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 2017

*For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors

Mr. Peng Shou *(Chairman)*
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Zhao John Huan
Mr. Tang Liwei (resigned on 2 January 2018)

Independent Non-Executive Directors

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

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

SENIOR MANAGEMENT

Mr. Li Ping
Mr. Lu Guo
Mr. Ge Yankai (ceased on 8 April 2018)
Mr. Yang Hongfu
Mr. Xu Ning
Mr. Wang Jianxun
Mr. Han Liming

COMPANY SECRETARY

Ms. Pan Jianli (resigned on 13 December 2017)
Ms. Kuok Yew Lee (appointed on 13 December 2017)

AUTHORISED REPRESENTATIVES

Mr. Cui Xiangdong
Ms. Pan Jianli (resigned on 13 December 2017)
Ms. Kuok Yew Lee (appointed on 13 December 2017)

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN PRC

F21, A Tower Ziguang Building
No.11 HuiXin Dongjie
Chaoyang District
Beijing 100029
PRC

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 Law
Appleby

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China
Bank of Hankou
Export-import Bank of China
Chang Hwa Bank
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

The Stock Exchange of Hong Kong Limited: 3300

WEBSITE

www.chinaglassholdings.com

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 2017 are extracted from the audited financial statements of this report and the Company's 2013, 2014, 2015 and 2016 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2017 **RMB'000**	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**2,556,418**	2,139,650	1,968,857	2,489,369	2,760,373
Cost of sales	**(2,234,842)**	(1,812,394)	(1,890,567)	(2,117,120)	(2,223,219)
Gross profit	**321,576**	327,256	78,290	372,249	537,154
Other income	**172,902**	163,389	29,063	217,625	22,405
Distribution costs	**(74,474)**	(75,599)	(73,218)	(77,346)	(76,564)
Administrative expenses	**(213,441)**	(214,123)	(397,117)	(292,134)	(259,066)
Other expenses	**–**	(39,260)	(62,563)	(18,620)	–
Profit/(loss) from operations	**206,563**	161,663	(425,545)	201,774	223,929
Share of losses of associates	**(12)**	(69)	(43)	(64)	(70)
Net gain from disposal of equity interests in an associate	**–**	–	–	–	963
Finance costs	**(106,216)**	(134,476)	(130,386)	(136,088)	(114,540)
Profit/(loss) before taxation	**100,335**	27,118	(555,974)	65,622	110,282
Income tax	**(39,864)**	(6,384)	75,876	(52,463)	(25,636)
Profit/(loss) for the year	**60,471**	20,734	(480,098)	13,159	84,646

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2017 **RMB'000**	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Total assets	**6,272,968**	5,781,637	5,645,602	6,164,934	5,525,743
Total liabilities	**4,108,518**	(3,605,323)	(3,515,001)	(3,575,275)	(3,130,446)
Net assets	**2,164,450**	2,176,314	2,130,601	2,589,659	2,395,297

Chairman's Statement

To shareholders,

In 2017, stable growth of the real estate market in 2016 continued. As the national supply-side structural reforms and environmental control efforts further strengthened, industries recorded improved profitability benefited from de-capacity and enhanced environmental protection.

In the past year, the Company actively adjusted its marketing strategy based on market demand, environmental protection requirements and the actual operation of production lines. By means of benchmarking management, the Company steadily facilitated the upgrade of both product and management. It also proactively promoted the "Belt and Road" initiative and developed international cooperation in terms of production capacity and technologies, so as to achieve structural adjustment and the sound development of its industrial layout.

In 2018, the glass sector is expected to remain stable with profitability increasing steadily on top of 2017. In the coming year, the Company will substantially implemented its "Go Out" strategy and ensure the float glass production lines in Nigeria to be completed and put into operation. It will also keep upgrading its quality, products and management, improving the openness in technology research and development, and endeavoring to make more technical contribution.

The Company is committed to becoming the leading glass manufacturer and service provider in the world. To this end, it is necessary to be sufficiently marketized and internationalized and take full advantage of the two platforms, namely, the development platform established under the "Belt and Road" and "Go Out" policies as well as the domestic industry integration platform. Leveraging on the support from shareholders in various aspects, it will grasp potential opportunities in economic growth, explore international market based on domestic market and lead the "Made in China" float glass industry to the world stage.

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

Peng Shou
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2017, global economy continued to recover while economy in the PRC grew steadily, with the supply-side reforms intensifying.

In 2017, affected by the combined effect of the supply-side adjustment and demand-side improvement, the overall glass industry remained stable. As demand for environmental protection increased in the second half of the year, the manufacturing costs increased. The market prices rose gradually and inventory levels reached a record low due to changes in supply and demand. The overall characteristics of the industry can be described as "stricter demand for environmental protection, rising costs, higher prices and volume, and improving efficiency".

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 2017, the Group had 10 float glass production lines in operation, while those production lines not in operation were temporarily halted for technical upgrades such as cold repair and relocation. In addition, the Group had one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

Raw material and fuel prices, and production costs

In 2017, as demand from environmental protection increased, the elimination of overcapacities also intensified, with prices of soda ash, mineral raw materials and natural gas rising sharply and manufacturing costs continuously to soar. The Group continued to optimize and adjust its strategic procurement policies to ensure the supply, despite purchase prices were increased year-on-year, they lower than the industry average.

In 2017, the domestic market price of soda ash hit a new high since 2010. Prices fluctuated frequently with average price increasing significant year-on-year. As a result, the soda ash industry was profitable in general. Influenced by environmental protection, prices of both silica sand and limestone surged and the supply was strained.

In terms of fuel, the market price of petroleum coke increased stepwise; the price of natural gas rose during the hotter season due to strained supply; and the price of fuel oil also increased by a certain extent.

Production, sales and selling price

In 2017, the Group produced an aggregate amount of 36.05 million weight cases of glass, representing a year-on-year increase of 5% whereas sales volume was 36.87 million weight cases, representing an increase of 10% as compared to last year. The average selling price of the Group's glass products increased to RMB69 per weight case in 2017, representing an increase of 8% as compared to last year.

Profitability analysis

In 2017, the Group recorded a sales revenue of RMB2.556 billion, representing an increase of 19% compared to last year. The increase in revenue was mainly due to the rising selling prices of glass products and growth in sales volume. In 2017, the Group recorded a profit for the year of RMB60.47 million, representing a significant growth over the profit for the year of RMB20.73 million in 2016.

MAJOR ACHIEVEMENTS IN 2017

1. *"Benchmarking management" performed throughout all work processes with product and management upgrade achieving initial results*

   In 2017, the Group implemented the overall process management by strengthening the benchmarking system in procurement, sales and production. By means of "benchmarking management", the Group steadily promoted the "product and management upgrades."

2. *Breakthroughs in major projects*

   (1) *Substantial progress made regarding the "Go Out" strategy*
   The construction of the Nigerian Float Production Line Project was progressing on schedule. In order to make full use of the advantages and opportunities brought by the "The Belt and Road" initiative in the PRC, a joint venture was established by a subsidiary of the Group, a subsidiary of Legend Holdings Corporation, being the second largest shareholder of the Group, and CNIC Corporation Limited, which is jointly established by the national foreign exchange reserve and SASAC of the State Council of the PRC. The joint venture, together with CNIC International Investment and Hony Capital, initiated the "The Belt and Road Integration Fund of Glass Industry（一帶一路玻璃產業整合基金）" which will be invested in (but not limited to) the Kazakh Float Production Line Project with an expected annual production capacity of 197,000 tonnes.

   (2) *Steady Implementation of Enterprise Transformation and Upgrade*
   The 600t/d Auto Glass Project of Suqian CNG Electronic Glass Co., Ltd. was officially launched; products with different thicknesses ranging from 1.6mm to 5mm were successfully trial-produced in the 400t/d Electric Glass Production Line of Suqian CNG with all indicators in line with expectations, which marked a milestone for the Group's transformation and upgrade.

   (3) *Applied research projects progressing as planned*
   The ultraviolet-proof high transmittance (ultra clear) glass of Wuhai CNG Special Glass Co., Ltd. passed the national tests and the inspection report of 6mm non-insulated fireproof glass (category C) 1h was issued by the National Center for Quality Supervision and Test of Building Engineering regarding to such glass, indicating that it meets the requirements higher than those for non-insulated fire-resistant glass (Type C) 0.5h as set out in the National Standard GB15763.1-2001 Requirements for Safety Glass and Fire-Resistant Glass for Construction (《GB15763.1-2001建築用安全玻璃防火玻璃》).

3. *Significant increase in the output of differentiated "featured products"*

   Wuhai CNG successfully mass produced the 3.2mm-2.7mm thin plates with the ultraviolet-proof high transmittance (ultra clear) thin glass. The coating period and rate of the online Low-E coating glass of Dongtai China Glass further improved. The Group made breakthroughs in the research on new products such as the online Sun-C coating glass, online solar control Low-E coating glass and the online Sun-E® ocean blue coating glass, TCO glass for thin-film solar cells and the high strain point glass for thin-film solar cells.

4. *Adjusting financial structure, expanding financing channels and strengthening the working capitals management*

In 2017, the Group continued to strengthen its management in "destocking" and "receivables" to reduce the capital amount of the two items and eventually improve the efficiency of capitals. At the same time, as we further adjusted the financial structure, the financial costs were reduced significantly.

5. *Environmental protection*

In 2017, the Group conscientiously implemented the Emission Standard of Air Pollutants for flat Glass Industry (《平板玻璃工業大氣污染物排放標準》) as well as various local emission standards of air pollutant and other related environmental protection laws and regulations, but also continuously strengthened the management in environmental protection process and equipment. As a result, furnace kilns of the production lines all met the emission standards.

THE GLASS MARKET OUTLOOK

The 19th National Congress and the Central Economic Work Conference set the foundation and guidance for economic development in 2018 and the "13th Five-Year Plan". In 2018, the glass industry is expected to continue its current steady upward trend. The overall supply and demand in the glass industry is basically balanced, although it still faces uncertainties and challenges such as the intensifying environmental requirements, rising prices of raw and fuel materials, high costs and difficulties in financing. The market price will remain at a high level despite fluctuations between seasons and caused by demand. Therefore, the profitability of glass industry in 2018 will increase steadily on top of this year.

FORECAST OF PRICES OF RAW AND FUEL MATERIALS, AND PRODUCTION COSTS

Glass production costs are expected to remain high in 2018. The soda ash and coal industry enjoy a certain extent of monopolystic pricing advantages, as they are more concentrated than the glass production industry. The national strict control imposed on environmental protection will inevitably further compress the production capacity of various raw and fuel materials such as soda ash, coal and silica sand, and will also, to some extent, force companies to adjust their fuel structure, which will further push up the production costs.

WORK PLANS FOR 2018

1. *Improving quality and product upgrades*

The Group will continue to strengthen its quality control management and further improve our quality standard, quality upgrade evaluation system, online inspection methods and quality inspection standards; each base will determine its market and product positioning based on its region and demand, respectively, to achieve product upgrade targets.

2. *Trying our best to promote the informationization process and facilitate the comprehensive upgrade of the company management*

With an orientation on customer needs as well as a focus on high-quality substrates and differentiated products, we will base our production mainly on orders, integrate the terminal market vertically and fully adopted the procurement information system, while accelerating the establishment of the logistics information system.

3. *Making breakthroughs with the "Go Out" strategy*

   The Group will ensure that the Nigerian Float Production Project will put into operation in 2018 and enhance the operation and management of the Kazakh Project after it commences production.

4. *Improving the openness in technology research and development and endeavoring to make more contribution*

   The Group will improve the openness in technology research and development so that it can be open both internally and externally. The Group will endeavor to make more technical contributions, with a goal of achieving 50 to 60% in terms of technical contribution in 3 to 5 years.

5. *Establishing a rating system for subsidiaries and improving the performance appraisal system*

   The Group will draw on methods and standards of international ratings to rate the subsidiaries within the Group and will further improve the performance appraisal system based on the company ratings.

6. *Environmental protection*

   In 2018, the Group will implement a stricter, more standardized, more specific and more data-driven environmental treatment policy than that in 2017. We will continue to improve the efficiency of the treatment system and further reduce the concentration and total emission of pollutants discharged. Meanwhile, the Group will look for new processes and technologies for the treatment of pollutants and reduce the operating costs of treatment facilities while improving their efficiency.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 19% from RMB2.140 billion for the year ended 31 December 2016 to RMB2.556 billion for the year ended 31 December 2017. The increase in revenue was mainly attributable to the combined effect of an increase of 8% in the annual average selling price compared to last year due to an increase in the market price of glass this year, and an increase of sales volume of 10% compared to last year.

For the segment revenue of the Group for the year ended 31 December 2017, clear glass products contributed RMB1,107 million and energy saving and new energy glass products contributed RMB490 million, representing an increase of 61% and 41% as compared to 2016, respectively while painted glass products contributed RMB362 million and coated glass products contributed RMB598 million, representing a decrease of 22% and 7% as compared to 2016, respectively, which was mainly attributable to net effect of that clear glass products were significantly driven by the real estate market while market demand for painted and coated glass have not substantially increased along with the recovery of clear glass market; meanwhile the Group strengthened the sales of energy saving and new energy glass products and actively adjusted the product mix.

Cost of sales

The Group's cost of sales increased by approximately 23% from RMB1.812 billion for the year ended 31 December 2016 to RMB2.235 billion for the year ended 31 December 2017. This was mainly attributable to the combined effect of the general increase in average price of raw materials and fuel in the industry as well as the average costs on environmental protection.

Gross profit

The Group's gross profit decreased by approximately 2% from RMB327 million for the year ended 31 December 2016 to RMB322 million for the year ended 31 December 2017. This was mainly attributable to a decrease in gross profit margin. Gross profit margin decreased from 15% in 2016 to 13% in 2017, which was mainly due to the combined effect of the increased unit costs as a result of the average price of raw materials and fuel and the increased average costs on environmental protection, despite the increased selling price as a result of the improved market condition of glass products.

Other income

The Group's other income increased from RMB163 million for the year ended 31 December 2016 to RMB173 million for the year ended 31 December 2017. Other income for the year was mainly the guiding funds for major industry from local government and compensation received by the Group's several production lines from local government to compensate the relocation loss incurred in prior years.

Finance Costs

The Group's finance costs decreased by approximately 21% from RMB134 million as at 31 December 2016 to RMB106 million as at 31 December 2017. This was mainly due to the financing structure adjustment by the Group.

Current assets

The Group's current assets increased by approximately 7% from RMB1.519 billion as at 31 December 2016 to RMB1.619 billion as at 31 December 2017. The increase was mainly attributable to an increase in prepayments and other receivables.

Current liabilities

The Group's current liabilities decreased by approximately 3% from RMB3.381 billion as at 31 December 2016 to RMB3.267 billion as at 31 December 2017. The decrease was mainly due to the combined effect of decreased advances, accrued charges and other payables.

Non-current liabilities

The Group's non-current liabilities increased by approximately 275% from RMB224 million as at 31 December 2016 to RMB841 million as at 31 December 2017. This was mainly attributable to a significant increase in long-term bank and other loans as a result of the adjustment to the financing structure of the Group.

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

As at 31 December 2017, the Group's cash and cash equivalents were RMB562 million (31 December 2016: RMB492 million), of which 91% (31 December 2016: 95%) were denominated in RMB, 8% (31 December 2016: 3%) were denominated in United States Dollars ("USD"), and 1% (31 December 2016: 2%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank and other loans were RMB2.352 billion (31 December 2016: RMB1.513 billion), of which 87% (31 December 2016: 99%) were denominated in RMB, and 13% (31 December 2016: 1%) were denominated in USD. As at 31 December 2017, 71% (31 December 2016: 53%) of the outstanding bank and other loans bear interest at fixed rates while approximately 29% (31 December 2016: 47%) bear interest at variable rates.

As at 31 December 2017, the gearing ratio (total interest-bearing debts divided by total assets) was 40% (31 December 2016: 29%). As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was 0.50 (31 December 2016: 0.45). The Group recorded net current liabilities amounting to RMB1.648 billion as at 31 December 2017 (31 December 2016: RMB1.862 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.65 as at 31 December 2017 (31 December 2016: 0.62).

CHARGED ASSETS

As at 31 December 2017, certain properties, plants and equipment and construction in progress and inventories of the Group with a carrying amount of approximately RMB799 million (31 December 2016: RMB1,168 million) and certain trade and bills receivables of the Group with a carrying amount of approximately RMB236 million (31 December 2016: RMB79 million) were pledged against certain bank loans with a total amount of approximately RMB781 million (2016: RMB573 million).

CONTINGENT LIABILITIES

As at 31 December 2017,there is no contingent liabilities of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

The Group did not have any material investments or acquisition of capital assets, or material acquisitions or disposals of subsidiaries and associated companies or significant investments during the year of 2017.

As at the date of this report, the Group has no plan to make any material investments or acquisition of capital assets.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2017, the Group employed approximately a total of 3,774 employees in the PRC and Hong Kong (31 December 2016: about 4,007 employees). The decrease in staff number of the Group as at 31 December 2017 as compared to 31 December 2016 was mainly attributable to continuously higher workplace efficiency of the Group and reduced headcount as production lines of several production bases were moved and halted. According to the relevant market situation, the Group's employees' remuneration 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 7(b) to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (31 December 2016: Nil).

EXCHANGE RATE RISK AND RELATED HEDGING

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year; and the Group's purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

The board of directors (the "Board" or the "Directors") of China Glass Holdings Limited (the "Company") presented its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

Details of the principal activities of the Company and its subsidiaries (collectively, the "Group") are set out in Note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the consolidated financial statements on pages 63 to 70.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (31 December 2016: nil).

GROUP'S FIVE YEARS FINANCIAL SUMMARY

Results, assets and liabilities of the Group for the last five years are summarised on page 4 of this Annual Report.

RESERVES

Details of the distributable reserves of the Company as at 31 December 2017 are set out in Note 27(e) to the consolidated financial statements.

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

DONATIONS

The Group had made donations to charities amounted to RMB315,200 during the year ended 31 December 2017 (2016: RMB113,074).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in Note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2017 are set out in Note 27(c) to the consolidated financial statements.

During the year ended 31 December 2017, there were no changes to the total number of ordinary shares of HK$0.05 each in the share capital of the Company (the "Shares") or the share capital structure of the Company.

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. Zhou Cheng *(Honorary Chairman)*
Mr. Zhao John Huan
Mr. Tang Liwei (resigned on 2 January 2018)

Independent Non-Executive Directors

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

In accordance with Bye-law 99 of the Bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. Mr. Cui Xiangdong, Mr. Peng Shou and Mr. Zhao John Huan shall retire by rotation at the forthcoming annual general meeting (the "AGM") and being eligible, will offer themselves for re-election at the AGM. Their proposed re-election will be considered by separate resolutions.

The Company has received annual confirmation of independence from all Independent Non-Executive Directors, and still considers them to be independent as at the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2017, none of the Directors or any entity connected with the Directors had any material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the 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 on pages 18 to 23 of this report and Note 25 to the consolidated financial statements, at no time during the year was the 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2017.

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 consolidated financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors had an interest in any business which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

PERMITTED INDEMNITY PROVISION

During the year under review and up to the date of this report, the Company's Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except as the same shall happen by or through their own wilful neglect or default, fraud and dishonesty respectively. The Company has arranged for appropriate directors and officers liability insurance in respect of legal action against the Directors.

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 2017, 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")) which were (i) recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required, 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"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares (1) (3) (4)	Approximate Percentage of shareholding (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 under the Old Share Option Scheme (as defined herein below), and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the Share Award Scheme (as defined herein below).

(3) For further details of the Old Share Option Scheme adopted by the Company, please refer to the subsection headed "The Old Share Option Scheme" below.

(4) For further details of the Share Award Scheme (as defined herein below) adopted by the Company, please refer to the section headed "Share Award Scheme" below.

(5) As at 31 December 2017, the total number of issued shares of the Company is 1,810,147,058.

Save as disclosed above, as at 31 December 2017, 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 required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 31 December 2017, the interests and/or short positions of the shareholders of the Company, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company 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 (6)	Interest of a controlled corporation (7)	412,676,740(L)	22.80%
Pilkington Group Limited	Beneficial owner	123,923,697(L)	6.85%
NSG UK Enterprises, Limited	Interest of a controlled corporation (8)	123,923,697(L)	6.85%
NSG Holding (Europe) Limited	Interest of a controlled corporation (9)	123,923,697(L)	6.85%
Nippon Sheet Glass Co., Ltd.	Interest of a controlled corporation (10)	123,923,697(L)	6.85%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621(L)	8.64%
凱盛科技集團有限公司 (Triumph Technology Group Company Limited*)	Beneficial owner/Interest of a controlled corporation (11)	416,424,621(L)	23.01%
中國建材集團有限公司 (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 the SFO.

(5) Easylead Management Limited is owned as to one-third by each of Messrs. Cao Zhijiang, Liu Jinduo and Zhang Zuxiang. 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 the 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 the 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 the 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 the SFO.

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

(12) As at 31 December 2017, the total number of issued shares of the Company is 1,810,147,058.

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than a Director or the chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

* *For identification purpose only*

SHARE OPTION SCHEMES

A. The Old Share Option Scheme

The Company has conditionally adopted a share option scheme (the "Old Share Option Scheme") on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares. 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 25(a) to the consolidated 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. During the year ended 31 December 2017, save as a total of 660,000 share options that have lapsed during this period, no options were exercised, cancelled or lapsed under the Old Share Option Scheme.

Particulars of outstanding options granted under the Old Share Option Scheme at the beginning and at the end of the financial year ended 31 December 2017 are as follows:

Participant	Date of grant[1]	Exercise price per Share[2]	Exercise period from	Exercise period until	Held as at 1/1/2017	No. of Shares Granted/ Exercised/ (Cancelled)/ (Lapsed) during the year	Held as at 31/12/2017	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	11,284,000	(264,000) [3]	11,020,000	0.61%
	13/5/2015	1.25	13/5/2017	12/5/2022	8,463,000	(198,000) [3]	8,265,000	0.46%
	13/5/2015	1.25	13/5/2018	12/5/2022	8,463,000	(198,000) [3]	8,265,000	0.46%
Total					33,010,000	(660,000)	32,350,000	

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.

(2) The closing price of the Shares on 13 May 2015 was HK$1.25.

(3) Options lapsed during the year ended 31 December 2017.

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. During the year ended 31 December 2017, no options were granted, exercised, cancelled or lapsed 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 (the "Share Award Scheme") on 12 December 2011 (the "Adoption Date"). The Share Award Scheme would operate in parallel with the Old Share Option Scheme and the New Share Option Scheme.

(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 made 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.

On 27 December 2017, based on the Company's instruction for the purpose of the Share Award Scheme, the Trustee had purchased 86,000,000 Shares off the market, representing approximately 4.75% of the issued share capital of the Company as at 27 December 2017, from Pilkington Group, a substantial shareholder of the Company (as defined in the Listing Rules) prior to such share purchase, at the total consideration of HK$57,018,000 (the "Share Purchase"). The Company paid an amount of HK$58,000,000 to the Trustee for the Share Purchase.

During the year ended 31 December 2017, no shares were awarded or vested to directors and employees of the Group under the Share Award Scheme. Further details of the awards granted under the Share Award Scheme are set out in Note 25(b) to the consolidated financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Directors

Executive Director

Mr. Cui Xiangdong (崔向東), aged 57, is an Executive Director, the Chief Executive Officer and a member of the Strategy Committee of the Company. Mr. Cui is also the Chairman, Legal Representative, and a director of certain 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 over 30 years of extensive experience in building material industry, corporate management and marketing.

Non-Executive Directors

Mr. Peng Shou (彭壽), aged 57, is the Chairman, a Non-executive Director, the Chairman of the Strategy Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Peng joined the Group since 13 February 2015. Mr. Peng obtained the Bachelor's Degree in Engineering from Wuhan Institute of Building Material Industry (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree in 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 batch of national candidates for "New Century Hundred-Thousand and Ten-Thousand Talents 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 Innovation Award awarded by the Ho Leung Ho Lee Foundation, Guanghua Engineering Science and Technology Award as well as 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 business and management experiences in the building material industry. He is an expert in inorganic material research and development as well as engineering design and consultancy.

Mr. Peng is the General Manager of Triumph Technology Group Company Limited*（凱盛科技集團有限公司）("Triumph Technology", a substantial shareholder of the Company), and has been an Executive Director of China National Building Material Company Limited ("CNBM", an associate of Triumph Technology, and being a company listed on the Stock Exchange) since June 2006 and also the 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 served 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 an executive member of International Commission on Glass, the Director of State Key Laboratory of Float Glass New Technology*（浮法玻璃新技術國家重點實驗室）, the Vice Chairman of China Silicate Association*（中國硅酸鹽學會）, the Deputy Chairman of the China Building and Industrial Glass Committee*（中國建築玻璃與工業玻璃協會）and the Vice President of China Building Material Federation*（中國建築材料聯合會）, etc.

* For identification purpose only

Mr. Zhou Cheng (周誠), aged 61, is a Non-executive Director, the Honorary Chairman, a member of the Nomination Committee and a member of the Strategy Committee 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. Zhao John Huan (趙令歡), aged 55, is a Non-executive Director and a member of the Strategy Committee of the Company. Mr. Zhao obtained a bachelor degree in physics from Nanjing University*（南京大學）, dual master degrees in electrical engineering and physics from Northern Illinois University in United States, and a master degree in business administration from the Kellogg School of Management of Northwestern University in United States.

Mr. Zhao is the founder, Chairman and Chief Executive Officer of Hony Capital, a leading private equity firm in China. Mr. Zhao also serves as an Executive Director and Executive Vice President of Legend Holdings Corporation (a substantial shareholder of the Company, the parent company of Hony Capital, and being a company listed on the Stock Exchange), a Non-executive Director of Lenovo Group Limited (a company listed on the Stock Exchange), the Chairman of the board and Chief Executive Officer of Best Food Holding Company Limited (a company listed on the Stock Exchange), the Chairman of the board of Hospital Corporation of China Limited (a company listed on the Stock Exchange), the Deputy Chairman of Shanghai Environment Group Company Limited (a company listed on the Shanghai Stock Exchange), a Non-executive Director of Shanghai Jinjiang International Hotels Development Co., Ltd. (a company listed on the Shanghai Stock Exchange), and a Non-executive Director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (a company listed on the Stock Exchange and the Shenzhen Stock Exchange).

Mr. Zhao is also a member of the national "Thousand Talents Program", Vice Chairman of Asset Management Association of China ("AMAC") and Chairman of the private equity & buyout fund committee under AMAC, board member of the China Development Research Foundation (CDRF), governor of Our Hong Kong Foundation, and governing board member of China-United States Exchange Foundation. 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 Wumart Stores, Inc. (a company which was previously listed on the Stock Exchange), New China Life Insurance Company Ltd. (a company listed on the Stock Exchange), Chinasoft International Limited (a company listed on the Stock Exchange), and CSPC Pharmaceutical Group Limited (a company listed on the Stock Exchange).

Mr. Tang Liwei (湯李煒), aged 44, 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 manufacturing business and management. 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 has resigned as 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) and the Company on 17 July 2017 and 2 January 2018, respectively.

* For identification purpose only

Independent Non-Executive Directors

Mr. Zhang Baiheng (張佰恒), aged 56, is an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee 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) 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). 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 75, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee 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 China National Building Material Group Corporation (a company listed on the Stock Exchange) in 2014 and resigned on 7 April 2016. Mr. Zhao has also been an Independent Non-executive Director of Hydoo International Holding Limited (a company listed on the Stock Exchange) since 23 November 2014.

Mr. Chen Huachen (陳華晨), aged 39, is an Independent Non-executive Director and the Chairman of the Audit Committee 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.

* For identification purpose only

Senior Management

Mr. Li Ping (李平), aged 56, 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 55, 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, all are 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, and 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 57, 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., all are 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 of 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 56, is a Vice President of the Company. He is the Chairman of Jiangsu SHD New Materials Co. Ltd., Suqian CNG Electronic Glass Company Limited* (宿遷中坡電子玻璃有限公司), Dongtai China Glass Special Glass Co., Ltd. and Beijing Qinchang Glass Co., Ltd., all are 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.

* For identification purpose only

Mr. Xu Ning (徐寧), age 54, 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, all are 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. Wang Jianxun (汪建勛), aged 60, 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 42, 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 Limited* (凱盛科技集團有限公司), 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 40, was the former Company Secretary of the Company. Ms. Pan joined the Group in March 2007. She has resigned as the Company Secretary of the Company and left the Company on 13 December 2017 and 31 December 2017, respectively. 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.

Ms. Kuok Yew Lee (郭尤莉), aged 41, is the Company Secretary of the Company. Ms. Kuok has been appointed as the Company Secretary of the Company on 13 December 2017. Ms. Kuok is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and a holder of the Practitioner's Endorsement issued by HKICS. She also holds a Master of Business Administration in International Management from the University of London.

* For identification purpose only

CONNECTED TRANSACTIONS

During the financial year ended 31 December 2017, the Group entered into the following transactions which constituted non-exempt connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules:

(1) Entering into of Engineering Contracts for Flue-Gas Treatment

On 5 June 2017, each of Zhongbo Technology Company Limited*（中玻科技有限公司）("Zhongbo Technology", as the hirer and an indirectly non wholly-owned subsidiary of the Company) and Weihai CNG New Technology Glass Limited*（威海中玻新技術玻璃有限公司）("Weihai CNG", as the hirer and an indirectly non wholly-owned subsidiary of the Company) entered into the Zhongbo Engineering Contract (as defined herein below) and the Weihai Engineering Contract (as defined herein below), respectively, with Shenzhen Triumph Technology Engineering Co., Ltd*（深圳市凱盛科技工程有限公司）("Shenzhen Triumph Technology Engineering", as the principal contractor), pursuant to which Zhongbo Technology and Weihai CNG respectively engaged Shenzhen Triumph Technology Engineering to carry out design, procurement and installation work in relation to the flue-gas treatment on glass furnaces.

Pursuant to the engineering contract entered into between Zhongbo Technology and Shenzhen Triumph Technology Engineering (the "Zhongbo Engineering Contract"), Shenzhen Triumph Technology Engineering agreed to carry out design, procurement and installation work in relation to the flue-gas treatment on two glass furnaces for Zhongbo Technology. Under the Zhongbo Engineering Contract, the contract prices for the works engaged by Shenzhen Triumph Technology Engineering are (i) RMB10.8 million in respect of sourcing and supply of components and construction materials, design and planning for the flue-gas treatment on the two glass furnaces, and (ii) RMB4.4 million in relation to the installation, testing and quality checking for the flue-gas treatment on the two glass furnaces. Zhongbo Technology will make instalment payments to Shenzhen Triumph Technology Engineering based on the progress of the works completed by Shenzhen Triumph Technology Engineering in accordance with the terms of the Zhongbo Engineering Contract at the following stages: (i) one month after the signing of the Zhongbo Engineering Contract, (ii) delivery of the main components for the flue-gas treatment, (iii) after completion and testing of the flue-gas treatment, (iv) three months after passing of the inspection and testing by the relevant environmental bureau of The People's Republic of China (the "PRC") government or qualified third party inspector, and (v) 13 months after the signing of the Zhongbo Engineering Contract.

Pursuant to the engineering contract entered into between Weihai CNG and Shenzhen Triumph Technology Engineering (the "Weihai Engineering Contract"), Shenzhen Triumph Technology Engineering agrees to carry out design, procurement and installation work in relation to the flue-gas treatment on a glass furnace for Weihai CNG. Under the Weihai Engineering Contract, the contract prices for the works engaged by Shenzhen Triumph Technology Engineering are (i) RMB5.4 million in respect of sourcing and supply of components and construction materials, design and planning for the flue-gas treatment on the glass furnace, and (ii) RMB2.2 million in relation to the installation, testing and quality checking for the flue-gas treatment on the glass furnace. Weihai CNG will make instalment payments to Shenzhen Triumph Technology Engineering based on the progress of the works completed by Shenzhen Triumph Technology Engineering in accordance with the terms of the Weihai Engineering Contract at the following stages: (i) one month after the signing of the Weihai Engineering Contract, (ii) delivery of the main components for the flue-gas treatment, (iii) after completion and testing of the flue-gas treatment; (iv) three months after passing of the inspection and testing by the relevant environmental bureau of the PRC government or qualified third party inspector, and (v) 13 months after the signing of the Weihai Engineering Contract.

* For identification purpose only

The purposes of entering into the Zhongbo Engineering Contract and the Weihai Engineering Contract (collectively, the "Engineering Contracts") are to further improve the Company's efforts in environmental protection by arranging flue-gas treatment to its production lines in recent years. The flue-gas treatments to the glass furnaces of Weihai CNG and Zhongbo Technology, which include flue-gas dust removal, desulphurisation and denitration, is part of the management's continuous effort on environmental protection and energy-saving which will contribute to the sustainable development of the Group.

Triumph Technology Group Company Limited*（凱盛科技集團有限公司）("Triumph Group Company", a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Shenzhen Triumph Technology Engineering is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Engineering Contracts constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

(2) Entering into of design contract for new automotive glass production line

On 9 November 2017, Jiangsu SHD New Materials Company Limited*（江蘇蘇華達新材料有限公司）("Jiangsu SHD", as the hirer and an indirectly wholly-owned subsidiary of the Company) entered into a design contract with China Triumph International Engineering Company Limited*（中國建材國際工程集團有限公司）("CTIEC", as the contractor), pursuant to which CTIEC was engaged by Jiangsu SHD to carry out design and planning work on the overall construction, production line and machineries for the new automotive glass production line for a contract price of RMB5 million (the "Design Contract"). Jiangsu SHD would make instalment payments to CTIEC based on the progress of the works completed by CTIEC in accordance with the terms of the Design Contract.

The Group has been actively seeking to diversify its product profile and automotive glass has always been a market which the Group intends to expand into due to its high technological demand as well as high profit margin. Following the commencement ceremony hosted by the Group on 3 July 2017 in respect of the commencement of the new automotive glass production line project, the Company had to engage a design consultant for the planning and design of the overall construction, production line and machineries for the new production line.

Triumph Group Company (a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. CTIEC is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Design Contract constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(3) Formation of Joint Venture Company

On 13 December 2017, CNG International Investment Limited*（中玻國際投資有限公司）("CNG International", a wholly-owned subsidiary of the Company) and Hony Group Management Limited ("Hony Group Management") (collectively, the "Parties") entered into a joint venture agreement (the "JV Agreement"), pursuant to which the Parties agreed to establish a joint venture company, namely Belt and Road Glass Management Limited (the "JV Company") in the Cayman Islands with limited liability and will be the general partner of the Belt and Road Glass Fund (as defined herein below).

The initial investment amount of USD1,800,000 will be payable by the Parties in cash upon establishment of the JV Company (subject to a maximum investment amount of USD15,000,000). CNG International and Hony Group Management have each agreed to initially contribute USD900,000 (subject to a maximum contribution amount of USD7,500,000), each representing 50% of the equity interests in the JV Company respectively.

* For identification purpose only

The JV Company will be appointed as the general partner of, and participate in the management of Belt and Road Glass Industry Integration Fund L.P. ("Belt and Road Glass Fund", an exempted limited partnership to be established in the Cayman Islands, of which the JV Company would be the general partner holding 5% of its entire equity interests and Global Expansion II Limited (a wholly-owned subsidiary of Hony Global Expansion Investment, L.P.) would be the limited partner holding 95% of its entire equity interests). The Belt and Road Glass Fund will be set up for the purpose of investing in various glass production projects in various countries along and surrounding the "Belt and Road" initiative of the PRC, including but not limited to the Kazakhstan project (being a construction project of a float glass manufacturing line with an expected capacity of 197,000 tons per year in Kyzylorda, Kazakhstan) and the relevant projects or investments held by it.

The Group has been actively seeking to expand its glass production businesses outside of the PRC to leverage on the advantages and opportunities resulting from the "Belt and Road" initiative of the PRC. The formation of the JV Company will allow the Group to obtain exposure in the Belt and Road Glass Fund and in turn benefiting from the "Belt and Road" initiative involving various countries along and surrounding the "Belt and Road". The investment in the JV Company is in line with the Company's long-term corporate strategy, which will seek the potential opportunities in expanding its glass production businesses.

As of 13 December 2017, Hony Group Management is controlled by Legend Holdings Corporation (an indirect substantial shareholder of the Company) and thus a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the JV Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

(4) Purchase of Shares pursuant to the Share Award Scheme

On 27 December 2017, the Company paid an amount of HK$58,000,000 to the Trustee for the Trustee to purchase an aggregate of 86,000,000 Shares, representing approximately 4.75% of the issued share capital of the Company, from Pilkington Group Limited ("Pilkington Group") for the purpose of the Share Award Scheme (the "Share Purchase"). The total consideration of the Share Purchase was HK$57,018,000 with purchase price per share of HK$0.663 (representing a discount of approximately 5% to the average closing price of HK$0.698 per Share as quoted on the Stock Exchange for the twenty trading days immediately prior to the Share Purchase). The Shares so purchased by the Trustee shall constitute part of the trust fund and be held by the Trustee for the benefit of any employee (including without limitation any executive director) of any member of the Group (the "Employees") (other than the Excluded Employee as defined in the announcement of the Company dated 12 December 2011 in relation to the adoption of the Share Award Scheme by the Board).

The purpose of the Share Award Scheme is to recognise the contributions made by certain 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.

The Board (including the Independent Non-executive Directors) believes that the Share Purchase would facilitate the operation of the Share Award Scheme as (i) the Company wishes to set aside a pool of Shares held under the trust (as constituted by the trust deed) available for allocation to the Selected Employee(s) under the Share Award Scheme from time to time as the Board determine, pursuant to the scheme rules for participation in the Share Award Scheme; (ii) the purchase of such Shares from Pilkington Group offers an opportunity to purchase a relatively large amount of Shares for the Share Award Scheme at a certain purchase price with discount compared to the recent trading price; and (iii) the liquidity of the Shares on the market is currently low and the Share Purchase allow the Trustee to acquire the Shares at the terms and price approved by the Company.

Pilkington Group (a substantial shareholder of the Company) is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Share Purchase constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

The above-mentioned transactions were subject to the annual reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to 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 financial year ended 31 December 2017 which are subject to annual reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

The material related party transactions are set out in Note 29 to the consolidated 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 annual 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 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, 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 during the year and up to the date of this report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and the Share Award Scheme as set out above, no equity-linked agreements were entered into by the Company, or existed during the year ended 31 December 2017.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There have been no important events affecting the Group that have occurred since the end of the reporting period.

BUSINESS REVIEW

In accordance with Schedule 5 of the Companies Ordinance of Hong Kong, a fair review of the Group's business during the year, a description of the principal risks and uncertainties that the Group may be facing, and a discussion on the prospect of the Group's future business development are provided in the Chairman's Statement on page 5 and the Management Discussion and Analysis on pages 6 to 12 of this Annual Report.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on page 6 and the Group's Five Years Financial Summary on page 4 of this Annual Report.

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 puts emphasis on developing and maintaining long-term and stable commercial relationships with its customers, including end-customers and franchised dealer, etc. The Group has 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 to establish a long-term and stable strategic partnership, including the procurement of raw and fuel material, production equipment and spare parts, etc. 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

As a socially responsible corporation, 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, with all envioronmental indicators up to or above the national standards.

Details of the Group's environmental policies are contained in the section headed "Environmental, Social and Governance Report" on pages 34 to 41 of this Annual Report.

Compliance with Laws and Regulations

During the year ended on 31 December 2017 and up to the date of this report, as far as the Company is aware, there is no material non-compliance with the relevant laws and regulations applicable to the Group that has a significant impact on the business and operations of the Group.

The applicable laws and regulations which have a significant impact on the business and operations of the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 34 to 41 of this Annual Report.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

The Group had not made any material investments, acquisitions or disposals during the year ended 31 December 2017.

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 2018, 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 2017. The Group has taken a number of measures to address the uncertainties faced by the industry, for further details, please refer to the subsection headed "Work Plans for 2018" on pages 8 to 9 of this Annual 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 31 to the consolidated financial statements.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development.

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2017 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, 27 March 2018

Environmental, Social and Governance Report

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 annually. Important contents closely related to the Group's business are provided as follows:

I. WORK ENVIRONMENT

1. 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. 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 Group strictly adhered to Labour Contract Law of the PRC, Labour Law of the PRC and other relevant applicable laws and regulations. Besides, 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 establish a competitive remuneration mechanism, pays for employees' social insurance and provide benefits such as transportation and communication subsidies, high-temperature subsidies and meal allowance. The Group's employees work 8 hours per day while production departments implement a shift system. Furthermore, the Group provides national statutory holidays and paid leaves, such as annual leave, maternity leave, marriage leave, and funeral leave, etc.

As of 31 December 2017, the Group had a total of 3,774 employees with age mainly ranging from 35 to 60 years old, including teams of production, sales, technology research and development and management. The Group adheres to the principle of diversity and the employment is made based on different gender, age, ethnicity, nationality and region, religion and educational background, etc. In addition, all the employees are provided with open and fair promotion opportunities while all types of discrimination in employment are strongly prohibited.

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

For the year ended 31 December 2017, the number of the Group's employees by employment type, age group and geographical region is set out as follows:

Employees		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
3,774	Contract employee	805	2,968	1	3,774	1,339	637	1,309	448	41

2. Health and Safety

The Group strictly adheres to people orientation and safe development in its safety production in constantly compliance with the policy that "safety comes first; prevention is better than cure; cure is implemented by comprehensive management measures", 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 of the Group take full responsibility for the safety production in their own unit while supervisors at all levels 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, developing sound safety management rules, regularly providing education and training for staff, enhancing the operation and maintenance of production equipment and facilities, strengthening the site management of production and control on production process, making sound records on occupational hygiene and health care of employees; setting up emergency organization and team and regularly conducting emergency training and drill.

In 2017, 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 injuries. The process of implementation was reviewed regularly and supervised by spot check by the safety and occupational health management team under the Group's manufacturing departments.

3. 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 2017, 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 2017							
Staff Category	High Level Management	Middle Level Management	Base Level Management	Technical Staff	Marketing staff	Production staff	Others	Total
Staff Size (Persons)	83	261	420	160	60	2,399	391	3,774
No. of Persons trained	83	261	390	160	56	2,011	296	3,257
Percent of Persons trained	100%	100%	93%	100%	93%	84%	76%	86%

4. Labor Standards

The Group has 99% staff in China. They strictly comply with "Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)" and "Labor Law of the People's Republic of China (《中華人民共和國勞動法》)", and overseas staff also strictly comply with the relevant requirements of applicable laws and regulations. There were no non-compliance cases identified in 2017. The Group complies with the relevant requirements of national laws and regulations in its recruitment activities and clarifies the relationship of work allocation between employers and employees from the perspective of system and mechanism. Moreover, the Group safeguards its employees' legal rights and interests and rigorously forbids child and forced labor.

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

II. ENVIRONMENTAL PROTECTION

1. Emissions

The Group has sound environmental protection system in place as each manufacturing base has been equipped with environment management system and the manufacturing departments of the Group have established a management team specialized in environmental protection and energy saving matters. Each manufacturing base has responsible staff in charge of operation of environmental protection and energy saving facilities. Smoke and waste gas on-line monitoring systems installed in the manufacturing bases are connected to the Environmental Protection Department's network, establishing an online system for real-time environmental monitoring to ensure the emissions meet the national emission standards.

The Group adamantly implements government laws and regulations regarding environmental protection. In 2017, the Group invested RMB55 million in environmental protection facilities with approximately RMB94 million of operating cost incurred, representing a larger increase as compared to the RMB56 million in 2016. Such investment was aimed to further reduce the emission concentration and reduce the total emissions. The emission concentration of dust, sulfur dioxide and nitrogen oxide is 47.14%, 38.31% and 53.72% of the national standards respectively, all of which were above the national standards.

The heat recovery power generation equipment had been installed in each manufacturing base, basically in synchronous operation with the float glass production lines. In 2017, a total of 99.853 million kWh of electricity was generated and a total of 80.507 million kWh of electricity was supplied by various manufacturing bases, representing 30.21% of the total electricity used by various manufacturing bases. As compared to a total of 107.6 million kWh of electricity generated and a total of 89 million kWh of electricity supplied by various manufacturing bases in 2016, the reduction was mainly due to the suspension of a production line of Suqian Base for cold repair in 1 November 2017.

In 2017, the manufacturing bases of the Group basically completed the construction of environmental protection facilities for desulfurization, denitration and integrated dust removal improvement. The desulfurization equipment of various manufacturing bases was in normal operation with sulfur compound emissions all within legal limits. For denitration, denitration equipment of other manufacturing bases of the Group was all in normal operation with nitrogen oxide emission within legal limits.

In order to achieve the objective of "Made in China 2025", the Group has thoroughly implemented green manufacturing projects to construct a green manufacturing system and exert its leading role in advanced exemplary enterprise for green manufacturing, so as to achieve energy saving and comprehensive utilization of energy, and build itself as a green manufacturing enterprise. On 18 January 2018, Dongtai Base of the Group was being selected by the Ministry of Industry and Information Technology of the PRC as the second batch of green manufacturing demonstration list (the "Green Factory"), in which only two domestic glass enterprises were included.

The Group adopts and strictly complies with the following national policy and indicators for the emissions by sheet glass production:

(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) and Emission Standard of Air Pollutants for Electronic Glass Industry (GB 29495–2013); Weihai Base and Linyi Base implemented Integrated Emission Standard of Regional Air Pollutants in Shandong Province (DB 37/2376–2013).

Emissions	**Particulate matter**	**Sulfur dioxide**	**Nitrogen oxide**
Unit	*mg/m³*		
Emission Standard of Air Pollutants for flat Glass Industry GB26453-2011	50	400	700
Emission Standard of Air Pollutants for Electronic Glass Industry GB29495-2013	50	400	700
Integrated Emission Standard of Regional Air Pollutants in Shandong Province DB 37/2376–2013	30	200	500

The Group's total emissions in 2017:

Name of Emissions (Unit: tons)	**2017 Total**	2016 Total
Sulfur dioxide	**1,018**	1,262
Nitrogen oxide	**2,104**	2,397
Particulate matter	**126**	174

The total emissions of the Group in 2017 decreased significantly as compared with 2016, which was mainly because each base within the Group focused on environmental management and ensured the normal and stable operation of environmental protection equipment.

(2) *Wastewater discharge:*

Wastewater generated from all bases of the Group was recycled for site spraying, roads and green seedlings watering, and domestic sewage was transmitted to the local sewage treatment plants for treatment after reaching the take-over standard of such plant. The Group also installed online sewage testing equipment and established an online real-time monitoring for environmental protection to ensure compliance with emissions standards. 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:*

In 2017, Suqian Base generated 33 tons of denitration dead catalyst and Linyi Base generated 1.0 tons of waste engine oil and they 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.

(4) *Greenhouse gas emission:*

The Group generated a greenhouse gas emission of 1.6305 million tons in 2017, increasing from 1.567 million tons in 2016, which was mainly due to the trial production of the electronic glass production line in Suqian Base in July.

2. Use of Resources

Production lines of the Group's Dongtai, Wuhai and Linyi manufacturing bases utilized the coke oven gas for major fuel, which local coking companies originally emitted into the atmosphere, and thus helped to drastically reduce air pollution caused by emission of these gases.

Total Consumption in 2017

No.	Fuel Name	Unit	2017	2016
1	Coke oven gas	0'000 m^3	**30,404**	24,884
2	Petroleum coke powder	Tons	**135,937**	159,369
3	Fuel Oil	Tons	**33,263**	36,508
4	Natural Gas	0'000 m^3	**2,730**	21
5	Electricity	0'000 kWh	**19,832**	21,911
6	Coal	Tons	**107,000**	108,959

In 2017, the Group reinforces evaluation on its resource consumption. 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.

To reduce energy consumption and cost of manufacture, the Group constructed residual heat electricity generation systems in all bases. During the production of glass, the heat taken away by waste gas produced from melting accounts for about 30% of furnace energy consumption, thus the utilizing the residual heat is an effective way to reduce the energy consumption in glass production.

In additional, 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.

3. The Environment and Natural Resources

Many glass manufacturing equipment work under high temperature conditions. To keep them in good conditions and to ensure normal operation, water cooling is normally the adopted technique. The Group pays much attention on the management of water usage and reduces the consumption of fresh water through several measures. To save water resources, all our bases employ the closed-loop circulation system for recycled water, and the circulation rate of the indirect cooling water system reached above 98%. Dongtai Base was awarded the title of Conserving Energy Advanced Company of Jiangsu Province.

III. OPERATING PRACTICES

Supply Chain Management

The Group selects and retains 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 assessment 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 2017, the Company procured raw materials, fuel and production line equipment from over 150 appraised and qualified suppliers, of which over 110 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 the supply chain when appropriate while providing good service to effectively combine suppliers, manufacturers, warehouses and users. 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 process and selects eligible suppliers conforming to the national environmental protection and production requirements through strict process control.

IV. PRODUCT RESPONSIBILITY

1. Quality Assurance

The Group considers high product quality and scientific technology the basis and drives for its business development, and actively promotes advanced scientific management technology and enhances the quality awareness of its staff so that the quality management system can be improved. Each business unit of the Group was strictly operated under the requirements of the ISO9001-2015 quality management system.

Various production & operation units of the Group offer 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, transportation and preservation, ensuring the quality control of each process and maximising the product quality standard.

2. Pre-sales and After-sales Services

The Group, through various ways including initial training and on-site guidance, 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. The Group has always been focusing on the concerns of our customers by taking full advantage of various effective methods to carry out the collection and analysis of customer satisfaction information. Rectification measures are promptly formulated and put in place in response to customer's valuable opinions and advice, in order to further facilitate product quality improvement, enhance service quality and enable the smooth going of marketing business.

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 service ethics and safety awareness for relevant personnel so as to prevent them from leaking the clients' privacy.

No product was returned due to safety and health issues among products sold or delivered in 2017.

3. Intellectual Property Rights

The Group 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.

In 2017, the Group won the Outstanding Contribution Award in the "Key Innovative R&D Project for the Second Generation Chinese Float Glass Technology and Device（第二代中國浮法玻璃技術與裝備創新研發攻關項目）"; its online Sun-E® energy saving coated glass in Dongtai Base was recognized as one of the Jiangsu high-tech products by the Department of Science and Technology of Jiangsu（江蘇省科技廳）; and the "online Low-E glass" and the "online solar control coated glass" of the Group were successfully incorporated into the Standard Samples for Photothermal Parameters of Low-Emission Coated Glass (Low-E Glass)(GSB 02-3411-2017) (《GSB 02-3411-2017 低輻射鍍膜玻璃(Low-E玻璃）光熱參數標準樣品》), Standard Samples for Visible Light Reflectance of Coated Glass(GSB 02-3413-2017) (《GSB 02-3413-2017 鍍膜玻璃可見光反射比標準樣品》) and Standard Samples for Visible Light Transmittance of Coated Glass (GSB 02-3414-2017) (《GSB 02-3414-2017 鍍膜玻璃可見光透射比標準樣品》), as the national standard samples of its kind. Furthermore, the 1.1mm ultra-thin electronic glass of the Group in Suqian Base achieved a successful trial-run.

V. ANTI-CORRUPTION

By strictly complying with relevant laws and regulations, the Group has set up an internal Ethics and Compliance Supervision Department, developed "Reporting Management System of China Glass Holdings Limited" and established Ethics and Compliance Supervision Committee at the same time to reinforce the internal monitoring system, protect company interests, prevent and severely punish corruption practices.

Moreover, 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 2017, 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 performing its social responsibilities and actively participates and launches public welfare charity activities to contribute to the community, with a view to promoting the harmonious social development and the corporate's long-term development. These efforts include but are not limited to offering subsidy for the needy in the communities where its subsidiaries operate, providing educational assistance funds and allocating a certain sum of money to comfort, visit and help the sick or retired employees who have contributed to the Group, as well as give help to their close relatives.

The Group had made donations to charities amounted to RMB315,200 during the year ended 31 December 2017 as compared to RMB113,074 in 2016.

Corporate Governance Report

The board of directors (the "Board" or the "Directors") and the management of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are committed to the maintenance of good corporate governance practices and procedures. The Board believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth, strengthening the confidence of shareholders and investors, and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2017, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviations set out below:

(i) the CG Code A.2.7 requires the chairman of the Board (the "Chairman") to at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the year 2017, 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 Director. 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; and

(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. The following independent non-executive Directors and non-executive Directors were unable to attend the general meetings of the Company due to other work commitments at that relevant times:

    (a) Mr. Zhang Baiheng and Mr. Zhao Lihua (being the independent non-executive Directors) were unable to attend the annual general meeting of the Company held on 6 June 2017; and

    (b) Mr. Peng Shou, Mr. Zhou Cheng, Mr. Zhao John Huan and Mr. Tang Liwei [(Note)] (being the non-executive Directors) as well as Mr. Zhang Baiheng and Mr. Zhao Lihua (being the independent non-executive Directors) were unable to attend the special general meeting of the Company held on 12 September 2017.

Note: Resigned on 2 January 2018

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. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2017.

Written guidelines no less exacting than the Model Code relating to the Company's securities transactions for employees are set out in the Employee Handbook of the Company.

THE BOARD OF DIRECTORS

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

- to set the Company's values and aims at enhancing shareholders' value;
- 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 is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 December 2017, a total of 14 Board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. Board minutes/resolutions are kept by the company secretary of the Company (the "Company Secretary"), which are sent to the Directors for records and are available 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 the CG Code.

Chairman and Chief Executive Officer

The chairman of the Board (the "Chairman") and the Chief Executive Officer of the Company ("CEO") are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. On 28 March 2017, the Board has appointed Mr. Peng Shou as the Chairman, 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 the other hand, the CEO, Mr. Cui Xiangdong, who is an executive Director, has executive responsibilities over the business directions and operational decisions of the management.

Board Composition

Up to the date of the annual report, the Board comprises a total of seven Directors, being one executive Director, three 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 of which one of them has appropriate professional qualification and financial management expertise. Details of the composition of the Board are set out on page 2 of this Annual Report.

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 25 of this Annual Report, which demonstrates a diversity of skills, expertise, experience and qualifications for the requirements of the Company's business. The Directors possess management, finance and accounting professional qualifications with extensive experience in diversified business.

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 nomination committee of the Company has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in the Listing Rules.

Appointments, Re-election and Removal of Directors

Pursuant to the bye-law 102(A) of the bye-laws of the Company (the "Bye-laws"), the Company may from time to time in general meeting by ordinary resolution elect, and pursuant to the bye-law 102(B) of the Bye-laws, 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. The Director so appointed 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 of the Bye-laws, at each annual general meeting, not less than one-third of the Directors shall retire from office by rotation. The retiring Directors shall be eligible for re-election.

Pursuant to the bye-law 104 of the Bye-laws, 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 and independent non-executive Directors have been appointed by the Company for a term of not more than 3 years, which is subject to the provision of retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws and the CG Code.

Responsibilities, Accountabilities and Contributions of Directors

The Board is responsible for effective leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board shall ensure that it takes decisions objectively in the best interests of the Company and the Company's shareholders, and carries out duties in good faith and in compliance with applicable laws and regulations.

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.

Delegation by the Board

The Board directly, and indirectly through its committees (the "Board Committees"), leads and provides direction to management by laying down policies and strategies and overseeing their performance as well as monitoring the Group's operational and financial performance. 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. The delegated functions and tasks are periodically reviewed by the Board.

Under the leadership of the CEO, the day-to-day management and operations of the Group's business are delegated to the management, with division heads responsible for different aspects of the business.

Supply of and Access to Information

Board/Board Committees papers are circulated not less than three days before the regular Board/Board Committees meetings to enable the Directors/Board Committees members to make informed decisions on matters to be raised at the Board/Board Committees meetings.

The Company Secretary and the CEO attend all regular Board meetings to advise on corporate governance, statutory compliance, and accounting and financial matters, as appropriate.

The management has the obligation to supply the Board and the Board 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.

Monthly updates had been provided to all Directors for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Continuous Professional Development of Directors

Each newly appointed Director is provided with necessary induction and information to ensure that he has adequate understanding of the Group's operations and businesses as well as his duties and responsibilities under relevant statues, laws, rules and regulations. The Company Secretary also provides Directors with updates on the latest developments of 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 to ensure that their contribution to the Board remains informed and relevant and ensure that they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Group. The Company has arranged inhouse trainings for Directors in the form of seminar, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company Secretarial Department of the Company would provide relevant reading materials to the Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills. Set out below is a summary of training received by Directors for the year ended 31 December 2017 according to the records provided by the Directors.

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

During 2017, the Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

Directors	**Type of trainings**
Executive Director	
Mr. Cui Xiangdong	A, B, C
Non-executive Directors	
Mr. Peng Shou	A, B, C
Mr. Zhao John Huan	A, B, C
Mr. Zhou Cheng	A, B, C
Mr. Tang Liwei *(Resigned on 2 January 2018)*	A, B, C
Independent Non-executive Directors	
Mr. Zhang Baiheng	A, B, C
Mr. Zhao Lihua	A, B, C
Mr. Chen Huachen	A, B, C

A: attending seminars and/or conferences and/or forums relating to risk management and enhancing corporate value, The Securities and Futures Commission's guidance note on corporate transactions and the use of valuations, and effective 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 and matters of relevance to the Directors in the discharge of their duties.

C: reading memoranda issued or materials provided from time to time by the Company to Directors, and as applicable, briefings and reports by the Company Secretary, as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties with the latest developments in laws, rules and regulations relating to the duties and responsibilities of directors and corporate governance.

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee (the "AC" or the "Audit Committee") , nomination committee (the "NC" or the "Nomination Committee") , remuneration committee (the "RC" or the "Remuneration Committee") and strategy committee (the "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. Zhang Baiheng
	Mr. Zhao Lihua
Non-executive Director	Mr. Zhao John Huan *(resigned on 28 March 2017)*
	Mr. Peng Shou *(appointed on 28 March 2017)*

The Audit Committee was established with written terms of reference in compliance with the CG Code. Mr. Chen Huachen, the Chairman of AC, has appropriate professional qualification and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The members of the Audit Committee possess deep management experience in the accounting profession and commercial sectors.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of independent auditors; review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, risk management and internal control systems of the Group.

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.

For the year ended 31 December 2017, the Audit Committee met twice with the independent auditors to discuss and review areas of concerns and risk management and internal control systems without the presence of the management. Details of the committee members' attendance at the Audit Committee Meetings are set out under "Attendance at the Board and Board Committees Meetings, and General Meetings" of this report. The Audit Committee reviewed the announcement of annual results and annual report of the Group for the financial year ended 31 December 2016, and the announcement of interim results and interim report of the Group for the six months ended 30 June 2017 before submission to the Board for adoption and publication. 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 independent auditors the accounting principles and practices adopted by the Group, and has discussed auditing (including audit issues of the Group and reviewed their findings, recommendations and representations), and the Company's operational, internal control and financial reporting matters. This discussion also includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and internal audit function.

Nomination Committee

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

The Nomination Committee was established with written terms of reference in compliance with the CG Code.

The primary duties 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 2017, the Nomination Committee met once to assess the independence of independent non-executive Directors; review the structure, size and composition of the Board; and make recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company, and the appointment of Director, member of the Audit Committee and Remuneration Committee, and chairman of the Strategy Committee. Details of the committee members' attendance are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

The Company recognises the importance of diversity to corporate governance and the board effectiveness. The Board has adopted a board diversity policy (the "Policy") 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 nominations 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 qualification, 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. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

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 Remuneration Committee was established with written terms of reference in compliance with the CG Code.

The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure for all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration package of the executive Director and make recommendations to the Board of the remuneration of non-executive Directors, by reference to the Board's corporate goals and objectives. During the year ended 31 December 2017, the Remuneration Committee met once to review the remuneration packages of the Directors and senior management and make recommendation to the Board on the remuneration of the person proposed to be appointed as a Director.

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 or any of his associates is involved in deciding his own remuneration. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2017 are set out in Notes 8 and 29 to the consolidated 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 AND BOARD COMMITTEES MEETINGS, AND GENERAL MEETINGS

Name of Directors	Meetings Attended/Held During the Year Ended 31 December 2017				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Director					
Mr. Cui Xiangdong	14/14	–	–	–	1/2
Non-executive Directors					
Mr. Peng Shou [(1)]	14/14	1/1	–	–	1/2
Mr. Zhao John Huan [(2)]	14/14	1/1	1/1	–	1/2
Mr. Zhou Cheng	14/14	–	–	1/1	1/2
Mr. Guo Wen [(3)]	1/1	–	–	–	N/A
Mr. Tang Liwei [(4)]	13/13	–	–	–	1/2
Independent Non-executive Directors					
Mr. Zhang Baiheng	14/14	2/2	1/1	1/1	1/2
Mr. Zhao Lihua	14/14	2/2	1/1	1/1	1/2
Mr. Chen Huachen	14/14	2/2	–	–	2/2

1 Appointed as a member of AC and RC on 28 March 2017
2 Resigned as a member of AC and RC on 28 March 2017
3 Resigned as Director on 28 March 2017
4 Appointed as Director on 28 March 2017 and resigned as Director on 2 January 2018

ACCOUNTABILITY AND AUDIT

Accountability

The Board is accountable to the shareholders while the management is accountable to the Board. The management provides sufficient 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 it for approval.

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the financial year ended 31 December 2017, confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review, and consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards. The Directors aim to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in all shareholder communications. 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 announcements of annual and interim results and the annual and interim reports, price-sensitive announcement and other financial disclosures required under the relevant legal and regulatory requirements.

Auditors' Remuneration

The financial statements for the year ended 31 December 2017 were audited by KPMG of which the term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that KPMG be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

There have been no changes of auditors of the Company in the past three years.

It is the auditors' responsibility to form an independent opinion, based on their audit, on those consolidated financial statements and to report their opinion solely to the shareholders of the Company and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the independent auditor's report.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 56 to 62 of this Annual Report.

During the year under review, the total audit fee payable to KPMG for reviewing and/or auditing the announcements of interim and annual results, and interim and annual reports is RMB6.2 million. Save as disclosed above, the Company did not engage KPMG for any non-audit services during the year ended 31 December 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategies objectives, and establishing and maintaining a sound and effective risk management and internal control systems of the Group.

The Group has developed and adopted various risk management and internal control procedures and guidelines with a well-defined management structure with limits of authority for implementation by key business processes and office functions, 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. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

All divisions conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with division heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board has delegated to the Audit Committee the responsibilities of reviewing the effectiveness of the Group's 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 2017. 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.

The management has provided a confirmation to the Board on the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2017. The Board acknowledges its responsibility for the risk management and internal control systems, and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control systems. 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 and the Audit Committee considered the risk management and internal control systems to be effective and adequate.

COMPANY SECRETARY

During 2017, Ms. Pan Jianli ("Ms. Pan"), a full-time employee of the Company and has day-to-day knowledge of the Company's affairs, is the Company Secretary who reports to the Chairman and is responsible for advising the Board on corporate governance matters. Ms. Pan has confirmed that she has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2017. The biography of Ms. Pan is set out on page 27 of this Annual Report.

Following Ms. Pan's resignation on 13 December 2017, Ms. Kuok Yew Lee ("Ms. Kuok") has been appointed as the Company Secretary on 13 December 2017 to take up the duties of the Company Secretary. Ms. Kuok is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. Ms. Kuok reports to the Chairman and is responsible for advising the Board on corporate governance matters, and ensuring the Board procedures are duly followed and Board activities are efficiently and effectively conducted. All Directors have access to the advices and services of Ms. Kuok on corporate governance and Board practices matters. Ms. Kuok has confirmed that she has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2017. The biography of Ms. Kuok is set out on page 27 of this Annual Report.

SHAREHOLDERS' RIGHTS

Procedures for Convening of Special General Meeting ("SGM") and Putting Forward Proposals at General Meetings

(A) Right to convene SGM

Bye-laws

(i) Bye-law 62 sets out the position under the Bye-laws where a requisition is made by shareholders of the Company (the "Shareholders" and each a "Shareholder"). Bye-law 62 provides that a SGM shall be convened on requisition, as provided by the Companies Act 1981 of Bermuda (as amended) (the "Companies Act"), and, in default, may be convened by the requisitionists.

Companies Act

(ii) Pursuant to section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the directors of the Company (the "Directors" and each a "Director") to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

(iii) The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda (the "Bermuda Registered Office") and may consist of several documents in like form each signed by one or more requisitionists.

(iv) If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, 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 deposit of the requisition.

(v) The SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

(B) Right to put forward proposals at General Meetings

Companies Act

(i) Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to give notice to the Shareholders in respect of any resolution which is intended to be moved at an annual general meeting of the Company ("AGM") or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company. Under section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:–

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

(ii) The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

(a) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(b) not less than one hundred Shareholders.

(iii) Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

(iv) Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to section 80 of the Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph (B)(i) above unless:–

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the Bermuda Registered Office of the Company:–

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph (B)(i) above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Bermuda Registered Office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

Pursuant to bye-law 103 of the Bye-law, 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, at 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 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.

Procedures to send Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Unit 2608, 26/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong by post for the attention of the Company Secretary.

Communications with Shareholders

The Company recognises the importance, and takes high priority, on communication with its Shareholders. The general meetings provide a channel for communication and good opportunity for exchange view between the Board and the Shareholders. The Board has adopted a shareholders' communication policy. The policy is subject to review on a regular basis to ensure its effectiveness.

In every general meeting, in respect of each substantially separate issue (including the election of individual Directors), 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 and other members of the Board (including the chairman of the respective Board Committees) as well as external auditors are available to answer questions at the annual general meeting. The 2018 annual general meeting ("2018 AGM") will be held on 28 May 2018. The notice of 2018 AGM will be sent to shareholders at least 20 clear business days before the 2018 AGM. Details of the Directors' attendance at the general meetings held in 2017 are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

The Board believes effective investor relations can contribute towards lowering cost of capital, improving market liquidity for the Company's stock and building a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and timely disclosure of corporate information to Shareholders, investors and analysts, which will enable them to make the best investment decisions. Keeping the Shareholders aware of the Group's corporate strategies and business performance is one of the key missions of the Board. The Company holds investors and analysts conferences at least twice a year following the release of interim and annual results announcements at which the Chairman, executive Director and senior management of the Company are available to answer questions regarding the performance of the Group.

The Company's website (www.chinaglassholdings.com), which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the updates on the latest developments of the Group, provides comprehensive and accessible news, and timely and updated information of the Group to the Shareholders, other stakeholders and investors.

During the year under review, the Company has not made any changes to the Bye-laws. An up to date version of the Bye-laws is available on the Company's website and the Stock Exchange's website.

Independent Auditor's Report

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 63 to 144, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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)

Assessment of the Group's ability to continue as a 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 2017 the Group had net current liabilities of RMB1,647,878,000. 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 the going concern assessment 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.

How the matter was addressed in our audit

Our audit procedures to assess the going concern assessment 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 externally available information;
- assessing the availability of banking and other financing facilities during the forecast period by inspecting contracts 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;
- 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;

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
	• 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 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 79.

The Key Audit Matter

As at 31 December 2017, 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 2017 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.

How the matter was addressed in our audit

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; and
- 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
27 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017
(Expressed in Renminbi ("RMB"))

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**2,556,418**	2,139,650
Cost of sales		**(2,234,842)**	(1,812,394)
Gross profit	4	**321,576**	327,256
Other income	5	**172,902**	163,389
Distribution costs		**(74,474)**	(75,599)
Administrative expenses		**(213,441)**	(214,123)
Other expenses	6(c)	**–**	(39,260)
Profit from operations		**206,563**	161,663
Share of losses of an associate		**(12)**	(69)
Finance costs	6(a)	**(106,216)**	(134,476)
Profit before taxation	6	**100,335**	27,118
Income tax	7	**(39,864)**	(6,384)
Profit for the year		**60,471**	20,734
Attributable to:			
Equity shareholders of the Company		**64,965**	21,055
Non-controlling interests		**(4,494)**	(321)
Profit for the year		**60,471**	20,734
Earnings per share (RMB cent)			
Basic	10(a)	**3.59**	1.16
Diluted	10(b)	**3.59**	1.05

The notes on pages 71 to 144 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 27(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017
(Expressed in RMB)

	2017 RMB'000	2016 RMB'000
Profit for the year	**60,471**	20,734
Other comprehensive income for the year (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(17,499)**	18,919
Total comprehensive income for the year	**42,972**	39,653
Attributable to:		
Equity shareholders of the Company	**47,466**	39,974
Non-controlling interests	**(4,494)**	(321)
Total comprehensive income for the year	**42,972**	39,653

The notes on pages 71 to 144 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2017

(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	11	**4,159,131**	3,773,797
Lease prepayments	13	**267,108**	267,570
Intangible assets	14	**–**	–
Interest in an associate	15	**412**	424
Interest in joint ventures	16	**846**	–
Available-for-sale equity securities		**1,991**	1,991
Deferred tax assets	26(b)	**224,023**	218,510
		4,653,511	4,262,292
Current assets			
Inventories	17	**387,151**	429,062
Trade and other receivables	18	**646,984**	563,249
Assets held-for-sale	19	**–**	22,829
Prepaid income tax	26(a)	**23,808**	12,561
Cash and cash equivalents	20	**561,514**	491,644
		1,619,457	1,519,345
Current liabilities			
Trade and other payables	21	**1,460,185**	1,808,734
Bank and other loans	22	**1,687,456**	1,485,050
Obligations under finance leases	24	**25,092**	19,874
Income tax payable	26(a)	**94,602**	67,252
		3,267,335	3,380,910
Net current liabilities		**(1,647,878)**	(1,861,565)
Total assets less current liabilities		**3,005,633**	2,400,727

The notes on pages 71 to 144 form part of these consolidated financial statements.

Consolidated Statement of Financial Position (CONTINUED)

At 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank and other loans	22	**664,802**	28,311
Convertible bonds	23	**58,311**	62,318
Obligations under finance leases	24	**80,192**	96,268
Deferred tax liabilities	26(b)	**34,948**	33,718
Other non-current liabilities		**2,930**	3,798
		841,183	224,413
NET ASSETS		**2,164,450**	2,176,314
CAPITAL AND RESERVES	27		
Share capital		**84,867**	84,867
Reserves		**1,888,603**	1,886,853
Total equity attributable to equity shareholders of the Company		**1,973,470**	1,971,720
Non-controlling interests		**190,980**	204,594
TOTAL EQUITY		**2,164,450**	2,176,314

Approved and authorised for issue by the board of directors on 27 March 2018.

Peng Shou
Director

Cui Xiangdong
Director

The notes on pages 71 to 144 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Statutory reserves RMB'000 (Note 27(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 27(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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 25(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 71 to 144 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (CONTINUED)

For the year ended 31 December 2017
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Statutory reserves RMB'000 (Note 27(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 27(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	84,867	2,081,912	–	30,139	40,785	(447,114)	1,620	179,511	1,971,720	204,594	2,176,314
Changes in equity for 2017											
Profit for the year	–	–	–	–	–	–	–	64,965	64,965	(4,494)	60,471
Other comprehensive income	–	–	–	–	–	–	(17,499)	–	(17,499)	–	(17,499)
Total comprehensive income for the year	–	–	–	–	–	–	(17,499)	64,965	47,466	(4,494)	42,972
Equity settled share-based transactions (Note 25(a))	–	–	–	2,467	–	–	–	–	2,467	–	2,467
Shares purchased under the share award scheme (Note 25(b))	–	–	(47,888)	–	–	–	–	–	(47,888)	–	(47,888)
Acquisition of non-controlling interests of a subsidiary (Note 28)	–	–	–	–	–	(295)	–	–	(295)	(9,120)	(9,415)
	–	–	(47,888)	2,467	–	(295)	–	–	(45,716)	(9,120)	(54,836)
Balance at 31 December 2017	84,867	2,081,912	(47,888)	32,606	40,785	(447,409)	(15,879)	244,476	1,973,470	190,980	2,164,450

The notes on pages 71 to 144 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		**100,335**	27,118
Adjustments for:			
Depreciation and amortisation	6(d)	**249,343**	254,802
Net gain on disposal of property, plant and equipment	5	**(10,932)**	(63,872)
Net gain on relocation of production plants	5	**(80,000)**	(35,000)
Impairment losses on property, plant and equipment and intangible assets	6(c)	**–**	39,260
Interest income	5	**(4,782)**	(7,314)
Interest expenses and other borrowing costs	6(a)	**118,771**	122,098
Changes of fair value on the derivative components of convertible bonds	6(a)	**(5,031)**	(9,712)
Share of losses of an associate		**12**	69
Equity settled share-based payment expenses	6(b)	**2,467**	6,060
Changes in working capital:			
Decrease/(increase) in inventories		**41,911**	(43,361)
(Increase)/decrease in trade and other receivables		**(144,019)**	23,492
Decrease in trade and other payables		**(5,566)**	(3,606)
Cash generated from operations		**262,509**	310,034
The People's Republic of China (the "PRC") Income Tax paid	26(a)	**(28,044)**	(12,719)
Net cash generated from operating activities		**234,465**	297,315
Investing activities			
Payments for the purchase of property, plant and equipment		**(896,270)**	(469,096)
Payments for land use right premiums		**(10,513)**	(7,995)
Proceeds from disposals of property, plant and equipment and land use rights		**141,956**	105,122
Payment for purchase of available-for-sale investment		**–**	(496)
(Increase)/decrease in time deposits	20(a)	**(6,600)**	56,600
Interest received		**2,366**	7,314
Net cash used in investing activities		**(769,061)**	(308,551)

The notes on pages 71 to 144 form part of these consolidated financial statements.

Consolidated Cash Flow Statement (CONTINUED)

For the year ended 31 December 2017
(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from bank and other loans	20(b)	**2,703,488**	1,067,576
Proceeds from convertible bonds		**–**	63,803
Repayment of bank and other loans	20(b)	**(1,859,418)**	(1,196,894)
Payments for purchase of shares under share award scheme	25(b)	**(47,888)**	–
Dividends paid to non-controlling interests		**–**	(801)
Borrowing costs paid	20(b)	**(194,553)**	(149,705)
Net cash generated from/(used in) financing activities		**601,629**	(216,021)
Net increase/(decrease) in cash and cash equivalents		**67,033**	(227,257)
Cash and cash equivalents at 1 January	20	**478,244**	705,217
Effect of foreign exchange rate changes		**(3,763)**	284
Cash and cash equivalents at 31 December	20	**541,514**	478,244

The notes on pages 71 to 144 form part of these consolidated 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 2017 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in joint ventures and 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"), 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"). Significant accounting policies adopted by the Group are disclosed 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. 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(g)).

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

As at 31 December 2017, the Group had net current liabilities of RMB1,647,878,000 (31 December 2016: RMB1,861,565,000). Notwithstanding the net current liabilities as at 31 December 2017, the directors of the Company consider that there are no 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 20(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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(s).

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 or joint venture (see Note 2(e)).

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

(e) Associates and joint ventures

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.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture 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(m)(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 or the joint venture, 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 or the joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group cease to have significant influence over an associate or joint control over a joint venture, 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 or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a finance asset (see Note 2(f)).

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, an associate and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred.

Investments in equity securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 2(m)). Dividend income from equity securities are recognised in profit or loss.

When the investments are derecognised or impaired (see Note 2(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment

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

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.

(i) 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(x)), where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(m)(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(m)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (continued)

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

	Estimated useful lives
Intellectual properties	7 years

Both the period and method of amortisation are reviewed annually.

(j) Lease prepayments

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

(k) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are 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(h). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(m)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leased assets (continued)

(iii) Operating lease charges

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

(l) 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(m)(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(m)(i)).

(m) 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 and joint ventures 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(m)(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(m)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

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

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

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

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

– for available-for-sale equity securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets

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

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

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

- *Calculation of recoverable amount*

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

- *Recognition of impairment losses*

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

- *Reversals of impairment losses*

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(m)(i) and 2(m)(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. Consequently, if the fair value of unquoted equity securities increase in the remainder of the annual period, or in any other period subsequently, the increases are recognised in other comprehensive income and not profit or loss.

(n) 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.

(o) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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(g)). 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(g). 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.

(q) 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.

(r) 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)

(r) 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)

(r) 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.

(s) 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.

(t) 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)

(t) 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)

(t) 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.

(u) 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.

(v) 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)

(v) 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.

(w) 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.

(x) 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.

(y) 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)

(y) 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 , an associate and joint ventures). 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.

(z) 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)

(aa) 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(k)(ii).

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 25 and 31 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(m)(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 no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2017 (2016: one with revenue amounted to RMB227.9 million). Details of concentrations of credit risk arising from customers are set out in Note 31(a).

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

(b) Segment reporting

The Group manages its businesses by products. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Clear glass products: this segment produces, markets and distributes clear glass products.
- Painted glass products: this segment produces, markets and distributes painted glass products.
- Coated glass products: this segment produces, markets and distributes coated glass products.
- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.

4 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 2017 and 2016 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Revenue from external customers and reportable segment revenue	**1,107,106**	686,559	**361,594**	461,906	**597,720**	643,803	**489,998**	347,382	**2,556,418**	2,139,650
Inter-segment revenue	**58,305**	31,591	**1,476**	5,372	**–**	–	**–**	–	**59,781**	36,963
Reportable segment revenue	**1,165,411**	718,150	**363,070**	467,278	**597,720**	643,803	**489,998**	347,382	**2,616,199**	2,176,613
Reportable segment gross profit	**130,041**	77,858	**37,896**	86,869	**92,585**	123,139	**61,054**	39,390	**321,576**	327,256

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 and joint ventures (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 and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (including Hong Kong) (place of domicile)	**1,969,366**	1,503,046	**3,931,503**	3,813,817
Middle East	**163,373**	181,335	**–**	–
South Korea	**119,782**	87,641	**–**	–
Nigeria	**57,411**	101,730	**495,148**	177,874
Bangladesh	**41,305**	30,145	**–**	–
India	**17,558**	13,425	**–**	–
Tanzania	**16,750**	9,956	**846**	–
Ghana	**16,686**	15,248	**–**	–
Kenya	**15,260**	15,481	**–**	–
Columbia	**14,909**	21,559	**–**	–
Ecuador	**11,810**	13,117	**–**	–
Other countries	**112,208**	146,967	**–**	–
	587,052	636,604	**495,994**	177,874
	2,556,418	2,139,650	**4,427,497**	3,991,691

5 OTHER INCOME

	2017 RMB'000	2016 RMB'000
Net gain on relocation of production plants (Note (i))	**80,000**	35,000
Government grants	**69,642**	14,089
Net gain on disposal of property, plant and equipment	**10,932**	63,872
Net gain on debt restructuring	**5,749**	29,636
Interest income	**4,782**	7,314
Net gain from sale of raw and scrap materials	**3,643**	3,330
Others	**(1,846)**	10,148
	172,902	163,389

Note:

(i) The amount for year 2017 represents compensation for the incurred losses in accordance with an agreement entered into between the Group and the local government in relation to the expropriation of the land use rights of a subsidiary of the Group by the respective local government. The amount for year 2016 represented additional compensation in relation to the expropriation of the land use rights of another subsidiary 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 BEFORE TAXATION

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

(a) Finance costs:

	2017 RMB'000	2016 RMB'000
Interest on bank advances and other borrowings (Note 20(b))	**135,354**	112,896
Finance charges on convertible bonds (Notes 20(b) and 23)	**9,853**	8,219
Finance charges on obligations under finance leases (Note 20(b))	**11,002**	11,710
Bank charges and other finance costs (Note 20(b))	**36,732**	31,765
Total borrowing costs	**192,941**	164,590
Less: amounts capitalised into property, plant and equipment* (Note 20(b))	**(74,170)**	(42,492)
Net borrowing costs	**118,771**	122,098
Changes in fair value on the derivative components of convertible bonds (Notes 20(b) and 23)	**(5,031)**	(9,712)
Net foreign exchange (gain)/loss	**(7,524)**	22,090
	106,216	134,476

* The borrowing costs have been capitalised at 9.56% per annum for the year ended 31 December 2017 (2016: 9.00% per annum).

(b) Staff costs#:

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**231,149**	219,016
Contributions to defined contribution retirement plans	**30,728**	29,983
Equity-settled share-based payment expenses in respect of share option scheme (Note 25(a))	**2,467**	6,060
	264,344	255,059

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 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

	2017 RMB'000	2016 RMB'000
Impairment losses on property, plant and equipment	**–**	39,260

(d) Other items:

	2017 RMB'000	2016 RMB'000
Cost of inventories# (Note 17)	**2,235,292**	1,810,572
Auditors' remuneration – audit and other services	**6,180**	5,880
Depreciation and amortisation# (Notes 11 and 13)	**249,343**	254,802
Impairment losses on trade and other receivables (Note 18(b))	**9,789**	1,015
Operating lease charges in respect of		
– land	**268**	153
– plant and buildings	**5,181**	4,139
– motor vehicles	**2,551**	2,495
Research and development costs (other than capitalised costs and related amortisation)	**587**	323

Cost of inventories includes RMB373.4 million (2016: RMB361.1 million) for the year ended 31 December 2017, 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:

	2017 RMB'000	2016 RMB'000
Current taxation (Note 26(a))		
– Provision for the year	**43,910**	21,002
– Under-provision in respect of prior years	**237**	328
	44,147	21,330
Deferred taxation (Note 26(b))		
– Origination and reversal of temporary differences	**(14,231)**	(24,424)
– Write-down of deferred tax assets	**9,948**	9,478
	(4,283)	(14,946)
	39,864	6,384

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**100,335**	27,118
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii) and (iv))	**28,325**	8,521
Tax effect of non-deductible expenses	**8,705**	3,556
Tax effect of unused tax losses and temporary differences not recognised (Note 26(c))	**2,310**	8,055
Tax concessions (Notes (v), (vi) and (vii))	**(6,387)**	(3,160)
Tax effect of recognition and utilisation of prior years' unused tax losses previously not recognised (Note (viii))	**(3,274)**	(20,394)
Tax effect of write-down of deferred tax assets (Note (viii))	**9,948**	9,478
Under-provision in respect of prior years	**237**	328
Income tax	**39,864**	6,384

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

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

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%).

(ii) The subsidiaries of the Group incorporated in the 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% (2016: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2016: 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% (2016: 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 2016, in which year the approval is obtained (2016: 15%).

(viii) The Group recognised and used previously unrecognised deferred tax assets of RMB3.3 million (2016: RMB20.4 million) regarding tax losses and wrote down previously recognised deferred tax assets of RMB9.9 million (2016: RMB9.5 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 2017 and changes in estimates of future operating results of certain subsidiaries of the Group.

8 DIRECTORS' EMOLUMENTS

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:

	2017					
	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	122	940	409	1,349
Non-executive directors						
Mr. Peng Shou	1	–	–	1	–	1
Mr. Zhao John Huan	–	–	–	–	–	–
Mr. Zhou Cheng	1	68	–	69	–	69
Mr. Tang Liwei (appointed on 28 March 2017)	1	–	–	1	–	1
Mr. Guo Wen (resigned on 28 March 2017)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Zhang Baiheng	156	–	–	156	–	156
Mr. Zhao Lihua	156	–	–	156	–	156
Mr. Chen Huachen	156	–	–	156	–	156
	471	886	122	1,479	409	1,888

	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

8 DIRECTORS' EMOLUMENTS (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(r)(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 scheme" in the Report of the Directors and Note 25(a).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2016: four) individuals is as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**2,129**	2,061
Share-based payments	**635**	2,024
Retirement scheme contributions	**343**	141
	3,107	4,226

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:

	2017 **RMB'000**	2016 RMB'000
(In Hong Kong dollar ("HK$"))		
Nil – 1,000,000	**4**	1
1,000,001 – 1,500,000	**–**	3

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to ordinary equity shareholders of the Company of RMB64,965,000 (2016: RMB21,055,000) and the weighted average of 1,808,969,000 ordinary shares (2016: 1,810,147,000 ordinary shares) in issue during the year ended 31 December 2017, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	'000
Issued ordinary shares at 1 January	**1,810,147**	1,810,147
Effect of shares purchased under a share award scheme (Notes 25(b) and 27(c)(iii))	**(1,178)**	–
Weighted average number of ordinary shares at 31 December	**1,808,969**	1,810,147

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the year ended 31 December 2017. The Group's convertible bonds (see Note 23) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the year ended 31 December 2017.

The calculation of diluted earnings per share for the year ended 31 December 2016 was 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 23)	54,916
Weighted average number of ordinary shares (diluted) at 31 December	1,865,063

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 2016	1,554,496	2,817,276	28,344	730,746	5,130,862
Additions	19,522	44,720	1,755	637,811	703,808
Transfer in/(out)	23,613	211,046	–	(269,867)	(35,208)
Classified as assets held-for-sale (Note 19)	–	(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	–	39,260	–	–	39,260
Transfer out	–	(35,208)	–	–	(35,208)
Classified as assets held-for-sale (Note 19)	–	(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
Cost:					
At 1 January 2017	1,597,239	3,018,332	28,973	1,083,013	5,727,557
Additions	32,882	40,090	2,348	540,088	615,408
Transfer in/(out)	13,795	98,969	–	(117,734)	(4,970)
Reclassified from assets held-for-sale (Note 19)	–	–	–	22,829	22,829
Disposals	(1,067)	(13,292)	(3,918)	–	(18,277)
Exchange adjustment	–	–	–	(4,731)	(4,731)
At 31 December 2017	1,642,849	3,144,099	27,403	1,523,465	6,337,816
Accumulated depreciation and impairment losses:					
At 1 January 2017	423,591	1,475,086	18,609	36,474	1,953,760
Charge for the year	45,821	194,616	2,361	–	242,798
Transfer out	–	(4,970)	–	–	(4,970)
Written back on disposals	(605)	(9,204)	(3,094)	–	(12,903)
At 31 December 2017	468,807	1,655,528	17,876	36,474	2,178,685
Net book value:					
At 31 December 2017	1,174,042	1,488,571	9,527	1,486,991	4,159,131

At 31 December 2017, property certificates of certain properties with an aggregate net book value of RMB452.5 million (31 December 2016: RMB434.6 million) are yet to be obtained.

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(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 2017, the net book value of machinery and equipment held under finance leases of the Group was RMB88.0 million (2016: RMB102.0 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 USD23,035,971	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
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* 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

(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: Indirect	Direct	Principal activities
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
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
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	85.32%	–	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.

12 INVESTMENTS IN SUBSIDIARIES (continued)

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.

	2017 **RMB'000**	2016 RMB'000
Revenue	**1,442,816**	1,126,579
Loss for the year	**(35,630)**	(3,401)
Attributable to NCI	**(7,933)**	(5,007)
Dividend paid to NCI	**–**	801
Non-current assets	**2,172,150**	2,150,406
Current assets	**2,274,923**	2,009,046
Current liabilities	**(3,019,731)**	(2,703,439)
Non-current liabilities	**(268,261)**	(251,887)
Net assets	**1,159,081**	1,204,126
Carrying amount of NCI	**157,022**	174,075

13 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2016	307,626
Additions	26,886
Exchange adjustment	442
At 31 December 2016	334,954
Additions	8,813
Exchange adjustment	(771)
At 31 December 2017	342,996
Accumulated amortisation:	
At 1 January 2016	58,859
Charge for the year	7,325
Capitalised into construction in progress	1,164
Exchange adjustment	36
At 31 December 2016	67,384
Charge for the year	6,545
Capitalised into construction in progress	2,055
Exchange adjustment	(96)
At 31 December 2017	75,888
Net book value:	
At 31 December 2017	267,108
At 31 December 2016	267,570

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC and Nigeria. At 31 December 2017, land use right certificates of certain land use rights with an aggregate carrying value of RMB6.2 million (31 December 2016: RMB6.6 million) are yet to be obtained.

14 INTANGIBLE ASSETS

	Intellectual properties RMB'000
Cost:	
At 1 January 2016, 31 December 2016 and 31 December 2017	145,017
Accumulated amortisation and impairment losses:	
At 1 January 2016, 31 December 2016 and 31 December 2017	145,017
Net book value:	
At 31 December 2016 and 31 December 2017	–

15 INTEREST IN AN ASSOCIATE

	2017 RMB'000	2016 RMB'000
Share of net assets	**412**	424

The following list contains the particulars of the Group's associate at 31 December 2017, 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: Indirect	Effective percentage of equity attributable to the Company: Direct	Principal activities
Weihai Lvjian New Energy Technology Company Limited* 威海綠建新能源科技有限公司	The PRC	Registered and paid-up capital of RMB1,800,000	20.19%	–	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 INTEREST IN JOINT VENTURES

Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of establishment/ incorporation and business	Particulars of registered and paid-up capital	Effective percentage of equity attributable to the Company: Indirect	Effective percentage of equity attributable to the Company: Direct	Principal activities
GIGA&CNG Glass Company Limited	Tanzania	Registered and paid-up capital of HKD2,000,000	50.00%	–	Marketing and distribution of glass and glass products
Belt and Road Glass Management Limited	The Cayman Islands	Registered capital of USD55,600	45.00%	–	Investment holding

The joint ventures in which the Group participates, are not material to the consolidated financial statements, and are unlisted corporate entities whose quoted market price are not available.

17 INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**112,679**	119,289
Work in progress and finished goods	**247,942**	280,124
Racks, spare parts and consumables	**36,678**	40,247
	397,299	439,660
Less: write-down of inventories	**(10,148)**	(10,598)
	387,151	429,062

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

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**2,235,292**	1,810,572
(Reversal of write-down)/write-down of inventories	**(450)**	1,822
	2,234,842	1,812,394

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

18 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables from (Notes (a) and (c)):		
– Third parties	**152,253**	183,815
– Affiliates of non-controlling equity holders of subsidiaries	**15,773**	15,880
– A company under common significant influence	**–**	2,736
Bills receivables	**166,502**	95,735
	334,528	298,166
Less: allowance for doubtful debts (Note (b))	**(83,676)**	(66,933)
	250,852	231,233
Amounts due from related companies:		
– Equity shareholders of the Company and their related parties (Note (i))	**2,965**	318
– Non-controlling equity holders of a subsidiary (Note (i))	**15,002**	15,002
– Companies under common significant influence (Note (i))	**–**	1,979
	17,967	17,299
Less: allowance for doubtful debts (Note (b))	**–**	(1,784)
	17,967	15,515
Prepayments, deposits and other receivables:		
– Prepayments for the purchase of inventories	**75,738**	65,582
– Prepayments for the purchase of property, plant and equipment and land use rights	**19,764**	20,613
– Value added tax refundable	**58,320**	27,466
– Advances to third parties	**158,221**	126,382
– Receivable for disposal of land use rights	**1,133**	3,129
– Receivable for disposal of property, plant and equipment	**7,920**	79,200
– Receivable for relocation of production plants	**30,451**	19,251
– Receivable for government grants	**42,000**	3,300
– Others	**40,055**	32,185
	433,602	377,108
Less: allowance for doubtful debts (Note (b))	**(55,437)**	(60,607)
	378,165	316,501
	646,984	563,249

18 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:

	2017 **RMB'000**	2016 RMB'000
Within 1 month	**105,510**	95,682
More than 1 month but less than 3 months	**79,019**	31,656
More than 3 months but less than 6 months	**11,306**	26,976
Over 6 months	**55,017**	76,919
	250,852	231,233

Further details on the Group's credit policy are set out in Note 31(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(m)(i)).

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

	2017 **RMB'000**	2016 RMB'000
At 1 January	**129,324**	128,309
Impairment losses recognised	**9,789**	1,015
At 31 December	**139,113**	129,324

At 31 December 2017, the Group's trade and other receivables of RMB139.1 million (31 December 2016: RMB129.3 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.

18 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:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**174,969**	98,700
Less than 1 month past due	**14,193**	42,766
More than 1 month but less than 3 months past due	**3,669**	4,657
More than 3 months but less than 6 months past due	**3,004**	8,191
More than 6 months past due	**55,017**	76,919
	75,883	132,533
	250,852	231,233

Receivables that were neither past due nor impaired relate to trade and 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.

19 ASSETS HELD-FOR-SALE

During the year ended 31 December 2017, items of certain machinery and equipment with a net book value of RMB22.8 million, which were classified as assets held-for-sale as at 31 December 2016, were reclassified to property, plant and equipment as the Group changed the initial plan and put them for its own use during the year ended 31 December 2017.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	**541,514**	478,244
Time deposits with banks	**20,000**	13,400
Cash and cash equivalents in the consolidated statement of financial position	**561,514**	491,644
Less: time deposits with original maturity over 3 months	**(20,000)**	(13,400)
Cash and cash equivalents in the consolidated cash flow statement	**541,514**	478,244

At 31 December 2017, cash and cash equivalents of RMB170.5 million (31 December 2016: RMB199.5 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 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans RMB'000 (Note 22)	Convertible bonds RMB'000 (Note 23)	Finance leases RMB'000 (Note 24)	Interest payables RMB'000	Total RMB'000
At 1 January 2017	1,513,361	62,318	116,142	4,954	1,696,775
Changes from financing cash flows:					
Proceeds from bank and other loans	2,703,488	–	–	–	2,703,488
Repayment of bank and other loans	(1,859,418)	–	–	–	(1,859,418)
Capital element of finance lease rentals paid	–	–	(19,874)	–	(19,874)
Interest element of finance lease rentals paid	–	–	(1,986)	–	(1,986)
Other borrowing costs paid	–	(4,678)	–	(168,015)	(172,693)
Total changes from financing cash flows	844,070	(4,678)	(21,860)	(168,015)	649,517
Exchange adjustments	(5,173)	(4,151)	–	–	(9,324)
Changes in fair value	–	(5,031)	–	–	(5,031)
Other changes:					
Finance charges on obligations under finance leases (Note 6(a))	–	–	11,002	–	11,002
Finance charges on convertible bonds (Note 6(a))	–	9,853	–	–	9,853
Interest expenses and other finance costs (Note 6(a))	–	–	–	97,916	97,916
Capitalised borrowing costs (Note 6(a))	–	–	–	74,170	74,170
Total other changes	–	9,853	11,002	172,086	192,941
At 31 December 2017	2,352,258	58,311	105,284	9,025	2,524,878

21 TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables to:		
– Third parties	**469,148**	516,059
– An affiliate of an equity shareholder of the Company	**87**	–
– Affiliates of non-controlling equity holders of subsidiaries	**2,708**	599
– Companies under common significant influence	**–**	9,416
Bills payables	**253,887**	238,217
	725,830	764,291
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties (Note (i))	**74,529**	73
– Companies under common significant influence (Note (i))	**64**	218,930
	74,593	219,003
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**323,026**	423,845
– Payables for staff related costs	**90,172**	92,945
– Payables for acquisitions of non-controlling interests in subsidiaries	**4,359**	5,906
– Payables for miscellaneous taxes	**79,507**	53,499
– Payables for transportation expenses	**8,727**	7,948
– Advances from third parties	**17,176**	41,639
– Others	**60,943**	41,971
	583,910	667,753
Financial liabilities measured at amortised cost	**1,384,333**	1,651,047
Advances received from customers	**75,852**	157,687
	1,460,185	1,808,734

Note:

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

21 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:

	2017 RMB'000	2016 RMB'000
Due within 1 month or on demand	**443,670**	461,894
Due after 1 month but within 6 months	**282,160**	302,397
	725,830	764,291

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

22 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	2017 RMB'000	2016 RMB'000
Bank loans	**1,294,309**	879,066
Loans from third parties	**95,797**	80,922
	1,390,106	959,988
Add: current portion of long-term bank and other loans (Note (b))	**297,350**	525,062
	1,687,456	1,485,050

22 BANK AND OTHER LOANS (continued)

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

At 31 December 2017, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2017 RMB'000	2016 RMB'000
Bank loans:		
– Pledged by bank bills	235,957	79,466
– Secured by the Group's property, plant and equipment, land use rights	518,000	473,000
– Secured by the Group's inventories	20,000	–
– Unguaranteed and unsecured	520,352	326,600
	1,294,309	879,066
Loans from third parties:		
– Pledged by bank bills	50,000	–
– Unguaranteed and unsecured	45,797	80,922
	95,797	80,922
	1,390,106	959,988

At 31 December 2017, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's short-term bank loans is RMB732.9 million (31 December 2016: RMB1,142.0million).

At 31 December 2017, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB40.7 million (31 December 2016: Nil)

(b) Long-term bank and other loans

	2017 RMB'000	2016 RMB'000
Bank loans	7,500	504,497
Loans from third parties	954,652	48,876
	962,152	553,373
Less: current portion of long-term bank and other loans (Note (a))	(297,350)	(525,062)
	664,802	28,311

22 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:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	**297,350**	525,062
After 1 year but within 2 years	**505,384**	13,358
After 2 years but within 5 years	**159,418**	12,619
After 5 years	**–**	2,334
	962,152	553,373

At 31 December 2017, the Group's long-term bank and other loans are secured as follows:

	2017 RMB'000	2016 RMB'000
Bank loans:		
– Secured by the Group's property, plant and equipment and land use rights	**7,500**	20,401
– Secured by shares of several subsidiaries of the Company	**–**	472,511
– Unguaranteed and unsecured	**–**	11,585
	7,500	504,497
Loans from third parties:		
– Secured by the Group's property, plant and equipment and land use rights	**28,349**	41,409
– Secured by the Group's property, plant and equipment and guaranteed by the largest shareholder of the Group (Note (i))	**556,564**	–
– Secured by the Group's property, plant and equipment and guaranteed by a director of the Group (Note (i))	**69,128**	–
– Guaranteed by the largest shareholder of the Group	**300,000**	–
– Unguaranteed and unsecured	**611**	7,467
	954,652	48,876
	962,152	553,373

22 BANK AND OTHER LOANS (continued)

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

Note:

(i) During the year ended 31 December 2017, the Group enters into a series of finance lease agreements pursuant to which the Group sells certain machineries to the lessors and lease them back from the lessors over a three to four years lease period simultaneously. After the lease period, the Group has a right to purchase those machineries back from lessors with a minimum nominal value. The risk and awards incident to owning those machineries are not substantially changed before and after the finance lease agreement, and the substance of those finance lease agreements is to obtain loans from the lessors secured by those machineries. As a result, the Group recognises the consideration from sales of machineries as secured loans and does not derecognise those machineries from its consolidated financial statements.

At 31 December 2017, 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 RMB1,004.5 million (31 December 2016: RMB137.0 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 2017, the Group's banking facilities amounted to RMB604.5 million (31 December 2016: RMB323.5 million) were utilised to the extent of RMB421.0 million (31 December 2016: RMB224.0 million).

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 31(b).

23 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 adjustments	2,169	1,670	3,839
At 31 December 2016 and 1 January 2017	39,851	22,467	62,318
Accrued finance charges for the year (Note 6(a))	9,853	–	9,853
Interest paid	(4,678)	–	(4,678)
Fair value changes on the derivative components (Note 6(a))	–	(5,031)	(5,031)
Exchange adjustments	(2,849)	(1,302)	(4,151)
At 31 December 2017	42,177	16,134	58,311

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.

24 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2017, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	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	**25,092**	**27,627**	19,874	21,860
After 1 year but within 2 years	**28,211**	**33,824**	23,040	27,627
After 2 years but within 5 years	**46,008**	**63,880**	60,250	84,726
After 5 years	**5,973**	**10,299**	12,978	23,277
	80,192	**108,003**	96,268	135,630
	105,284	**135,630**	116,142	157,490
Less: total future interest expenses		**(30,346)**		(41,348)
Present value of finance obligations		**105,284**		116,142

25 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 years ended 31 December 2017 and 2016.

25 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:

	2017		2016	
	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**	**33,010**	HK$1.25	33,370
Forfeited during the year	**HK$1.25**	**(660)**	HK$1.25	(360)
Outstanding at the end of the year	**HK$1.25**	**32,350**	HK$1.25	33,010
Exercisable at the end of the year	**HK$1.25**	**22,645**	HK$1.25	13,204

The share options outstanding at 31 December 2017 had an exercise price of HK$1.25 (31 December 2016: HK$1.25) and a weighted average remaining contractual life of 4.36 years (31 December 2016: 5.36 years).

(Expressed in RMB unless otherwise indicated)

25 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 were no market conditions associated with the share options granted.

(b) Share award scheme

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

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

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

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Share award scheme (continued)

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

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

	Average purchase price HK$	No. of shares held '000	Value RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017		–	–
Shares purchased during the year	0.663	86,000	47,888
At 31 December 2017		86,000	47,888

On 27 December 2017, 86,000,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK$0.663 per share (equivalent to approximately RMB0.555 per share). No shares have been awarded to any selected employee as at the date of these financial statements.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 RMB'000	2016 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**54,691**	46,080
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**43,910**	21,002
Under-provision in respect of prior years (Note 7(a))	**237**	328
Income tax paid	**(28,044)**	(12,719)
Balance of income tax payable (net of prepaid income tax) at 31 December	**70,794**	54,691
Represented by:		
Income tax payable	**94,602**	67,252
Prepaid income tax	**(23,808)**	(12,561)
	70,794	54,691

26 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 2016	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**
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	**(6,936)**	**(115)**	**767**	**11,797**	**–**	**5,513**	**(1,230)**	**4,283**
At 31 December 2017	**153,711**	**1,032**	**23,042**	**39,565**	**6,673**	**224,023**	**(34,948)**	**189,075**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), 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 RMB454.5 million (31 December 2016: RMB436.2 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 2017 will expire on or before 31 December 2022.

(d) Deferred tax liabilities not recognised

At 31 December 2017, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB755.1 million (31 December 2016: RMB659.2 million). Deferred tax liabilities of RMB75.5 million (31 December 2016: RMB65.9 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 27(c))	Share premium RMB'000 (Note 27(d)(i))	Shares held under share award scheme RMB'000 (Note 27(d)(ii))	Capital reserve RMB'000 (Note 27(d)(iii))	Exchange reserve RMB'000 (Note 27(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 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 25(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
At 1 January 2017	84,867	2,081,912	–	30,139	33,064	(133,673)	2,096,309
Changes in equity for 2017:							
Loss for the year	–	–	–	–	–	(58,954)	(58,954)
Other comprehensive income	–	–	–	–	(137,297)	–	(137,297)
Total comprehensive income for the year	–	–	–	–	(137,297)	(58,954)	(196,251)
Equity settled share-based transactions (Note 25(a))	–	–	–	2,467	–	–	2,467
Shares purchased under the share award scheme (Note 25(b))	–	–	(47,888)	–	–	–	(47,888)
	–	–	(47,888)	2,467	–	–	(45,421)
At 31 December 2017	84,867	2,081,912	(47,888)	32,606	(104,233)	(192,627)	1,854,637

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) The directors of the Company do not propose final dividends after 31 December 2017 (2016: HK$Nil).

(ii) No final dividend in respect of the previous financial year has been approved during the year (2016: HK$Nil).

(c) Share capital

(i) Authorised and issued share capital

	2017		2016	
	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

	2017		2016	
	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	2017 Number	2016 Number
13 May 2016 to 12 May 2022	HK$1.25	**12,940,000**	13,204,000
13 May 2017 to 12 May 2022	HK$1.25	**9,705,000**	9,903,000
13 May 2018 to 12 May 2022	HK$1.25	**9,705,000**	9,903,000
		32,350,000	33,010,000

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

(iii) At 31 December 2017, 86,000,000 ordinary shares are held by the Company under the Share Award Scheme (31 December 2016: Nil) (see Note 25(b)).

27 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) Shares held under share award scheme

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

(iii) 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(r)(ii).

(iv) Statutory reserves

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

(v) Exchange reserve

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

(e) Distributable reserves

At 31 December 2017, 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 2016: RMB2,081.9 million). The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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.

27 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 2017, 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 2017 and 2016 was as follows:

	2017 RMB'000	2016 RMB'000
Current liabilities:		
Trade and other payables	**1,460,185**	1,808,734
Obligations under finance leases	**25,092**	19,874
Bank and other loans	**1,687,456**	1,485,050
	3,172,733	3,313,658
Non-current liabilities:		
Bank and other loans	**664,802**	28,311
Convertible bonds	**58,311**	62,318
Obligations under finance leases	**80,192**	96,268
Other non-current liabilities	**2,930**	3,798
	806,235	190,695
Total debt	**3,978,968**	3,504,353
Less: cash and cash equivalents	**(561,514)**	(491,644)
Adjusted net debt	**3,417,454**	3,012,709
Total equity	**2,164,450**	2,176,314
Adjusted net debt-to-capital ratio	**158%**	138%

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

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

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

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

29 MATERIAL RELATED PARTY TRANSACTIONS

At 31 December 2017, the directors of the Company consider that the Company did not have immediate and ultimate holding company.

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

(a) Transactions with the largest shareholder of the Company and its related parties

	2017 **RMB'000**	2016 RMB'000
Purchase of property, plant and equipment	**296**	–
Construction service expenses	**175,872**	–
Sale of property, plant and equipment	**1,326**	–
Guarantees received for the Group's long-term loans	**856,564**	–

(b) Transactions with companies under common significant influence

	Note	**2017** **RMB'000**	2016 RMB'000
Sale of glass and glass products to related parties		**1,757**	11,072
Purchase of raw materials from related parties		**–**	18,857
Purchase of properties, plant and equipment		**–**	7,937
Construction service expenses		**–**	138,277
Net increase in non-interest bearing advances granted to related parties	(i)	**–**	2,000
Net increase in non-interest bearing advances received from related parties	(i)	**–**	3,871

29 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	Note	**2017 RMB'000**	2016 RMB'000
Sale of glass and glass products to related parties		**194**	–
Net increase in non-interest bearing advances granted to related parties	(i)	**–**	15,002

(d) Transactions with a director of the Group

	2017 RMB'000	2016 RMB'000
Guarantees received for the Group's long-term loans	**69,128**	–

(e) 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:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	**4,472**	4,948
Contributions to defined contribution retirement plans	**693**	388
Equity compensation benefits under share option scheme (see Note 25(a))	**1,079**	3,127
	6,244	8,463

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

Note:

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

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

For the year ended 31 December 2017, the related party transactions in respect of receiving construction services from the largest shareholder of the Company and its related parties 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.

30 COMMITMENTS

(a) Capital commitments

At 31 December 2017, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**236,657**	416,929
– Authorised but not contracted for	**792,426**	38,630
	1,029,083	455,559

At 31 December 2017, 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.

(b) Operating lease commitments

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**7,097**	5,456
After 1 year but within 5 years	**7,914**	9,308
After 5 years	**2,477**	2,848
	17,488	17,612

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.

31 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.

31 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 2017, 5.2% (31 December 2016: 5.9%) and 11.5% (31 December 2016: 16.0%) 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 18.

(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.

As at the date of these financial statements, the Group has financed new bank and other loans of RMB364.7 million and refinanced certain of its short-term loans of RMB139.0 million, and the Group is to consider alternative sources of financing as well, taking into account of unutilised banking facilities, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Further information concerning the management's plans for managing the liquidity needs of the Group is set out in Note 2(b).

31 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:

	2017 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 year 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	1,241,173	143,160	–	–	–	–	–	1,384,333	1,384,333
Bank and other loans	534,356	425,666	643,641	184,496	561,607	181,626	–	2,531,392	2,352,258
Obligations under finance leases	6,882	6,882	6,932	6,931	33,824	63,880	10,299	135,630	105,284
Other non-current liabilities	–	–	–	–	629	2,004	1,438	4,071	2,930
Convertible bonds-liability component	–	2,450	–	2,450	4,901	70,032	–	79,833	42,177
	1,782,411	578,158	650,573	193,877	600,961	317,542	11,737	4,135,259	3,886,982

	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 year 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

31 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.

	2017		2016	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Obligations under finance leases	**9.51%**	**105,284**	9.51%	116,142
Bank and other loans	**6.12%**	**1,658,894**	7.42%	806,450
Convertible bonds-liability component	**26.87%**	**42,177**	26.87%	39,851
Other non-current liabilities	**7.70%**	**2,930**	7.70%	3,798
		1,809,285		966,241
Variable rate borrowings:				
Bank and other loans	**8.59%**	**693,364**	7.31%	706,911
Total borrowings		**2,502,649**		1,673,152
Fixed rate borrowings as a percentage of total borrowings		**72%**		58%

(ii) Sensitivity analysis

At 31 December 2017, 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 the Group's retained profits by approximately RMB5.2 million (31 December 2016: decreased/increased the Group's profit after tax and decreased/increased the Group's retained profits by approximately RMB6.5 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 2016.

31 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$, Nigerian Naira ("NGN") 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.

	2017 Exposure to foreign currencies				
	USD RMB'000	**RMB RMB'000**	**HK$ RMB'000**	**HK$ RMB'000**	**Euros RMB'000**
Trade and other receivables	**11,675**	**23,381**	**–**	**–**	**–**
Cash and cash equivalents	**3,675**	**1,201**	**19**	**1,280**	**1**
Trade and other payables	**(88,133)**	**(4,359)**	**(34,688)**	**(8,562)**	**–**
Gross exposure arising from recognised assets and liabilities	**(72,783)**	**20,223**	**(34,669)**	**(7,282)**	**1**

	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

31 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.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and in retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and in retained profits RMB'000
USD	**10%**	**(5,778)**	5%	(8,194)
	(10%)	**5,778**	(5%)	8,194
RMB	**10%**	**2,022**	5%	(7,561)
	(10%)	**(2,022)**	(5%)	7,561
HK$	**10%**	**(2,645)**	5%	(1,833)
	(10%)	**2,645**	(5%)	1,833
NGN	**10%**	**(728)**	–	–
	(10%)	**728**	–	–

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 2016.

31 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 2017 categorised into		
	Fair value at 31 December 2017 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 23)	**16,134**	**–**	**16,134**	**–**

		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 23)	22,467	–	22,467	–

Valuation techniques and inputs used in Level 2 fair value measurements

(Expressed in RMB unless otherwise indicated)

31 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)

Fair value hierarchy (continued)

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	**31/12/2017**	**31/12/2016**
Share price (HK$)	0.90	0.82
Exercise price (HK$)	1.28	1.28
Expected volatility (Note (aa))	59.09%	57.12%
Dividend yield (Note (aa))	0.35%	0.35%
Maturity period	3.09 years	4.09 years
Conversion period	3.07 years	4.07 years
Discount rate (Note (aa))	12.27% - 12.83%	14.33% - 14.95%

Note:

(aa) 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.

31 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 2017 and 2016 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2017		2016	
	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
Asset				
Available-for-sale investments	**1,991**	*****	1,991	*
Liabilities				
Long-term bank and other loans	**664,802**	**667,121**	28,311	30,977
Convertible bonds – liability component	**42,177**	**56,272**	39,851	53,224

* The available-for-sale 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)

31 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 2017 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 2017. The interest rates used are as follows:

	2017	2016
Long-term bank and other loans	**6.17%**	5.95%
Convertible bonds – liability component	**12.27% – 12.83%**	14.33% – 14.95%

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

(Expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**231**	280
Investments in subsidiaries		**909,293**	970,992
Loans to subsidiaries		**55,829**	39,906
		965,353	1,011,178
Current assets			
Other receivables		**1,316,976**	1,600,467
Cash and cash equivalents		**4,709**	85,398
		1,321,685	1,685,865
Current liabilities			
Other payables		**59,541**	59,983
Bank and other loans		**314,549**	478,433
		374,090	538,416
Net current assets		**947,595**	1,147,449
Total asset less current liabilities		**1,912,948**	2,158,627
Non-current liability			
Convertible bonds		**58,311**	62,318
NET ASSETS		**1,854,637**	2,096,309
CAPITAL AND RESERVES	27		
Share capital		**84,867**	84,867
Reserves		**1,769,770**	2,011,442
TOTAL EQUITY		**1,854,637**	2,096,309

Approved and authorised for issue by the board of directors on 27 March 2018.

Peng Shou
Chairman

Cui Xiangdong
Director

(Expressed in RMB unless otherwise indicated)

33 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 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
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
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations 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 impact on the consolidated financial statements, the impact is not material. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

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, including the measurement of impairment for 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 and measurement of financial liabilities.

The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

33 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9, Financial instruments (continued)

(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):

– 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 interest revenue, 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 and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 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 either a 12-month expected credit loss or a lifetime expected credit loss, 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 receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

33 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 2(v). 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 goods or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods 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;

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 goods 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.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the sales of goods.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material.

33 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 16, Leases

As disclosed in Note 2(k), 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 land, 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 30(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB17.5 million 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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.