for the year, and sustained zero job related fatality and zero workday loss caused by job related fatality. The process of implementation was reviewed regularly and supervised by spot check by the committee designated by the senior management.

Development and Training

The Group attaches great importance to the improvement of comprehensive quality and expertise of the staff, and works out training programs in a scientific manner for the employees of each position based on their business needs. In 2016, training activities provided by the Company to employees included:

- induction training for new staff;
- in-service and transferred staff skills training;
- professional job skills enhancement and technical backbone staff training;
- learning exchange opportunities like academic seminars and external specialized training organized by professional authoritative institutions; as well as training seminars organized by professionals;
- regular specialized training for employees based overseas;
- training by in-house trainers;
- scheduled and focused year-round comprehensive skills training for management staff of high and middle level through the Group's cyber college.

The Group's statistics of staff training by staff category completed during the year is set out below:

	For the year ended 31 December 2016							
Staff Category	**High Level Management**	**Middle Level Management**	**Base Level Management**	**Technical Staff**	**Marketing staff**	**Production staff**	**Others**	**Total**
Staff Size (Persons)	64	287	409	157	91	2,328	671	4,007
No. of Persons trained	64	287	394	150	91	1,969	519	3,474
Percent of Persons trained	100%	100%	96%	96%	100%	85%	77%	87%

Labor Standards

The Group has 99% staff in China. The Group complies with the relevant requirements of national laws and regulations in its recruitment activities. The Group recruits and promotes employees in an open and fair way, safeguards its employees' legal rights and interests, arranges reasonable working time and rigorously forbids child and forced labor.

In recent years, the Group has focused on the optimization of human resources allocation to improve efficiency. Affected by the close and relocation of Nanjing Base and Beijing Base and cold repair of Linyi 2nd Line, the Group reduced its staff size accordingly.

The Group conducts comprehensive self-examination in regards to employment matters from time to time to prevent and timely rectify any potential non-compliance.

ENVIRONMENTAL PROTECTION

Emissions

The Group adamantly implements government laws and regulations regarding environmental protection. The Company's current environmental protection system is sound; the manufacturing departments of the Group has established a management team to specialize in environmental protection and energy saving matters. Each of the manufacturing bases has been equipped with environment management system and environmental protection facilities up to standard; and each of the manufacturing bases has responsible staff in charge of operation of environmental protection and energy saving facilities. The Group invested approximately RMB56 million in environmental protection facilities in 2016 and approximately RMB40.6 million in the corresponding period of 2015.

Smoke and waste gas on-line monitoring systems installed in the manufacturing bases are connected to the Environmental Protection Department's network. Meanwhile, heat recovery power generation equipment has been installed in each of the manufacturing bases, basically in synchronous operation with the float glass production lines. A total of 107 million kWh of electricity was generated by various manufacturing bases in 2016, and a total of 100 million kWh of electricity was generated in 2015. A total of 89 million kWh of electricity was supplied in 2016, representing 36% of the total electricity used by various manufacturing bases.

In 2016, the desulfurization equipments of various manufacturing bases of the Group were in normal operation. Sulfur compound emissions were all within legal limits. For denitration, denitration equipment of Suqian Base have been in operation in early 2016, achieving the required nitrogen oxide emission standards. Desulfurization equipments of other manufacturing bases of the Group were in normal operation, with nitrogen oxide emission within legal limits.

The Group adopts the following policy and indicators for the emissions by sheet glass production:

Pollutant	**Particulate matter**	**Sulfur dioxide**	**Nitrogen oxide**
Unit		*mg/m³*	
GB 26453－2011	50	400	700
DB 37/2373－2013	30	300	500
DB 37/2376－2013	30	200	500

1. Exhaust emission: Suqian Base, Dongtai Base, Xianyang Base and Wuhai Base implemented *Emission Standard of Air Pollutants for flat Glass Industry* (GB 26453 – 2011); Weihai Base and Linyi Base implemented *Emission Standard of Air Pollutants for Building Material Industry in Shandong Province* (DB 37/2373 – 2013), and *Integrated Emission Standard of Regional Air Pollutants in Shandong Province* (DB 37/2376 – 2013) since January 1, 2017.

   Emission load of main pollutants:

No.	**Name of pollutant**	**Unit**	**2016**	**2015**
1	Sulfur dioxide	Tons	1,262	1,703
2	Nitrogen oxide	Tons	2,397	4,339

2. Wastewater discharge: Dongtai Base, Linyi Base, Weihai Base, Wuhai Base and Suqian Base recycled the production wastewater, transmitted domestic sewage to the local sewage treatment plants for treatment after reaching the take-over standard of such plant; Xianyang Base treated the production wastewater and domestic sewage at its own discretion and discharged it after it complies with the *Integrated Emission Standard of Sewage in Weihe Basin (Shaanxi Section)* (DB 61/224 – 2006). Linyi Base and Wuhai Base transmitted the coke oven gas condensate wastewater to the local coking plants for treatment while Dongtai Base treated the coke oven gas condensate wastewater at its own discretion and reused it in glass raw material batching.

3. Hazardous wastes:

   Dongtai Base generated 33 tons of denitration dead catalyst in 2016 as its useful life had expired and recycled it after recovery in the catalyst recovery unit according to national management requirements for hazardous wastes. Other bases of the Group generated no hazardous wastes.

   No bases of the Group generated hazardous wastes in 2015.

4. Greenhouse gas emission: the Group generated a greenhouse gas emission of 1.567 million tons in 2016, basically remaining the same as 2015.

Use of Resources

Production lines of the Group's Dongtai, Wuhai 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. There was a saving of nearly 142,000 tons of standard coal equivalent in 2016 and nearly 130,000 tons of standard coal equivalent in 2015.

The Group vigorously implements measures for cost reduction and production efficiency improvement, 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 evaluation on its resource consumption. The total energy consumption in 2016 is slightly increased as compared to 2015, mainly due to that Linyi production line 1 resumed its production after completion of cold repair in January 2016.

Total Consumption

No.	Fuel Name	Unit	2016	2015
1	Coke oven gas	0'000 m^3	24,884	21,774
2	Petroleum coke powder	Tons	159,369	155,629
3	Fuel Oil	Tons	36,508	49,632
4	Natural Gas	0'000 m^3	21	27
5	Electricity	0'000 kWh	21,911	21,844
6	Nitrogen	0'000 m^3	8,661	7,692
7	Coal	Tons	108,959	77,924

In 2016, the Group has established an energy management system in all bases, further 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. The Group will continue to lower overall energy consumption through technological innovations in 2016.

From a resource saving and cost reduction perspectives, all bases of the Group actively explored new, improved packaging ways for glass products. Products selling inside and outside have been changed their original packaging techniques, which has significantly saved wood resources. For overseas sales, the Group is promoting the unpackaged product.

The Environment and Natural Resources

Many glass manufacturing equipments work 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 bases employ the closed-loop circulation system for recycled water, and its utilization rate reached above 80%. Water consumption is 2.697 million tons in 2016, basically the same as 2015. Dongtai Company was awarded Conserving Energy Advanced Company of Jiangsu Province in July 2016.

OPERATING PRACTICES

Supply Chain Management

The Group selects and reserves quality suppliers as its partners to establish a long-term strategic partnership. On the arm's length negotiations and win-win basis, the Group has set up an integrated supplier management system and established a fair and just supplier accessment system with tender and negotiated tender procurement, creating a favorable competitive environment for the suppliers. The Group obtains competitive advantage by improving upstream and downstream supply chain relationship, integrating and optimizing the information flow, logistics and fund flow.

As of 31 December 2016, the Company procured raw materials, fuel and production line equipment from over 140 appraised and qualified suppliers, of which over 100 suppliers supplied raw materials, over 10 suppliers supplied fuel, and over 30 suppliers supplied production line equipment; all of which were independent third parties and located in China. The Group procures raw materials, fuel and spare parts for its equipment from many other suppliers, and does not rely on any single supplier.

In order to enhance its product competitiveness, the Group optimizes and integrates when appropriate the supply chain from suppliers, manufacturers and warehouses to users while providing good service. Furthermore, the Group also aims at achieving the continuity and stability of the supply chain by reinforcing the self-restraint systems of environmental protection and developing a green supply chain management concept. The Group establishes standard supplier review program and selects eligible suppliers through strict process control.

PRODUCT RESPONSIBILITY

Quality Assurance

The Group considers high product quality and scientific technology the basis and drive for its business development, and actively promotes advanced scientific management technology and enhance the quality awareness of its staff so that the quality management system can be improved. Each production base has set up, implemented, maintained and strictly enforced the ISO9001 quality management system, and has received the "Quality Management System Certification"(質量管理體系認證證書) from the China National Accreditation Service for Conformity Assessment(國家認可委認證中心). The Group offers free technology guidance to its suppliers, continuously improving their quality management at various aspects that run the gamut from raw material and fuel procurement, product manufacturing, packaging, storage and transportation to preservation and product delivery, ensuring the quality control of each process and maximising the product quality standard.

Pre-sales and After-sales Services

The Group has always been focusing on the concerns of our customers. Through various ways including initial training and on-site guidance, the Group strives to perform excellent pre-sales service by allowing the customers to understand product performance, processing parameters, and other matters worthy of attention.

The Group has set up nation-wide marketing service and complaint hotlines, and formed stringent customer complaint feed-back mechanism and the relevant solving procedures. Rectification measures are promptly formulated and executed by the relevant specific departments in response to customer's valuable opinions and advice, in order to further facilitate product quality improvement, enhance service level and enable the smooth going of marketing business of the Group.

In order to better serve the clients, the Group has established sound client information and data files, with personnel designated to manage client files, and signed a job confidentiality agreement with the management personnel. The Group enhances education and training regarding customer awareness and safety awareness for relevant personnel, and provides intranet control for customer data and privacy to prevent them from leaking.

No product was returned due to safety and health issues among products sold or delivered in 2016.

Intellectual Property Rights

The Company has been committed to the R&D of high-end energy saving products, and possesses dozens of national and world class glass product technology patents. The Company continues to devote more efforts to the development of low-emission coated ("Low-E") glass technology and the promotion and application of the relevant scientific and technological achievements. By fully utilizing our technological strength on the online Low-E glass with self-owned intellectual property rights, we continuously launch new products, extend the product portfolio, improve the product quality and implement import substitution strategy so as to facilitate the development of glass industry in China.

In 2016, Wuhai "ultraviolet-proof high transmittance glass" and Dongtai on-line "Sun-E⑦ glass" have subsequently passed national verification at ministry level, filling the market gap at home and abroad; Dongtai on-line Sun-E⑦ low transmittance crystal grey 65% series has been put into trial production successfully. Upgrading of on-line silicon solar control film and light-heat property improvement experiment have solved the low transmittance of visible light of traditional solar film.

ANTI-CORRUPTION

The Group has set up Ethics and Compliance Supervision Department, carried out works according to "Reporting Management System of China Glass Holdings Limited" and established Ethics and Compliance Supervision Committee to reinforce the internal monitoring system, protect company interests, prevent and severely punish corruption practices.

In order to further enhance the integrity of the Company's management team, and ensure all manufacturing and operating activities being in compliance with relevant laws and regulations, all middle-level and above officers and business executives of departments involving external affairs are required to sign "Integrity Undertaking for Legal Operation by Officers", and actively cooperate with the monitoring by the staff and customers of the Company.

In 2016, the Group and its employees were not involved in any legal case in connection with corruption activities.

COMMUNITY INVESTMENT

Contribution to Society

The Group is committed to perform its social responsibilities and takes promoting the harmonious social development and the corporate's long-term development as its direction through devoting sustained efforts to public welfare charity activities so as to serve the community; these efforts include but are not limited to providing a certain sum of annual consolation money for needy employees who have contributed to the Group, and their close relatives, offering subsidy for the needy in the communities where the Group's subsidiaries operate and the provision of educational assistance funds.

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 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 2016, save as certain Directors abstained from voting on the connected transactions entered into by the Company for better corporate governance practice, 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. Notwithstanding that, the Company has internal 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. Guo Wen as a non-executive director, did not attend the annual general meeting of the Company held on 19 May 2016 due to other work commitments. Despite his absence, Mr. Guo designated his alternate Director, Mr. Cui Xiangdong, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiries with all the Directors, the Company confirms that all the Directors have complied with the required standard as set out in the Model Code during the financial year ended 31 December 2016.

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 evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives;
- to ensure the Company establishes and maintains appropriate and effective risk management and internal control systems;
- to oversee the Company's risk management and internal control systems on an ongoing basis;
- 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. On 28 March 2017, Mr. Zhao John Huan resigned as Chairman and Mr. Peng Shou was appointed as the new Chairman. 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 23 to 27 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 3 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 2016 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 undertaken on an annual basis.

Directors	Type of trainings
Executive Director	
Mr. Cui Xiangdong	A, B
Non-executive Directors	
Mr. Zhao John Huan	A, B
Mr. Zhou Cheng	A, B
Mr. Peng Shou	A, B
Mr. Guo Wen *(Resigned on 28 March 2017)*	A, B
Mr. Tang Liwei *(Appointed on 28 March 2017)*	N/A
Independent Non-executive Directors	
Mr. Zhang Baiheng	A, B
Mr. Zhao Lihua	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 *(resigned on 28 March 2017)*
	Mr. Peng Shou *(appointed on 28 March 2017)*

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 2016, 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, and internal control and financial reporting matters, including the review of the annual results of the Group for the year ended 31 December 2016. This discussion also includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and internal audit.

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 2016, the nomination committee met twice to consider the re-election of retiring Directors 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 *(resigned on 28 March 2017)*
	Mr. Peng Shou *(appointed on 28 March 2017)*

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 2016, the remuneration committee met twice to review the remuneration packages of the Directors and senior management.

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 2016 are set out in Notes 8 and 27 to the financial statements.

Strategy Committee

Members:

Non-executive Director	Mr. Peng Shou *(Chairman) (appointed as member and Chairman on 28 March 2017)*
	Mr. Zhao John Huan *(resigned as Chariman on 28 March 2017)*
	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 2016				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Director					
Mr. Cui Xiangdong	5/5	–	–	–	1/1
Non-executive Directors					
Mr. Zhao John Huan	5/5	2/2	2/2	–	1/1
Mr. Zhou Cheng	5/5	–	–	2/2	1/1
Mr. Guo Wen[1]	5/5	–	–	–	0/1[4]
Mr. Peng Shou	5/5	–	–	–	1/1
Mr. Tang Liwei[2]	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Zhang Baiheng	4/5[3]	2/2	2/2	2/2	1/1
Mr. Zhao Lihua	5/5	2/2	2/2	2/2	1/1
Mr. Chen Huachen	4/5[4]	2/2	–	–	1/1

1 Resigned as Director on 28 March 2017
2 Appointed as Director on 28 March 2017
3 The meeting not attended in person was attended by his alternate director, Mr. Guo Wen
4 The meeting not attended in person was attended by his alternate director, Mr. Cui Xiangdong

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 AND RISK MANAGEMENT

The Board has overall responsibility for maintaining a sound and effective risk management internal control system of the Group. The Group endeavors to set up risk management and internal control systems 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. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated to the audit committee the responsibilities of reviewing the effectiveness of its risk management and internal control systems and the audit committee has conducted a review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016. The review has covered all material controls, including financial, operational and compliance controls with an aim of minimising the overall business and operational risks of the Group, and management has provided a confirmation to the Board on the effectiveness and adequacy of these systems for the year ended 31 December 2016, which is then discussed with and reviewed by the Board.

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 27 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 RMB5.9 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 2016.

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)

OPINION

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 130, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Going concern

Refer to Note 2(b) to the consolidated financial statements.

The Key Audit Matter

The consolidated financial statements of the Group are prepared on a going concern basis.

As at 31 December 2016 the Group had net current liabilities of RMB1,861,565,000. Note 2(b) to the consolidated financial statements explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group.

The directors of the Company made their assessment of going concern by preparing a cash flow forecast in which some key assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and necessary capital expenditure for glass products and the availability of banking and other financing facilities as well as financial support from the largest shareholder of the Company.

We identified going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Group which are inherently uncertain and because the management judgement and inherent uncertainties could have significant impact on the basis of preparation of the consolidated financial statements and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess going concern included the following:

- assessing and challenging the key assumptions used by management in the cash flow forecast (including forecast sales volumes, average selling prices, raw materials costs and necessary capital expenditure for glass products) and evaluating whether there were any indicators of management bias by comparing the key assumptions, where possible, to budgets reviewed by management and market and other external available information;

- assessing the availability of banking and other financing facilities during the forecast period by inspecting contacts or agreements signed with banks and other financial facilities both before and after the reporting date;

- comparing the cash flow forecast prepared in the prior year with the current year's performance of the Group to assess how accurate the prior year's cash flow forecast was and making enquiries of management as to the reasons for any significant variations identified;

KEY AUDIT MATTERS (continued)

Going concern (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
	• inspecting relevant underlying documentation in relation to banking and other financing facilities and evaluating whether the financing facilities were sufficient to meet the Group's needs in the context of the cash flow forecast, taking into the account any breach of loan covenants which may trigger early repayment of loans; • inspecting a letter of financial support from the largest shareholder of the Company and assessing the intention of the largest shareholder to provide such financial support, the legality and enforceability of the terms of the letter and the ability of the largest shareholder to provide such financial support by inspecting publicly available financial information and publicly announced financing plans of the largest shareholder of the Company; • obtaining from management sensitivity analyses of the key assumptions (including forecast sales volumes, average selling prices, raw materials costs and necessary capital expenditure for production) adopted in the cash flow forecast prepared by management and assessing the impact on the conclusions of the going concern assessment; and • assessing the related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Potential impairment of property, plant and equipment

Refer to Note 11 to the consolidated financial statements and the accounting policies on page 64.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2016, the Group's property, plant and equipment is the most quantitatively significant item in the consolidated statement of financial position and mainly comprises plant, buildings, machinery and equipment used in the Group's glass production lines located in the People's Republic of China. The Group's property, plant and equipment is allocated to relevant cash generating units ("CGUs") for the purpose of assessing if there is any impairment at the end of the reporting period. Management considered that there were indicators of potential impairment of property, plant and equipment at 31 December 2016 because certain CGUs have sustained losses and, consequently, management prepared impairment assessments of the loss-making CGUs by assessing their recoverable amounts using value in use calculations based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating future production and sales volumes and future unit selling prices and unit costs for the relevant CGUs in different locations and in determining the discount rates applied, all of which may be inherently uncertain. We identified assessing potential impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of property, plant and equipment included the following: • challenging the evidence on which management based its assessment as to whether indicators of impairment existed by comparing historical performance with the current financial performance and considering changes in market conditions; • assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards; • engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards; • challenging the key assumptions adopted in the discounted cash flow forecasts, including future production and sales volumes and future unit selling prices and unit costs by comparing these inputs with the historical results of each CGU and economic and industry forecasts; • evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias in the process.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Man Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in Renminbi ("RMB"))

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**2,139,650**	1,968,857
Cost of sales		**(1,812,394)**	(1,890,567)
Gross profit	4	**327,256**	78,290
Other income	5	**163,389**	29,063
Distribution costs		**(75,599)**	(73,218)
Administrative expenses		**(214,123)**	(397,117)
Other expenses	6(c)	**(39,260)**	(62,563)
Profit/(loss) from operations		**161,663**	(425,545)
Share of losses of an associate		**(69)**	(43)
Finance costs	6(a)	**(134,476)**	(130,386)
Profit/(loss) before taxation	6	**27,118**	(555,974)
Income tax	7	**(6,384)**	75,876
Profit/(loss) for the year		**20,734**	(480,098)
Attributable to:			
Equity shareholders of the Company		**21,055**	(426,389)
Non-controlling interests		**(321)**	(53,709)
Profit/(loss) for the year		**20,734**	(480,098)
Earnings/(loss) per share (RMB cent)			
Basic	10(a)	**1.16**	(23.56)
Diluted	10(b)	**1.05**	(23.56)

The notes on pages 61 to 130 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 26(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016
(Expressed in RMB)

	2016 RMB'000	2015 RMB'000
Profit/(loss) for the year	**20,734**	(480,098)
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	**18,919**	15,781
Total comprehensive income for the year	**39,653**	(464,317)
Attributable to:		
Equity shareholders of the Company	**39,974**	(410,608)
Non-controlling interests	**(321)**	(53,709)
Total comprehensive income for the year	**39,653**	(464,317)

The notes on pages 61 to 130 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	11	**3,773,797**	3,407,633
Lease prepayments	13	**267,570**	248,767
Intangible assets	14	**–**	–
Interest in an associate	15	**424**	493
Available-for-sale investments		**1,991**	1,495
Deferred tax assets	25(b)	**218,510**	200,348
		4,262,292	3,858,736
Current assets			
Inventories	16	**429,062**	385,701
Trade and other receivables	17	**563,249**	607,022
Assets held-for-sale	18	**22,829**	–
Prepaid income tax	25(a)	**12,561**	18,926
Cash and cash equivalents	19	**491,644**	775,217
		1,519,345	1,786,866
Current liabilities			
Trade and other payables	20	**1,808,734**	1,647,105
Bank and other loans	21	**1,485,050**	1,132,943
Obligations under finance leases	23	**19,874**	26,567
Income tax payable	25(a)	**67,252**	65,006
		3,380,910	2,871,621
Net current liabilities		**(1,861,565)**	(1,084,755)
Total assets less current liabilities		**2,400,727**	2,773,981

The notes on pages 61 to 130 form part of these financial statements.

Consolidated Statement of Financial Position (CONTINUED)

At 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank and other loans	21	**28,311**	506,736
Convertible bonds	22	**62,318**	–
Obligations under finance leases	23	**96,268**	106,142
Deferred tax liabilities	25(b)	**33,718**	30,502
Other non-current liabilities		**3,798**	–
		224,413	643,380
NET ASSETS		**2,176,314**	2,130,601
CAPITAL AND RESERVES	26		
Share capital		**84,867**	84,867
Reserves		**1,886,853**	1,840,819
Total equity attributable to equity shareholders of the Company		**1,971,720**	1,925,686
Non-controlling interests		**204,594**	204,915
TOTAL EQUITY		**2,176,314**	2,130,601

Approved and authorised for issue by the board of directors on 28 March 2017.

Peng Shou
Director

Cui Xiangdong
Director

The notes on pages 61 to 130 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 26(c))	Share premium RMB'000 (Note 26(d)(i))	Capital reserve RMB'000 (Note26(d)(ii))	Statutory reserves RMB'000 (Note 26(d)(iii))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 26(d)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	84,867	2,081,912	17,920	40,785	(447,114)	(33,080)	584,845	2,330,135	259,524	2,589,659
Changes in equity for 2015										
Loss for the year	–	–	–	–	–	–	(426,389)	(426,389)	(53,709)	(480,098)
Other comprehensive income	–	–	–	–	–	15,781	–	15,781	–	15,781
Total comprehensive income for the year	–	–	–	–	–	15,781	(426,389)	(410,608)	(53,709)	(464,317)
Dividends approved by a subsidiary of the Group in respect of the previous year	–	–	–	–	–	–	–	–	(900)	(900)
Equity settled share-based transactions (Note 24(a))	–	–	6,159	–	–	–	–	6,159	–	6,159
	–	–	6,159	–	–	–	–	6,159	(900)	5,259
Balance at 31 December 2015	84,867	2,081,912	24,079	40,785	(447,114)	(17,299)	158,456	1,925,686	204,915	2,130,601

The notes on pages 61 to 130 form part of these financial statements.

Consolidated Statement of Changes in Equity (CONTINUED)

For the year ended 31 December 2016
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 26(c))	Share premium RMB'000 (Note 26(d)(i))	Capital reserve RMB'000 (Note26(d)(ii))	Statutory reserves RMB'000 (Note 26(d)(iii))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 26(d)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	84,867	2,081,912	24,079	40,785	(447,114)	(17,299)	158,456	1,925,686	204,915	2,130,601
Changes in equity for 2016										
Profit for the year	–	–	–	–	–	–	21,055	21,055	(321)	20,734
Other comprehensive income	–	–	–	–	–	18,919	–	18,919	–	18,919
Total comprehensive income for the year	–	–	–	–	–	18,919	21,055	39,974	(321)	39,653
Equity settled share-based transactions (Note 24(a))	–	–	6,060	–	–	–	–	6,060	–	6,060
	–	–	6,060	–	–	–	–	6,060	–	6,060
Balance at 31 December 2016	84,867	2,081,912	30,139	40,785	(447,114)	1,620	179,511	1,971,720	204,594	2,176,314

The notes on pages 61 to 130 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit/(loss) before taxation		**27,118**	(555,974)
Adjustments for:			
Depreciation and amortisation	6(d)	**254,802**	274,858
Net (gain)/loss on disposal of property, plant and equipment	5	**(63,872)**	263
Net gain on relocation of a production plant	5	**(35,000)**	–
Impairment losses on property, plant and equipment and intangible assets	6(c)	**39,260**	62,563
Interest income	5	**(7,314)**	(11,301)
Interest expenses and other borrowing costs	6(a)	**122,098**	145,275
Changes of fair value on the derivative components of convertible bonds	6(a)	**(9,712)**	–
Share of losses of an associate		**69**	43
Equity settled share-based payment expenses	6(b)	**6,060**	6,159
Changes in working capital:			
(Increase)/decrease in inventories		**(43,361)**	96,236
Decrease in trade and other receivables		**23,492**	85,528
(Decrease)/increase in trade and other payables		**(3,606)**	97,887
Cash generated from operations		**310,034**	201,537
The People's Republic of China (the "PRC") Income Tax paid	25(a)	**(12,719)**	(11,710)
Net cash generated from operating activities		**297,315**	189,827
Investing activities			
Payments for the purchase of property, plant and equipment		**(469,096)**	(255,727)
Payments for land use right premiums		**(7,995)**	(9,248)
Proceeds from disposal of property, plant and equipment and land use rights		**105,122**	278,536
Payment for purchase of available-for-sale investment		**(496)**	(495)
Decrease/(increase) in time deposits		**56,600**	(30,000)
Interest received		**7,314**	11,301
Net cash used in investing activities		**(308,551)**	(5,633)

The notes on pages 61 to 130 form part of these financial statements.

Consolidated Cash Flow Statement (CONTINUED)

For the year ended 31 December 2016
(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from bank and other loans		**1,067,576**	1,264,650
Proceeds from convertible bonds		**63,803**	–
Repayment of bank and other loans		**(1,196,894)**	(1,359,088)
Payments for acquisition of non-controlling interests in subsidiaries		**–**	(785)
Dividends paid to non-controlling interests		**(801)**	(3,599)
Borrowing costs paid		**(149,705)**	(145,432)
Net cash used in financing activities		**(216,021)**	(244,254)
Net decrease in cash and cash equivalents		**(227,257)**	(60,060)
Cash and cash equivalents at 1 January	19	**705,217**	762,234
Effect of foreign exchange rate changes		**284**	3,043
Cash and cash equivalents at 31 December	19	**478,244**	705,217

The notes on pages 61 to 130 form part of these financial statements.

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 2016 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 and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair values (see Note 2(f)).

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(x)).

As at 31 December 2016, the Group had net current liabilities of RMB1,861,565,000 (31 December 2015: RMB1,084,755,000). Notwithstanding the net current liabilities as at 31 December 2016, the directors of the Company do not consider that material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group prepared by the management and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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.

(c) Changes in accounting policies

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

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

(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 interests which would result in the Group as a whole having a contractual obligation in respect of those 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

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 non-controlling interests and the equity shareholders of the Company. Contractual obligations towards these shareholders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(r).

Changes in the Group's 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 interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any 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(l)(ii)), unless the investment is classified as held for sale.

(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(l)(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 investee. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associate (continued)

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in 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 investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee 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.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Property, plant and equipment

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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(w)), where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(l)(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(l)(ii)).

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.

(i) Lease prepayments

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

(j) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leased assets (continued)

(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 recognized as 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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(l)(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.

(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.

(k) 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(l)(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(l)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

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(l)(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(l)(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

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

– 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.

(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).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– *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 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.

(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(l)(i) and 2(l)(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.

(m) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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, having been within three months of maturity at acquisition.

(o) Convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see Note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with Note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(p) 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.

(q) 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. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(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 Binomial model, taking into account the terms and conditions upon which the 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 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 the 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 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 option is exercised (when it is transferred to the share premium account) or the 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 measured 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 estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

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 the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits (continued)

(ii) Share-based payments (continued)

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

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.

(r) 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.

(s) 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 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)

(s) 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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.

(t) 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.

(u) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(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.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated 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 using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates 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.

(w) 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 complete.

(x) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries and associate). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

(y) 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 (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(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); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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)

(z) 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 to 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(j)(ii).

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 24 and 30 contain information about the assumptions and their risk factors relating to fair value of share options granted under share option 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(l)(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 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2016 (2015: one). For the year ended 31 December 2016, revenue from sales of glass products to this customer amounted to approximately RMB227.9 million (2015: RMB240.1 million). Details of concentrations of credit risk arising from this customer 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 low-emission coated glass and photovoltaic battery module products.

4 REVENUE 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. Inter-segment sales are priced with reference to prices charged to external parties for similar products. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses 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 2016 and 2015 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Revenue from external customers and reportable segment revenue	**686,559**	788,606	**461,906**	414,817	**643,803**	616,563	**347,382**	148,871	**2,139,650**	1,968,857
Inter-segment revenue	**31,591**	–	**5,372**	–	**–**	–	**–**	–	**36,963**	–
Reportable segment revenue	**718,150**	788,606	**467,278**	414,817	**643,803**	616,563	**347,382**	148,871	**2,176,613**	1,968,857
Reportable segment gross profit/(loss)	**77,858**	(53,941)	**86,869**	39,534	**123,139**	84,797	**39,390**	7,900	**327,256**	78,290

4 REVENUE 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	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
The PRC (including Hong Kong) (place of domicile)	**1,503,046**	1,397,079	**3,813,817**	3,646,698
Middle East	**181,335**	156,211	**–**	–
Nigeria	**101,730**	75,821	**177,874**	10,195
South Korea	**87,641**	120,085	**–**	–
Bangladesh	**30,145**	28,197	**–**	–
Philippines	**22,211**	7,513	**–**	–
Columbia	**21,559**	13,197	**–**	–
Cambodia	**15,718**	4,435	**–**	–
Kenya	**15,481**	7,714	**–**	–
Ghana	**15,248**	5,459	**–**	–
India	**13,425**	6,572	**–**	–
Other countries	**132,111**	146,574	**–**	–
	636,604	571,778	**177,874**	10,195
	2,139,650	1,968,857	**3,991,691**	3,656,893

5 OTHER INCOME

	2016 RMB'000	2015 RMB'000
Net gain on debt restructuring (Note (i))	**29,636**	–
Net gain on relocation of a production plant (Note (ii))	**35,000**	–
Net gain/(loss) on disposal of property, plant and equipment	**63,872**	(263)
Government grants	**14,089**	8,886
Interest income	**7,314**	11,301
Net gain from sale of raw and scrap materials	**3,330**	3,137
Others	**10,148**	6,002
	163,389	29,063

Notes:

(i) The amount represents the net gain arising from restructuring of a payable due to a former supplier of the Group. The amount is the difference between the carrying amount of the payable of RMB60.7 million and the fair value of the consideration paid, including non-cash assets transferred and new liabilities assumed.

(ii) The amount represents additional compensation of RMB35.0 million in relation to the expropriation of the land use rights of the Group by the local government in year 2014 in accordance with a supplementary agreement entered into between the Group and the local government.

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs:

	2016 RMB'000	2015 RMB'000
Interest on bank advances and other borrowings	**112,896**	112,271
Finance charges on convertible bonds (Note 22)	**8,219**	–
Finance charges on obligations under finance leases	**11,710**	17,922
Bank charges and other finance costs	**31,765**	32,401
Total borrowing costs	**164,590**	162,594
Less: amounts capitalised into property, plant and equipment*	**(42,492)**	(17,319)
Net borrowing costs	**122,098**	145,275
Changes in fair value on the derivative components of convertible bonds (Note 22)	**(9,712)**	–
Net foreign exchange loss/(gain)	**22,090**	(14,889)
	134,476	130,386

* The borrowing costs have been capitalised at 9.00% per annum for the year ended 31 December 2016 (2015: 6.65% per annum).

(b) Staff costs#:

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	**219,016**	232,674
Contributions to defined contribution retirement plans	**29,983**	30,311
Equity-settled share-based payment expenses in respect of share option scheme (Note 24(a))	**6,060**	6,159
	255,059	269,144

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.

6 PROFIT/(LOSS) BEFORE TAXATION (continued)

(b) Staff costs#: (continued)

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 expenses

	2016 RMB'000	2015 RMB'000
Impairment losses on property, plant and equipment (Note 11)	**39,260**	52,531
Impairment losses on intangible assets	**–**	10,032
	39,260	62,563

(d) Other items:

	2016 RMB'000	2015 RMB'000
Cost of inventories# (Note 16)	**1,810,572**	1,890,896
Auditors' remuneration – audit services	**5,880**	5,900
Depreciation and amortisation# (Notes 11, 13 and 14)	**254,802**	274,858
Impairment losses on trade and other receivables (Note 17(b))	**1,015**	65,703
Operating lease charges in respect of		
– land	**153**	196
– plant and buildings	**4,139**	5,986
– motor vehicles	**2,495**	2,868
Research and development costs (other than capitalised costs and related amortisation)	**323**	1,193

Cost of inventories includes RMB361.1 million (2015: RMB343.2 million) for the year ended 31 December 2016, 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:

	2016 RMB'000	2015 RMB'000
Current taxation (Note 25(a))		
– Provision for the year	**21,002**	7,601
– Under-provision in respect of prior years	**328**	460
	21,330	8,061
Deferred taxation (Note 25(b))		
– Origination and reversal of temporary differences	**(24,424)**	(102,953)
– Write-down of deferred tax assets	**9,478**	19,016
	(14,946)	(83,937)
	6,384	(75,876)

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

	2016 RMB'000	2015 RMB'000
Profit/(loss) before taxation	**27,118**	(555,974)
Expected tax on profit/(loss) before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii) and (iv))	**8,521**	(136,051)
Tax effect of non-deductible expenses	**3,556**	8,713
Tax effect of unused tax losses and temporary differences not recognised (Note 25(c))	**8,055**	33,531
Tax concessions (Notes (v), (vi) and (vii))	**(3,160)**	(1,545)
Tax effect of recognition and utilisation of prior years' unused tax losses previously not recognised (Note (viii))	**(20,394)**	–
Tax effect of write-down of deferred tax assets (Note (viii))	**9,478**	19,016
Under-provision in respect of prior years	**328**	460
Income tax	**6,384**	(75,876)

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

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

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%).

(ii) The subsidiaries of the Group incorporated in Cayman Islands and British Virgin Islands are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2015: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2015: 30%).

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

(vi) 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% (2015: 15%).

(vii) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from year of which the approval is obtained (2015: 25%).

(viii) The Group recognised and used previously unrecognised deferred tax assets of RMB20.4 million (2015: RMBNil) regarding tax losses and wrote down previously recognised deferred tax assets of RMB9.5 million (2015: RMB19.0 million) regarding tax losses, as the utilisation of these unused tax losses have changed due to the changes of actual operating results during the year ended 31 December 2016 and changes in estimates of future operating results of certain subsidiaries of the Group.

8 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2016					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive director						
Mr. Cui Xiangdong	–	818	47	865	912	1,777
Non-executive directors						
Mr. Zhao John Huan	–	–	–	–	–	–
Mr. Zhou Cheng	1	68	–	69	–	69
Mr. Guo Wen	–	–	–	–	–	–
Mr. Peng Shou	1	–	–	1	–	1
Independent non-executive directors						
Mr. Zhang Baiheng	156	–	–	156	–	156
Mr. Zhao Lihua	156	–	–	156	–	156
Mr. Chen Huachen	156	–	–	156	–	156
	470	886	47	1,403	912	2,315

	2015						
	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	220	48	1,086	1,042	2,128
Mr. Li Ping (resigned on 13 February 2015)	–	–	–	–	–	–	–
Non-executive directors							
Mr. Zhao John Huan	1	–	–	–	1	–	1
Mr. Zhou Cheng	1	64	–	–	65	–	65
Mr. Guo Wen	1	–	–	–	1	–	1
Mr. Peng Shou (appointed on 13 February 2015)	1	–	–	–	1	–	1
Mr. Ning Min (resigned on 13 February 2015)	–	–	–	–	–	–	–
Independent non-executive directors							
Mr. Zhang Baiheng	147	–	–	–	147	–	147
Mr. Zhao Lihua	147	–	–	–	147	–	147
Mr. Chen Huachen	147	–	–	–	147	–	147
Mr. Ni Wei (resigned on 13 February 2015)	–	–	–	–	–	–	–
	445	882	220	48	1,595	1,042	2,637

8 DIRECTORS' REMUNERATION (continued)

Note:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(q)(ii). The details of these benefits in kind, including the principal terms and number of share options granted are disclosed under the section "Share option schemes" in the Report of the Directors and Note 24(a).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2015: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2015: four) individuals is as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,061**	2,047
Discretionary bonuses	**–**	316
Share-based payments	**2,024**	1,907
Retirement scheme contributions	**141**	145
	4,226	4,415

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 band:

	2016	2015
	RMB'000	RMB'000
(In Hong Kong dollar ("HK$"))		
Nil – 1,000,000	**1**	–
1,000,001 – 1,500,000	**3**	4

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the year ended 31 December 2016 is based on the profit attributable to ordinary equity shareholders of the Company of RMB21,055,000 (2015: loss attributable to ordinary equity shareholders of the Company of RMB426,389,000) and the weighted average of 1,810,147,000 ordinary shares (2015: 1,810,147,000 ordinary shares) in issue during the year ended 31 December 2016.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2016 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB19,562,000 and the weighted average of 1,865,063,000 ordinary shares (diluted), calculated as follows:

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

	2016 **RMB'000**
Profit attributable to ordinary equity shareholders	**21,055**
After tax effect of effective interest on the liability component of convertible bonds	**8,219**
After tax effect of changes in fair value recognised on the derivative components of convertible bonds	**(9,712)**
Profit attributable to ordinary equity shareholders (diluted)	**19,562**

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

	2016 **'000**
Weighted average number of ordinary shares at 31 December	**1,810,147**
Effect of conversion of convertible bonds (Note 22)	**54,916**
Weighted average number of ordinary shares (diluted) at 31 December	**1,865,063**

There were no dilutive potential ordinary shares during the year ended 31 December 2015.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	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 2015	1,536,780	3,108,928	31,772	397,013	5,074,493
Additions	16,585	20,849	810	180,728	218,972
Transfer in/(out)	1,211	(303,277)	–	153,005	(149,061)
Disposals	(80)	(9,224)	(4,238)	–	(13,542)
At 31 December 2015	1,554,496	2,817,276	28,344	730,746	5,130,862
Accumulated depreciation and impairment losses:					
At 1 January 2015	315,168	1,201,544	16,797	36,474	1,569,983
Charge for the year	47,721	203,569	2,692	–	253,982
Impairment losses for the year (Note (i))	13,384	39,147	–	–	52,531
Transfer out	–	(149,061)	–	–	(149,061)
Written back on disposals	(7)	(1,493)	(2,706)	–	(4,206)
At 31 December 2015	376,266	1,293,706	16,783	36,474	1,723,229
Net book value:					
At 31 December 2015	1,178,230	1,523,570	11,561	694,272	3,407,633
Cost:					
At 1 January 2016	1,554,496	2,817,276	28,344	730,746	5,130,862
Additions	19,522	44,720	1,755	637,811	730,808
Transfer in/(out)	23,613	211,046	–	(269,867)	(35,208)
Classified as assets held-for-sale (Note 18)	–	(42,490)	–	–	(42,490)
Disposals	(392)	(12,220)	(1,126)	(21,088)	(34,826)
Exchange adjustment	–	–	–	5,411	5,411
At 31 December 2016	1,597,239	3,018,332	28,973	1,083,013	5,727,557
Accumulated depreciation and impairment losses:					
At 1 January 2016	376,266	1,293,706	16,783	36,474	1,723,229
Charge for the year	47,508	197,405	2,564	–	247,477
Impairment losses for the year (Note (i))	–	39,260	–	–	39,260
Transfer out	–	(35,208)	–	–	(35,208)
Classified as assets held-for-sale (Note 18)	–	(19,661)	–	–	(19,661)
Written back on disposals	(183)	(416)	(738)	–	(1,337)
At 31 December 2016	423,591	1,475,086	18,609	36,474	1,953,760
Net book value:					
At 31 December 2016	1,173,648	1,543,246	10,364	1,046,539	3,773,797

At 31 December 2016, property certificates of certain properties with an aggregate net book value of RMB434.6 million (31 December 2015: RMB451.6 million) are yet to be obtained.

Expressed in RMB unless otherwise indicated

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount (continued)

Note:

(i) In 2016, 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 RMB39.3 million (2015: RMB52.5 million) was made in respect of these property, plant and equipment with the carrying amount of RMB39.4 million (2015: RMB153.9 million) as at 31 December 2016. The recoverable amount of these assets has been estimated based on their value in use.

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

The Group leases machinery and equipment under finance leases expiring from 7 to 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 (see Note 3(a)). 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.

At 31 December 2016, the net book value of machinery and equipment held under finance leases of the Group was RMB102.0 million (2015: RMB116.0 million).

12 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary.

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
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%	–	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%	–	Investment holding
CNG Glass (Nigeria) FZE	The Federal Republic of Nigeria	Registered capital of United States dollar ("USD") 38,500,000 and paid-up capital of USD13,567,988	100%	–	Production marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* 東台中玻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Production, marketing and distribution of glass and glass products

Expressed in RMB unless otherwise indicated

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
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%	–	Production, marketing and distribution of glass and glass products
JV Investments Limited	The Cayman Islands	Issued and paid-up capital of USD90,313	–	100%	Investment holding
Linyi CNG Glass Company Limited* ("Linyi CNG") 中玻(臨沂)玻璃有限公司	The PRC	Registered and paid-up capital of RMB206,800,000	77.98%	–	Production marketing and distribution of glass and glass products
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%	–	Production marketing and distribution of glass and glass products
Shaanxi CNG New Technology Limited* 中玻(陝西)新技術有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	99.05%	–	Production marketing and distribution of glass and glass products
Suqian CNG Electronic Glass Company Limited* 宿遷中玻電子玻璃有限公司	The PRC	Registered capital of RMB300,000,000 and paid-up capital of RMB102,813,000	100%	–	Production marketing and distribution of electronic glass and electronic glass products
Suqian CNG New Materials Company Limited* 宿遷中玻新材料有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	Production marketing and distribution of glass and glass products
Suqian Huasheng Investment Consultant 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%	–	Provision of management services to group companies
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%	–	Production, marketing and distribution of photovoltaic battery module products
Weihai CNG Coated Glass Company Limited* ("Weihai CNG") 威海中玻鍍膜玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB107,700,000	90.42%	–	Production marketing and distribution of glass and glass products
Weihai CNG New Technology Glass Limited* 威海中玻新技術玻璃有限公司	The PRC	Registered and paid-up capital of USD12,000,000	91.46%	–	Production marketing and distribution of glass and glass products
Wuhai CNG Special Glass Company Limited* ("Wuhai CNG") 烏海中玻特種玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	94.20%	–	Production marketing and distribution of glass and glass products

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company: Indirect	Effective percentage of equity attributable to the Company: Direct	Principal activities
Xianyang CNG Coated Glass Limited* 中玻(咸陽)鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB90,000,000	88.28%	–	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%	–	Production marketing and distribution of glass and glass products

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

The following table lists out the combined financial information of Weihai CNG and its subsidiaries and Wuhai CNG 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.

	2016 RMB'000	2015 RMB'000
Revenue	**1,126,579**	1,093,638
Loss for the year	**(3,401)**	(271,115)
Attributable to NCI	**(5,007)**	(52,474)
Dividend paid to NCI	**801**	3,599
Non-current assets	**2,150,406**	2,145,240
Current assets	**2,009,046**	2,286,173
Current liabilities	**(2,703,439)**	(2,771,410)
Non-current liabilities	**(251,887)**	(452,476)
Net assets	**1,204,126**	1,207,527
Carrying amount of NCI	**174,075**	179,082

13 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2015	301,132
Additions	6,494
At 31 December 2015	307,626
Additions	26,886
Exchange adjustment	442
At 31 December 2016	334,954
Accumulated amortisation:	
At 1 January 2015	51,620
Charge for the year	7,239
At 31 December 2015	58,859
Charge for the year	7,325
Capitalize to construction in progress	1,164
Exchange adjustment	36
At 31 December 2016	67,384
Net book value:	
At 31 December 2016	267,570
At 31 December 2015	248,767

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC and Nigeria. At 31 December 2016, land use right certificates of certain land use rights with an aggregate carrying value of RMB6.6 million (31 December 2015: RMB6.9 million) are yet to be obtained.

14 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2015, 31 December 2015 and 31 December 2016	145,017
Accumulated amortisation and impairment losses:	
At 1 January 2015	121,348
Charge for the year	13,637
Impairment losses for the year	10,032
At 31 December 2015 and 31 December 2016	145,017
Net book value:	
At 31 December 2015 and 31 December 2016	–

15 INTEREST IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	**424**	493

The following list contains the particulars of the Group's associate at 31 December 2016, which is an unlisted entity whose quoted market price is not available:

Name of associate	Place of establishment/ incorporation and business	Particulars of registered and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
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%	–	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.

16 INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**119,289**	101,057
Work in progress and finished goods	**280,124**	254,437
Racks, spare parts and consumables	**40,247**	38,983
	439,660	394,477
Less: write-down of inventories	**(10,598)**	(8,776)
	429,062	385,701

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

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	**1,810,572**	1,890,896
Write-down/(reversal of write-down) of inventories	**1,822**	(329)
	1,812,394	1,890,567

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

17 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables from (Notes (a) and (c)):		
– Third parties	**183,815**	218,207
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**15,880**	16,280
– Companies under common significant influence	**2,736**	12,961
Bills receivables	**95,735**	116,454
	298,166	363,902
Less: allowance for doubtful debts (Note (b))	**(66,933)**	(74,760)
	231,233	289,142
Amounts due from related companies:		
– Equity shareholders of the Company and their affiliate (Note (i))	**318**	298
– Non-controlling equity holders of a subsidiary of the Group (Note (i))	**15,002**	–
– Companies under common significant influence (Note (i))	**1,979**	8,603
	17,299	8,901
Less: allowance for doubtful debts (Note (b))	**(1,784)**	(1,784)
	15,515	7,117
Prepayments, deposits and other receivables:		
– Prepayments for the purchase of inventories	**65,582**	46,650
– Prepayments for the purchase of property, plant and equipment and land use rights	**20,613**	48,307
– Value added tax refundable	**27,466**	54,047
– Advances to third parties	**126,382**	93,530
– Receivable for disposal of land use rights	**3,129**	5,129
– Receivable for disposal of property, plant and equipment	**79,200**	–
– Receivable for relocation of a production plant	**19,251**	77,435
– Others	**35,485**	37,430
	377,108	362,528
Less: allowance for doubtful debts (Note (b))	**(60,607)**	(51,765)
	316,501	310,763
	563,249	607,022

17 TRADE AND OTHER RECEIVABLES (continued)

Note:

(i) 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.

(a) 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:

	2016 RMB'000	2015 RMB'000
Within 1 month	**95,682**	110,437
More than 1 month but less than 3 months	**31,656**	29,698
More than 3 months but less than 6 months	**26,976**	33,510
Over 6 months	**76,919**	115,497
	231,233	289,142

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

(b) 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(l)(i)).

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

	2016 RMB'000	2015 RMB'000
At 1 January	**128,309**	63,010
Impairment losses recognised	**1,015**	65,703
Uncollectible amounts written off	**–**	(404)
At 31 December	**129,324**	128,309

At 31 December 2016, the Group's trade and other receivables of RMB129.3 million (31 December 2015: RMB128.3 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.

17 TRADE AND OTHER RECEIVABLES (continued)

(c) 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:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**98,700**	121,776
Less than 1 month past due	**42,766**	20,002
More than 1 month but less than 3 months past due	**4,657**	17,011
More than 3 months but less than 6 months past due	**8,191**	14,856
More than 6 months past due	**76,919**	115,497
	132,533	167,366
	231,233	289,142

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.

18 ASSETS HELD-FOR-SALE

During the year ended 31 December 2016, a PRC subsidiary of the Group entered into a sales contract with a third party to sell certain machinery and equipment. The sales transaction is expected to be completed within one year. Accordingly, the machinery and equipment to be sold with a carrying amount of RMB22.8 million is reclassified as assets held-for-sale as at 31 December 2016.

19 CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at bank and on hand	**478,244**	705,217
Time deposits with banks	**13,400**	70,000
Cash and cash equivalents in the consolidated statement of financial position	**491,644**	775,217
Less: time deposits with original maturity over 3 months	**(13,400)**	(70,000)
Cash and cash equivalents in the consolidated cash flow statement	**478,244**	705,217

19 CASH AND CASH EQUIVALENTS (continued)

At 31 December 2016, cash and cash equivalents of RMB199.5 million (31 December 2015: RMB352.2 million) were pledged to secure bills issued by the Group.

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.

20 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables to:		
– Third parties	**516,059**	580,002
– An affiliate of a non-controlling equity holder of a subsidiary of the Group	**599**	599
– Companies under common significant influence	**9,416**	3,375
Bills payables	**238,217**	381,640
	764,291	965,616
Amounts due to related companies:		
– An equity shareholder of the Company (Note (i))	**73**	73
– Companies under common significant influence (Note (ii))	**218,930**	166,427
	219,003	166,500
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**423,845**	231,992
– Payables for staff related costs	**92,945**	95,845
– Payables for acquisitions of non-controlling interests in subsidiaries of the Group	**5,906**	5,120
– Payables for miscellaneous taxes	**53,499**	30,381
– Payables for transportation expenses	**7,948**	7,296
– Advances from third parties	**41,639**	26,893
– Others	**41,971**	49,613
	667,753	447,140
Financial liabilities measured at amortised cost	**1,651,047**	1,579,256
Advances received from customers	**157,687**	67,849
	1,808,734	1,647,105

Notes:

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

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

20 TRADE AND OTHER PAYABLES (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:

	2016 RMB'000	2015 RMB'000
Due within 1 month or on demand	**461,894**	643,976
Due after 1 month but within 6 months	**302,397**	321,640
	764,291	965,616

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

21 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	2016 RMB'000	2015 RMB'000
Bank loans	**879,066**	975,459
Loans from third parties	**80,922**	–
	959,988	975,459
Add: current portion of long-term bank and other loans (Note (b))	**525,062**	157,484
	1,485,050	1,132,943

21 BANK AND OTHER LOANS (continued)

(a) Short-term bank and other loans (continued)

At 31 December 2016, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2016 RMB'000	2015 RMB'000
Bank loans:		
– Pledged by bank bills	**79,466**	148,555
– Secured by the Group's property, plant and equipment and land use rights	**473,000**	287,000
– Unguaranteed and unsecured	**326,600**	539,904
	879,066	975,459
Loans from third parties:		
– Unguaranteed and unsecured	**80,922**	–
	959,988	975,459

At 31 December 2016, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's short-term bank loans is RMB1,142.0 million (31 December 2015: RMB741.7 million).

(b) Long-term bank and other loans

	2016 RMB'000	2015 RMB'000
Bank loans	**504,497**	633,681
Loans from third parties	**48,876**	30,539
	553,373	664,220
Less: current portion of long-term bank and other loans (Note (a))	**(525,062)**	(157,484)
	28,311	506,736

21 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans (continued)

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

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	**525,062**	157,484
After 1 year but within 2 years	**13,358**	493,765
After 2 years but within 5 years	**12,619**	7,403
After 5 years	**2,334**	5,568
	553,373	664,220

At 31 December 2016, the Group's long-term bank and other loans are secured as follows:

	2016 RMB'000	2015 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment and land use rights	**20,401**	27,400
– Secured by shares of several subsidiaries of the Company	**472,511**	581,278
– Unguaranteed and unsecured	**11,585**	25,003
	504,497	633,681
Loans from third parties:		
– Secured by the Group's property, plant and equipment and land use rights	**41,409**	16,471
– Unguaranteed and unsecured	**7,467**	14,068
	48,876	30,539
	553,373	664,220

At 31 December 2016, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's long-term bank and other loans is RMB137.0 million (31 December 2015: RMB414.0 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 2016, the Group's banking facilities amounted to RMB323.5 million (31 December 2015: RMB302.9 million) were utilised to the extent of RMB224.0 million (31 December 2015: RMB192.9 million).

21 BANK AND OTHER LOANS (continued)

(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 2016, the Group has failed to fulfil certain requirement under a syndicated loan agreement (the "Syndicated Loan"), and the Syndicated Loan with the balance of RMB472.0 million as at 31 December 2016 became payable on demand. The original due date of the Syndicated Loan are February and August 2017 and the Group has repaid RMB180.0 million in February 2017 in accordance with the original schedule. Given that there was no penalty or other significant financial impact, the Group did not seek waiver from the lenders of the Syndicated Loan. Except this, none of the covenants relating to the bank and other loans had been breached (31 December 2015: the Group failed to fulfil certain requirement under the Syndicated Loan and a waiver was granted by majority of the lenders of the Syndicated Loan).

22 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 1 January 2016	–	–	–
Convertible bonds issued	33,294	30,509	63,803
Accrued finance charges for the year (Note 6(a))	8,219	–	8,219
Interest paid	(3,831)	–	(3,831)
Fair value changes on the derivative components (Note 6(a))	–	(9,712)	(9,712)
Exchange adjustment	2,169	1,670	3,839
At 31 December 2016	39,851	22,467	62,318

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

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

23 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2016, the Group had obligations under finance leases repayable as follows:

	2016		2015	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**19,874**	**21,860**	26,567	28,277
After 1 year but within 2 years	**23,040**	**27,627**	18,235	21,860
After 2 year but within 5 years	**60,250**	**84,726**	66,105	95,374
After 5 years	**12,978**	**23,277**	21,802	40,256
	96,268	**135,630**	106,142	157,490
	116,142	**157,490**	132,709	185,767
Less: total future interest expenses		**(41,348)**		(53,058)
Present value of finance lease obligations		**116,142**		132,709

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Company has a share option scheme (the "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.

The Company granted share options to certain directors and employees on 29 February 2008 with contractual life of 7.25 years under the Share Option Scheme. The share options granted in 2008 have lapsed on 29 May 2015 and no one has exercised the share options during its contractual life.

On 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Share Option Scheme. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

The Share Option Scheme was expired on 22 June 2015, and a new share option scheme (the "New Share Option Scheme") has been approved by a special general meeting of shareholders of the Company on 19 February 2016. No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the year ended 31 December 2016.

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

(i) The terms and conditions of the share options granted in 2015 are as follows:

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

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

	2016		2015	
	Weighted average exercise price	**number of options '000**	Weighted average exercise price	number of options '000
Outstanding at the beginning of the year	**HK$1.25**	**33,370**	HK$1.75	38,600
Lapsed during the year	**–**	**–**	HK$1.75	(38,600)
Granted during the year	**–**	**–**	HK$1.25	33,370
Forfeited during the year	**HK$1.25**	**(360)**	–	–
Outstanding at the end of the year	**HK$1.25**	**33,010**	HK$1.25	33,370
Exercisable at the end of the year	**HK$1.25**	**13,204**	–	–

The share options outstanding at 31 December 2016 had an exercise price of HK$1.25 (31 December 2015: HK$1.25) and a weighted average remaining contractual life of 5.36 years (31 December 2015: 6.36 years).

Expressed in RMB unless otherwise indicated

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

(iii) The fair value and assumptions of the share options issued in 2015:

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

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

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

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

(b) Share award scheme

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

No shares were awarded to directors and employees of the Group during the year ended 31 December 2016 under the Share Award Scheme (2015: Nil).

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 **RMB'000**	2015 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**46,080**	49,729
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**21,002**	7,601
Under-provision in respect of prior years (Note 7(a))	**328**	460
Income tax paid	**(12,719)**	(11,710)
Balance of income tax payable (net of prepaid income tax) at 31 December	**54,691**	46,080
Represented by:		
Income tax payable	**67,252**	65,006
Prepaid income tax	**(12,561)**	(18,926)
	54,691	46,080

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

(b) Deferred tax assets and liabilities recognised:

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, amortisation of government grants, and fair value adjustment of investments 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 and lease prepayments, finance lease, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 1 January 2015	77,884	749	10,211	21,765	6,673	117,282	(31,373)	85,909
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	57,686	(57)	16,329	9,108	–	83,066	871	83,937
At 31 December 2015	**135,570**	**692**	**26,540**	**30,873**	**6,673**	**200,348**	**(30,502)**	**169,846**
Credited/(charged) to the consolidated statement of profit or loss (Note 7(a))	**25,077**	**455**	**(4,265)**	**(3,105)**	**–**	**18,162**	**(3,216)**	**14,946**
At 31 December 2016	**160,647**	**1,147**	**22,275**	**27,768**	**6,673**	**218,510**	**(33,718)**	**184,792**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), 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 RMB436.2 million (31 December 2015: RMB464.8 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 RMB39.3 million which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2016 will expire on or before 31 December 2021.

(d) Deferred tax liabilities not recognised

At 31 December 2016, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB659.2 million (31 December 2015: RMB610.5 million). Deferred tax liabilities of RMB65.9 million (31 December 2015: RMB61.1 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.

26 CAPITAL, RESERVES AND 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 (Note26(c))	Share premium RMB'000 (Note26(d)(i))	Capital reserve RMB'000 (Note26(d)(ii))	Exchange reserve RMB'000 (Note26(d)(iv))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	84,867	2,081,912	17,920	(223,541)	(26,619)	1,934,539
Changes in equity for 2015:						
Loss for the year	–	–	–	–	(48,695)	(48,695)
Other comprehensive income	–	–	–	120,067	–	120,067
Total comprehensive income for the year	–	–	–	120,067	(48,695)	71,372
Equity settled share-based transactions (Note 24(a))	–	–	6,159	–	–	6,159
	–	–	6,159	–	–	6,159
At 31 December 2015	84,867	2,081,912	24,079	(103,474)	(75,314)	2,012,070
At 1 January 2016	84,867	2,081,912	24,079	(103,474)	(75,314)	2,012,070
Changes in equity for 2016:						
Loss for the year	–	–	–	–	(58,359)	(58,359)
Other comprehensive income	–	–	–	136,538	–	136,538
Total comprehensive income for the year	–	–	–	136,538	(58,359)	78,179
Equity settled share-based transactions (Note 24(a))	–	–	6,060	–	–	6,060
	–	–	6,060	–	–	6,060
At 31 December 2016	84,867	2,081,912	30,139	33,064	(133,673)	2,096,309

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) The directors of the Company do not propose final dividends after 31 December 2016 (2015: HK$Nil).

(ii) No final dividend in respect of the previous financial year has been approved during the year (2015: HK$Nil).

(c) Share capital

(i) Authorised and issued share capital

	2016		2015	
	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

	2016		2015	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,810,147,058**	**84,867**	1,810,147,058	84,867

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

Exercise period	Exercise price	2016 Number	2015 Number
13 May 2016 to 12 May 2022	HK$1.25	**13,204,000**	13,348,000
13 May 2017 to 12 May 2022	HK$1.25	**9,903,000**	10,011,000
13 May 2018 to 12 May 2022	HK$1.25	**9,903,000**	10,011,000
		33,010,000	33,370,000

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 24(a) to these financial statements.

(iii) At 31 December 2016, no ordinary shares are held by the Company under the Share Award Scheme (31 December 2015: Nil) (see Note 24(b)).

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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) Capital reserve

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

(iii) 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.

(iv) 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(v).

(e) Distributable reserves

At 31 December 2016, 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 2015: RMB2,081.9 million). The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

(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.

26 CAPITAL, RESERVES AND DIVIDENDS (continued)

(f) Capital management (continued)

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, convertible bonds, 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.

During 2016, 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 2016 and 2015 was as follows:

	2016 RMB'000	2015 RMB'000
Current liabilities:		
Trade and other payables	**1,808,734**	1,647,105
Obligations under finance leases	**19,874**	26,567
Bank and other loans	**1,485,050**	1,132,943
	3,313,658	2,806,615
Non-current liabilities:		
Bank and other loans	**28,311**	506,736
Convertible bonds	**62,318**	–
Obligations under finance leases	**96,268**	106,142
Other non-current liabilities	**3,798**	–
	190,695	612,878
Total debt	**3,504,353**	3,419,493
Less: cash and cash equivalents	**(491,644)**	(775,217)
Adjusted net debt	**3,012,709**	2,644,276
Total equity	**2,176,314**	2,130,601
Adjusted net debt-to-capital ratio	**138%**	124%

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

27 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with companies under common significant influence

	Note	2016 RMB'000	2015 RMB'000
Sale of glass and glass products to related parties		**11,072**	14,994
Purchase of raw materials from related parties		**18,857**	17,320
Purchase of properties, plant and equipment		**7,937**	–
Interest expenses	(i)	**–**	723
Construction service expenses		**138,277**	104,418
Net increase in non-interest bearing advances granted to related parties	(ii)	**2,000**	–
Net increase/(decrease) in non-interest bearing advances received from related parties	(ii)	**3,871**	(4,131)
Net decrease in loans received from a related party		**–**	(15,000)

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

	Note	2016 RMB'000	2015 RMB'000
Interest expenses	(i)	**–**	1,163
Net decrease in loans received from a related party		**–**	38,730

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

	Note	2016 RMB'000	2015 RMB'000
Sale of glass and glass products to a related party		**–**	1,532
Net increase in non-interest bearing advances granted to related parties	(ii)	**15,002**	–

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) 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:

	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**4,948**	5,148
Contributions to defined contribution retirement plans	**388**	354
Equity compensation benefits under share option scheme (see Note 24(a))	**3,127**	3,128
	8,463	8,630

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

Notes:

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

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

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

For the year ended 31 December 2016, the related party transactions in respect of receiving construction services from companies under common significant influence above constitute connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the "Report of the Board of Directors" as required by Chapter 14A of the Listing Rules.

28 COMMITMENTS

(a) Capital commitments

At 31 December 2016, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2016	2015
	RMB'000	RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**416,929**	260,335
– Authorised but not contracted for	**38,630**	137,686
	455,559	398,021

At 31 December 2016, 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.

28 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	**5,456**	6,152
After 1 year but within 5 years	**9,308**	11,620
After 5 years	**2,848**	3,093
	17,612	20,865

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.

29 CONTINGENT LIABILITIES

In May 2016, Linyi CNG, a PRC subsidiary of the Group, received a notice that it is being sued by a former supplier in respect of loss and additional costs incurred from the gas supply agreement entered into between Linyi CNG and this supplier. As at the date of these financial statements, the above lawsuit is under review before the Intermediate People's Court of Linyi. If Linyi CNG is found to be liable, the total expected monetary compensation may amount to approximately RMB49.1 million plus interest. Linyi CNG continues to deny any liability in respect of the claim and, based on legal advice, the directors of the Group do not believe it is probable that Linyi CNG is liable to the claim. No provision has therefore been made in respect of this claim.

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.

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

(a) Credit risk (continued)

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 2016, 5.9% (31 December 2015: 4.8%) and 16.0% (31 December 2015: 15.7%) 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 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 17.

(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 authority. 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.

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

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group'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 can be required to pay:

	2016 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 years but less than 2 years RMB'000	More than 2 years 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	1,506,082	144,965	–	–	–	–	–	1,651,047	1,651,047
Bank and other loans	855,580	391,788	185,304	172,217	16,332	16,092	2,662	1,639,975	1,513,361
Obligations under finance leases	5,465	5,465	5,465	5,465	27,627	84,726	23,277	157,490	116,142
Other non-current liabilities	–	–	–	–	665	2,119	2,315	5,099	3,798
Convertible bonds-liability component	–	2,601	–	2,601	10,406	74,349	–	89,957	39,851
	2,367,127	544,819	190,769	180,283	55,030	177,286	28,254	3,543,568	3,324,199

	2015 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 years but less than 2 years RMB'000	More than 2 years 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	1,428,156	151,100	–	–	–	–	–	1,579,256	1,579,256
Bank and other loans	210,026	502,993	316,549	161,887	536,154	11,812	6,660	1,746,081	1,639,679
Obligations under finance leases	6,994	6,994	7,144	7,145	21,860	95,374	40,256	185,767	132,709
	1,645,176	661,087	323,693	169,032	558,014	107,186	46,916	3,511,104	3,351,644

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 borrowings at the end of the reporting period.

	2016		2015	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Obligations under finance leases	**9.51%**	**116,142**	9.51%	132,709
Bank and other loans	**7.42%**	**806,450**	5.58%	890,191
Convertible bonds-liability component	**26.87%**	**39,851**	–	–
Other non-current liabilities	**7.70%**	**3,798**	–	–
		966,241		1,022,900
Variable rate borrowings:				
Bank and other loans	**7.31%**	**706,911**	6.52%	749,488
Total borrowings		**1,673,152**		1,772,388
Fixed rate borrowings as a percentage of total borrowings		**58%**		58%

(ii) Sensitivity analysis

At 31 December 2016, 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 RMB6.5 million (31 December 2015: increased/decreased the Group's loss after tax and decreased/increased the Group's retained profits by approximately RMB7.1 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 2015.

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 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.

	2016 Exposure to foreign currencies			
	USD RMB'000	**RMB RMB'000**	**HK$ RMB'000**	**Euros RMB'000**
Trade and other receivables	**13,320**	**233,242**	**–**	**–**
Cash and cash equivalents	**11,618**	**93,116**	**19**	**1**
Trade and other payables	**(214,697)**	**(5,076)**	**(46,940)**	**–**
Bank and other loans	**(11,585)**	**(472,511)**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**(201,344)**	**(151,229)**	**(46,921)**	**1**

	2015 Exposure to foreign currencies			
	USD RMB'000	RMB RMB'000	HK$ RMB'000	Euros RMB'000
Trade and other receivables	11,740	400,712	–	–
Cash and cash equivalents	22,775	104,863	1	1
Trade and other payables	(256,841)	(9,384)	(72,994)	–
Bank and other loans	(21,883)	(611,880)	–	–
Gross exposure arising from recognised assets and liabilities	(244,209)	(115,689)	(72,993)	1

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

(d) Currency risk (continued)

(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.

	2016		2015	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and in 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%**	**(8,194)**	5%	(9,718)
	(5%)	**8,194**	(5%)	9,718
RMB	**5%**	**(7,561)**	5%	(5,784)
	(5%)	**7,561**	(5%)	5,784
HK$	**5%**	**(1,833)**	5%	(2,801)
	(5%)	**1,833**	(5%)	2,801

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit 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 2015.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 31 December 2016 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Liabilities:				
Derivative components of the convertible bonds (Note 22)	**22,467**	**–**	**22,467**	**–**

The Group did not have any financial instruments measured at fair value as at 31 December 2015.

Expressed in RMB unless otherwise indicated

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

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The estimate of the fair value of the derivative components of the convertible bonds are measured based on a Monte Carlo option pricing model. Details of the assumptions used are as follows:

	Derivative components of the Convertible Bonds	
Dates of valuation	**31/12/2016**	**04/02/2016** (Note (aa))
Share price (HK$)	0.82	0.81
Exercise price (HK$)	1.28	1.28
Expected volatility (Note (bb))	57.12%	64.45%
Dividend yield (Note (bb))	0.35%	0.35%
Maturity period	4.09 years	5 years
Conversion period	4.07 years	4.97 years
Discount rate (Note (bb))	14.33% – 14.95%	22.30% – 22.50%

Notes:

(aa) These inputs represented the assumptions used in the estimate of the fair value of the derivative components of the convertible bonds on 4 February 2016, which was the date the convertible bonds was issued.

(bb) The discount rate used is derived from the risk free interest rate with reference to the Hong Kong Sovereign Zero Coupon Yields as of the valuation dates plus the Corporate Bond Liquidity Yield Spread and the BofA Merrill Lynch Option-Adjusted Spread with similar credit ratings. The expected volatility is based on the historical volatility. Dividend yield are based on historical dividends.

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

(e) Fair value measurement (continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 31 December 2016 and 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2016		2015	
	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				
Available-for-sale investments	**1,991**	*****	1,495	*
Liabilities				
Long-term bank and other loans	**28,311**	**30,977**	506,736	506,063
Convertible bonds – liability component	**39,851**	**53,224**	–	–

* The available-for-sale equity investments represent unquoted equity securities in PRC companies and are measured at cost less any impairment losses. The investments do not have quoted market prices in active markets and accordingly a reasonable estimate of the fair value of the investments cannot be measured reliably. Hence, the directors of the Company consider it is not meaningful to disclose their fair values.

Expressed in RMB unless otherwise indicated

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

(e) Fair value measurement (continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of long-term bank and other loans is estimated as being the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The fair value of the convertible bonds is estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the Group's own credit risk.

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 long-term bank and other loans. The Group used the risk free interest rate with reference to the Hong Kong Sovereign Zero Coupon Yields as of the 31 December 2016 plus the Corporate Bond Liquidity Yield Spread and the BofA Merrill Lynch Option-Adjusted Spread with similar credit ratings to discount the liability component of the convertible bonds as of 31 December 2016. The interest rates used are as follows:

	2016	2015
Long-term bank and other loans	**5.95%**	5.07%
Convertible bonds – liability component	**14.33% – 14.95%**	–

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016

(Expressed in RMB)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**280**	69
Investments in subsidiaries		**970,992**	908,666
Loans to subsidiaries		**39,906**	64,798
		1,011,178	973,533
Current assets			
Other receivables		**1,600,467**	1,600,525
Cash and cash equivalents		**85,398**	118,889
		1,685,865	1,719,414
Current liabilities			
Other payables		**59,983**	59,386
Bank and other loans		**478,433**	156,469
		538,416	215,855
Net current assets		**1,147,449**	1,503,559
Total asset less current liabilities		**2,158,627**	2,477,092
Non-current liabilities			
Bank loan		**–**	465,022
Convertible bonds		**62,318**	–
NET ASSETS		**2,096,309**	2,012,070
CAPITAL AND RESERVES	26		
Share capital		**84,867**	84,867
Reserves		**2,011,442**	1,927,203
TOTAL EQUITY		**2,096,309**	2,012,070

Approved and authorised for issue by the board of directors on 28 March 2017.

Peng Shou
Director

Cui Xiangdong
Director

Expressed in RMB unless otherwise indicated

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

Finance lease arrangements

On 28 February 2017, the Company announced that certain subsidiaries of the Company have entered into finance lease arrangements pursuant to which the Group is subject to an aggregate lease payment of approximately RMB128.1 million for the lease assets during a period of three years.

33 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2016 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.

34 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 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
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

34 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", all the investments in equity securities may classify as irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

34 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 9, Financial instruments (continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 2(u). Currently, revenue from the sale of goods is generally recognised when the significant risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

34 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

HKFRS 15, Revenue from contracts with customers (continued)

Timing of revenue recognition (continued)

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract manufacturing activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

HKFRS 16, Leases

As disclosed in Note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 28(b), at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB17,612,000 for certain land, plant and buildings and motor vehicles, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.