CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 3300

# Interim Report 2018

*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. Zhang Jinshu (appointed on 28 August 2018)
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. Yang Hongfu
Mr. Xu Ning
Mr. Wang Jianxun
Mr. Han Liming
Mr. Ge Yankai (ceased on 8 April 2018)

## COMPANY SECRETARY

Ms. Kuok Yew Lee

## AUTHORISED REPRESENTATIVES

Mr. Cui Xiangdong
Ms. Kuok Yew Lee

## 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

Bank of China
Bank of Communications
Bank of Hankou
Bank of Jiangsu
China Citic Bank
China Development Bank
Export-import Bank of China
Hua Xia Bank
Shanghai Pudong Development Bank
Standard Chartered Bank

## AUDITORS

KPMG
*Certified Public Accountants*

## INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Limited

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 3300

## WEBSITE

www.chinaglassholdings.com

# Management Discussion and Analysis

## MARKET REVIEW

In the first half of 2018, the world economy picked up significantly despite the escalating international trade friction, and the commodity prices also saw rises. "The Belt and Road" initiative of China achieved remarkable results and the macroeconomy at home grew at a slow but steady pace; structural reforms on the supply side progressed steadily and the investment structure was adjusted and optimized. According to the National Bureau of Statistics, in the first half of this year, the nationwide real estate development investments enjoyed a year-on-year nominal growth of 9.7%, and the new housing construction area in China increased by 11.8%, up by 1% as compared to that of last year.

In the first half of this year, the domestic float glass market had been fluctuating as a whole. The sales in the first quarter which previously considered as traditional off-seasons, were booming and the prices in all the regions had been high. However, the market demand gradually rallied since March, and the costs had been elevated as a result of surges in the price of soda ash. Due to these combined effects, the raw glass companies began to resort to raising the prices of their products. Nevertheless, due to some factors such as lag in demand and high inventory levels, float glass prices began to adjust slightly from mid-to-late April. In the first half of this year, the export market recorded a good and stable performance with a relatively balanced supply-and-demand relationship, and the prices maintained an upward trend.

## BUSINESS REVIEW

China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") currently has 14 float glass production lines, carrying a daily melting capacity of 7,050 tonnes. As at 30 June 2018, the Group had 10 float glass production lines in operation, while those production lines not in operation were suspended due to debugging, technological renovation or other reasons. In addition, the Group has an offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

With respect to the segment revenue of the Group for the six months ended 30 June 2018, revenue from the sales of clear glass products was RMB477 million, revenue from the sales of coated glass products was RMB303 million and revenue from the sales of energy saving and new energy glass products was RMB254 million, representing an increase of 14.12%, 8.16% and 30.48% respectively as compared to the same period of 2017, while revenue from the sales of painted glass products recorded RMB159 million, representing a decrease of 23.70% as compared to the same period of 2017. The results were mainly due to the combined effect of factors such as the rising prices of various glass products driven by a significant growth in the overall prices of the glass market, as well as the production suspension for cold repair of one production line that produced painted glass products in the first half of the year, and the turning from producing painted glass products to producing coated glass products and energy saving and new energy glass products of some production lines due to the product structure adjustment by the Group based on the market demand.

In the first half of 2018, the Group strictly 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 local emission standards of air pollutants in the places where its production bases were located, and also continuously strengthened the management in the environmentally-friendly processes and equipment, ensuring furnace kilns met the emission standards.

## RAW MATERIAL AND FUEL PRICES

In the first half of 2018, the soda ash price in the domestic market initially declined and then picked up gradually. Many soda ash manufacturers suspended their production activities for overhauls as required by the environmental protection policies, and all the prices recorded significant increases year-on-year.

In terms of fuels, the market price of petroleum coke increased stepwise mainly attributable to the decreased output and the increased domestic demand; and the prices of both natural gas and coal tar increased year-on-year. As for fossil fuels, prices of silica sand, limestone and dolomite surged.

## PRODUCTION, SALES AND SELLING PRICE

In the first half of 2018, the Group sold 15.34 million weight cases of major float glass products, and the integrated average selling price of the Group's products was approximately RMB78 per weight case, representing an increase of 13% as compared to the same period of last year.

In the first half of 2018, the Group recorded a revenue of approximately RMB1,193 million, representing an increase of 8% as compared to the same period of last year, as well as a net profit of approximately RMB50.12 million. The increase in revenue in the first half was mainly attributable to the significant increase in the market price of clear glass products as well as the resulting increases in the market prices of painted glass products, coated glass products and Low-E glass products.

## MAJOR WORKS IN THE FIRST HALF OF 2018

### 1. Quality and product upgrades

On the basis of the original "Corporate Standard of China Glass Holdings", a new standard was formulated, and dual management was applied to the quality control personnel in the production base with strengthened unified control of the process from the original fuel entering the factory to the product delivery and of the quality of the entire after-sales service industry chain; the remote monitoring platform of online detection was playing a role, the production indicators were decomposed and implemented, and the process management system was better regulated.

### 2. Full promotion of the informationization process and facilitation of comprehensive corporate management upgrade

The operation of various modules of informationization system was tracked and promoted, and the establishment of the informationization system, centering on financial management and covering management of supply chain and human resource, had started, so as to improve work efficiency and management level, and reduce management costs.

### 3. The "Go Global" Strategy

The construction of two overseas projects in Nigeria and Kazakhstan was steadily progressing. The Nigerian project will be put off as compared to the original schedule due to the factors such as the delayed delivery by steel structure suppliers and the complex environment of construction there, and it is expected to be put into operation within this year.

### 4. Establishment of a rating system and improvement of the performance appraisal system

A rating system plan was drawn up to grade and evaluate the subsidiaries of the Group, and a reform plan of the distribution regulations relating to the systems of production, marketing, procurement, finance, and technological innovation was initially formulated.

### 5. Technology R&D: openness improved and contribution pursued

Internally, the activities for rationalization proposals were carried out to optimize production processes, and solve production technical problems; externally, technology openness was improved, and the projects of new and old kinetic energy conversion were connected.

# Management Discussion and Analysis (continued)

## THE GLASS MARKET OUTLOOK

In the second half of 2018, China's economic growth will face downward pressure, and the impact of trade friction will continue to emerge; and it will encounter intensified pressure when stabilizing the growth rate, facilitating the reforms and making structural adjustments as the tightening effect of deleveraging will continue to release. It is expected that glass prices will still have some room for growth in the second half of the year and are expected to remain at a high level. On the one hand, the production cuts in supply side and environmental protection pressure will remain as the main driving factors of glass price changes, and coupled with the impact of traditional demand peak seasons, the supply and demand pattern of glass products will be continuously optimized; on the other hand, the glass prices will also be driven by rising prices of raw materials in the upstream.

## FORECAST OF THE PRICES OF RAW AND FUELS MATERIALS

In the second half of 2018, it is expected that the domestic prices of soda ash will decline at the third quarter as a result of the increase of the capacity utilisation rate. However, the prices may recover driven by the stock preparation for the coming Chinese New Year at the end of the fourth quarter.

The prices of mineral raw materials such as silica sand and limestone may increase due to the deepen implementation of environmental protection.

In terms of fuel, the coal tar processing companies will be affected by the environmental policies, resulting in capacity reduction and rising price. It is expected that the prices of the natural gas will further go up driven by its increasing demand. The price of import petroleum coke is anticipated to rise to an extent because of the expected factors such as capacity reduction and tariff increases.

## WORK PLANS FOR THE SECOND HALF OF 2018

1. The Group will continue to improve product and quality upgrades, and complete the task of informationization;

2. The Group will finalise the timetable for the commencement of the operation of the Nigeria and Kazakhstan projects and determine their progress plans and key milestones;

3. The Group will strengthen the management of inventory and accounts receivable;

4. The Group will continue to improve technology openness and increase technical contribution;

5. The Group will, through labor diversion, increase labor productivity and promote reform of the distribution regulations;

6. The Group will accelerate the work including redundant asset disposal and unprofitable enterprise reduction;

7. The Group will closely integrate the development strategy for the next three years to do a good job in the market planning and layout of the products of the subsidiaries within the Group, focusing on the promotion of the key projects in the key bases and building new profit growth points for the Group.

## FINANCIAL REVIEW

### Revenue

For the first six months of 2018, the revenue of the Group from its principal business increased by approximately 8% to approximately RMB1,193 million as compared to approximately RMB1,101 million in the first six months of 2017. The increase in revenue from its principal business was mainly due to the combined effect of increase in product price and decrease in sales volume.

### Cost of sales

The Group's cost of sales increased by approximately 1% from approximately RMB961 million for the first six months of 2017 to approximately RMB975 million for the first six months of 2018. The increase in cost of sales was mainly attributable to increase of unit production cost due to the rising raw material and fuel prices.

### Gross profit

The Group's gross profit increased by approximately 55% from approximately RMB141 million for the first six months of 2017 to approximately RMB219 million for the first six months of 2018. The increase in gross profit was mainly attributable to the combined effect of the increase of average selling price and the unit production cost, in line with the market trend.

### Other income

The Group's other income decreased from approximately RMB73 million for the first six months of 2017 to approximately RMB28 million for the first six months of 2018. Other income is mainly government grant for the six months ended 30 June 2018.

### Administrative expenses

For the first six months of 2018, the administrative expenses of the Group decreased by 5% to RMB89 million as compared to RMB94 million for the first six months of 2017. The decrease in administrative expenses was mainly attributable to the decrease in provision for doubtful debts for trade and other receivables.

### Finance costs

For the first six months of 2018, the finance costs of the Group increased by 25% to approximately RMB65 million as compared to approximately RMB52 million in the first six months of 2017. The increase in finance costs was mainly due to the increase of the average balance of borrowings.

### Profit for the period

The Group's profit for the first six months of 2018 amounted to approximately RMB50 million, representing an increase of approximately RMB30 million as compared to profit of approximately RMB20 million for the first six months of 2017.

### Profit attributable to equity shareholders for the period

The Group's profit attributable to equity shareholders of the Company for the first six months of 2018 amounted to approximately RMB46 million, representing an increase of approximately RMB23 million as compared to a profit attributable to shareholders of approximately RMB23 million for the first six months of 2017.

### Current assets

The Group's current assets increased by approximately 9% from approximately RMB1,619 million as at 31 December 2017 to approximately RMB1,765 million as at 30 June 2018.

### Non-current liabilities

The Group's non-current liabilities increased by approximately 9% from approximately RMB841 million as at 31 December 2017 to approximately RMB915 million as at 30 June 2018. This was attributable to a number of finance lease arrangements conducted by certain subsidiaries of the Group.

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

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately RMB574 million (31 December 2017: RMB562 million), of which 82% (31 December 2017: 91%) were denominated in Renminbi ("RMB"), 16% (31 December 2017: 8%) in United States Dollars ("USD"), 1% (31 December 2017: 1%) in Hong Kong dollars ("HK$") and 1% (31 December 2017: 0%) in Nigerian Naira ("NGN"). Outstanding bank and other loans and convertible bonds amounted to approximately RMB2.428 billion (31 December 2017: RMB2.352 billion), of which 81% (31 December 2017: 87%) were denominated in RMB and 19% (31 December 2017: 13%) were denominated in USD. As at 30 June 2018, the gearing ratio (total interest-bearing debts divided by total assets) of the Group was 40% (31 December 2017: 40%). As at 30 June 2018, the Group's current ratio (current assets divided by current liabilities) was 0.54 (31 December 2017: 0.50). In addition, the Group recorded net current liabilities amounted to approximately RMB1.487 billion as at 30 June 2018 (31 December 2017: RMB1.648 billion). As at 30 June 2018, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.66 (31 December 2017: 0.65).

As at 30 June 2018, the Group's short-term bank and other loans were approximately RMB1.625 billion (31 December 2017: RMB1.687 billion), and the Group's long-term bank and other loans were approximately RMB757 million (31 December 2017: RMB665 million), among which approximately RMB555 million (31 December 2017: RMB505 million) will be due after one year but within two years, and approximately RMB202 million (31 December 2017: RMB160 million) will be due after two years but within five years. In the first six months of 2018, the weighted average interest rate of the Group's bank loans was approximately 6.52%.

## 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 export sales and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future appreciation or depreciation of RMB would be closely associated with the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the six months ended 30 June 2018, the Group did not purchase any derivatives for hedging purposes.

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

The Group did not have any significant investments or acquisition of capital assets, or material acquisitions or disposals of subsidiaries and associated companies or significant investments during the six months ended 30 June 2018.

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

The board (the "Board") of directors (the "Directors") of the Company is pleased to present the interim report together with the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018.

## INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 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 30 June 2018, 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 ordinary shares of HKD0.05 each in the capital of the Company (the "Shares" and each the "Share"), 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 30 June 2018, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at 30 June 2018, 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 30 June 2018, 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 (9) |
|---|---|---|---|
| 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% |
| 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 Science & Technology Group Co., Ltd.*) | Beneficial owner/Interest of a controlled corporation (8) | 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 (8) | 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) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Science & Technology Group Co., Ltd.*, which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd*. Triumph Science & Technology Group Co., Ltd.* 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 Science & Technology Group Co., Ltd.* by virtue of Part XV of the SFO.

(9) As at 30 June 2018, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at 30 June 2018, 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 17 to the Unaudited Interim Financial Report.

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 six months ended 30 June 2018, save as a total of 860,000 share options that have lapsed during this period, no shares 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 six months ended 30 June 2018 are as follows:

| Participant | Date of grant[1] | Exercise price per Share[2] | Exercise period from | Exercise period until | Held as at 1/1/2018 | No. of Shares Granted/ Exercised/ (Cancelled)/ (Lapsed) during the six months ended 30/6/2018 | Held as at 30/6/2018 | 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 | 11,020,000 | (344,000) [3] | 10,676,000 | 0.59% |
| | 13/5/2015 | 1.25 | 13/5/2017 | 12/5/2022 | 8,265,000 | (258,000) [3] | 8,007,000 | 0.44% |
| | 13/5/2015 | 1.25 | 13/5/2018 | 12/5/2022 | 8,265,000 | (258,000) [3] | 8,007,000 | 0.44% |
| Total | | | | | 32,350,000 | (860,000) | 31,490,000 | |

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 six months ended 30 June 2018.

## 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 six months ended 30 June 2018, 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 of the Company in general meeting in the manner prescribed in the Listing Rules, the Board 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. The following is a summary of the principal terms of the rules of the Share Award 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 (the "Remuneration Committee"), 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.

During the six months ended 30 June 2018, 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 17 to the Unaudited Interim Financial Report.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has 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 six month ended 30 June 2018 and up to the date of this report.

## HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2018, the Group employed approximately a total of 3,579 employees in the PRC and Hong Kong (31 December 2017: about 3,774 employees). The decrease in staff number of the Group as at 30 June 2018 as compared to 31 December 2017 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. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Company has conditionally adopted the share option schemes for the Qualified Participants and the Share Award Scheme for the certain employees.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contribution to the above schemes were forfeited for the six months ended 30 June 2018.

## 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.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2017 Annual Report of the Company are set out below:

Mr. Peng Shou, previously the vice president of China National Building Material Company Limited*（中國建材股份有限公司）(“CNBM”, a company listed on the Stock Exchange), was appointed as president of CNBM on 13 June 2018.

## AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established with written terms of reference in compliance with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The Audit Committee comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhao Lihua and Mr. Zhang Baiheng as members, has reviewed, together with the participation of the Company’s management and the external auditors, KPMG, the accounting principles and practices adopted by the Group, and has discussed auditing, risk management and internal control, and financial reporting matters, including the review of the interim report of the Group for the six months ended 30 June 2018.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the management of 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.

Throughout the six months ended 30 June 2018, the Company applied the principles and complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

* *For identification purpose only*

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2018.

## 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 Group's performance and development.

By Order of the Board
**Peng Shou**
*Chairman*

Hong Kong, 28 August 2018

# Review Report to the Board of Directors of China Glass Holdings Limited

(Incorporated in Bermuda with limited liability)

## INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 64 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2018 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

28 August 2018

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi ("RMB"))

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 (Note) |
| | ***Notes*** | **RMB'000** | RMB'000 |
| **Revenue** | 4 | **1,193,487** | 1,101,656 |
| Cost of sales | | **(974,584)** | (960,717) |
| **Gross profit** | 4 | **218,903** | 140,939 |
| Other income | 5 | **27,948** | 72,736 |
| Distribution costs | | **(32,163)** | (38,823) |
| Administrative expenses | | **(89,166)** | (93,888) |
| **Profit from operations** | | **125,522** | 80,964 |
| Finance costs | 6(a) | **(65,152)** | (52,009) |
| Share of profits/(losses) of an associate | | **13** | (7) |
| **Profit before taxation** | 6 | **60,383** | 28,948 |
| Income tax | 7 | **(10,267)** | (8,917) |
| **Profit for the period** | | **50,116** | 20,031 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **46,191** | 22,885 |
| Non-controlling interests | | **3,925** | (2,854) |
| **Profit for the period** | | **50,116** | 20,031 |
| **Earnings per share (RMB cent)** | 8 | | |
| Basic | | **2.68** | 1.26 |
| Diluted | | **2.64** | 1.08 |

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3).

The notes on pages 28 to 64 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited
(Expressed in RMB)

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | | (Note) |
| | **RMB'000** | RMB'000 |
| **Profit for the period** | **50,116** | 20,031 |
| **Other comprehensive income for the period (before and after tax):** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| – exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency | **528** | (11,126) |
| **Total comprehensive income for the period** | **50,644** | 8,905 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **46,719** | 11,759 |
| Non-controlling interests | **3,925** | (2,854) |
| **Total comprehensive income for the period** | **50,644** | 8,905 |

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3).

The notes on pages 28 to 64 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2018
(Expressed in RMB)

| | *Notes* | **(unaudited) At 30 June 2018 RMB'000** | (audited) At 31 December 2017 (Note) RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **4,073,785** | 4,159,131 |
| Lease prepayments | | **260,532** | 267,108 |
| Intangible assets | | **–** | – |
| Interest in an associate | | **425** | 412 |
| Interest in joint ventures | | **5,963** | 846 |
| Equity securities | | **3,202** | – |
| Available-for-sale investments | | **–** | 1,991 |
| Deferred tax assets | 16 | **245,831** | 224,023 |
| | | **4,589,738** | 4,653,511 |
| **Current assets** | | | |
| Inventories | 10 | **531,270** | 387,151 |
| Trade and other receivables | 11 | **638,773** | 646,984 |
| Prepaid income tax | | **21,050** | 23,808 |
| Cash and cash equivalents | 12 | **573,950** | 561,514 |
| | | **1,765,043** | 1,619,457 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **1,506,913** | 1,460,185 |
| Bank and other loans | 14(a) | **1,625,722** | 1,687,456 |
| Obligations under finance leases | | **27,998** | 25,092 |
| Income tax payable | | **91,622** | 94,602 |
| | | **3,252,255** | 3,267,335 |
| **Net current liabilities** | | **(1,487,212)** | (1,647,878) |
| **Total assets less current liabilities** | | **3,102,526** | 3,005,633 |

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3).

The notes on pages 28 to 64 form part of this interim financial report.

# Consolidated Statement of Financial Position (continued)

At 30 June 2018
(Expressed in RMB)

| | Notes | (unaudited) At 30 June 2018 RMB'000 | (audited) At 31 December 2017 (Note) RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank and other loans | 14(b) | **756,719** | 664,802 |
| Convertible bonds | 15 | **57,502** | 58,311 |
| Obligations under finance leases | | **69,059** | 80,192 |
| Deferred tax liabilities | 16 | **29,602** | 34,948 |
| Other non-current liabilities | | **2,204** | 2,930 |
| | | **915,086** | 841,183 |
| **NET ASSETS** | | **2,187,440** | 2,164,450 |
| **CAPITAL AND RESERVES** | 17 | | |
| Share capital | | **84,867** | 84,867 |
| Reserves | | **1,923,998** | 1,888,603 |
| **Total equity attributable to equity shareholders of the Company** | | **2,008,865** | 1,973,470 |
| **Non-controlling interests** | | **178,575** | 190,980 |
| **TOTAL EQUITY** | | **2,187,440** | 2,164,450 |

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3).

The notes on pages 28 to 64 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited

(Expressed in RMB)

| | Attributable to equity shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | 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 the six months ended 30 June 2017** | | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | 22,885 | 22,885 | (2,854) | 20,031 |
| Other comprehensive income | – | – | – | – | – | (11,126) | – | (11,126) | – | (11,126) |
| Total comprehensive income | – | – | – | – | – | (11,126) | 22,885 | 11,759 | (2,854) | 8,905 |
| Equity settled share-based transactions | – | – | 1,664 | – | – | – | – | 1,664 | – | 1,664 |
| Acquisition of non-controlling interests of a subsidiary | – | – | – | – | (295) | – | – | (295) | (9,120) | (9,415) |
| | – | – | 1,664 | – | (295) | – | – | 1,369 | (9,120) | (7,751) |
| **Balance at 30 June 2017** | 84,867 | 2,081,912 | 31,803 | 40,785 | (447,409) | (9,506) | 202,396 | 1,984,848 | 192,620 | 2,177,468 |

| | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Shares held under share award scheme RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 July 2017** | 84,867 | 2,081,912 | – | 31,803 | 40,785 | (447,409) | (9,506) | 202,396 | 1,984,848 | 192,620 | 2,177,468 |
| **Changes in equity for the six months ended 31 December 2017** | | | | | | | | | | | |
| Profit for the period | – | – | – | – | – | – | – | 42,080 | 42,080 | (1,640) | 40,440 |
| Other comprehensive income | – | – | – | – | – | – | (6,373) | – | (6,373) | – | (6,373) |
| Total comprehensive income | – | – | – | – | – | – | (6,373) | 42,080 | 35,707 | (1,640) | 34,067 |
| Equity settled share-based transactions | – | – | – | 803 | – | – | – | – | 803 | – | 803 |
| Shares purchased under the share award scheme | – | – | (47,888) | – | – | – | – | – | (47,888) | – | (47,888) |
| | – | – | (47,888) | 803 | – | – | – | – | (47,085) | – | (47,085) |
| **Balance at 31 December 2017** (Note) | 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 |

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3).

The notes on pages 28 to 64 form part of this interim financial report.

# Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2018 – unaudited
(Expressed in RMB)

| | Notes | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital RMB'000 | Share premium RMB'000 | Shares held under share award scheme RMB'000 | Capital reserve RMB'000 | Statutory reserve RMB'000 | Other reserve RMB'000 | Exchange reserve RMB'000 | Fair value reserve (non recycling) RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **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 |
| Impact on initial application of HKFRS 9 | 3 | – | – | – | – | – | – | – | 856 | (12,772) | (11,916) | (1,243) | (13,159) |
| **Adjusted balance at 1 January 2018** | | 84,867 | 2,081,912 | (47,888) | 32,606 | 40,785 | (447,409) | (15,879) | 856 | 231,704 | 1,961,554 | 189,737 | 2,151,291 |
| **Changes in equity for the six months ended 30 June 2018** | | | | | | | | | | | | | |
| Profit for the period | | – | – | – | – | – | – | – | – | 46,191 | 46,191 | 3,925 | 50,116 |
| Other comprehensive income | | – | – | – | – | – | – | 528 | – | – | 528 | – | 528 |
| Total comprehensive income | | – | – | – | – | – | – | 528 | – | 46,191 | 46,719 | 3,925 | 50,644 |
| Equity settled share-based transactions | 17(b) | – | – | – | 592 | – | – | – | – | – | 592 | – | 592 |
| Reduction of paid in capital of a subsidiary of the Group | 18 | – | – | – | – | – | – | – | – | – | – | (15,087) | (15,087) |
| | | – | – | – | 592 | – | – | – | – | – | 592 | (15,087) | (14,495) |
| **Balance at 30 June 2018** | | 84,867 | 2,081,912 | (47,888) | 33,198 | 40,785 | (447,409) | (15,351) | 856 | 277,895 | 2,008,865 | 178,575 | 2,187,440 |

The notes on pages 28 to 64 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 – unaudited

(Expressed in RMB)

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | ***Note*** | **RMB'000** | RMB'000 |
| **Operating activities** | | | |
| Cash generated from operations | | **194,631** | 22,484 |
| The People's Republic of China (the "PRC") income tax paid | | **(33,190)** | (16,758) |
| **Net cash generated from operating activities** | | **161,441** | 5,726 |
| **Investing activities** | | | |
| Payment for the purchase of property, plant and equipment and land use rights | | **(98,198)** | (332,155) |
| Other cash flows arising from investing activities | | **54,489** | 60,909 |
| **Net cash used in investing activities** | | **(43,709)** | (271,246) |
| **Financing activities** | | | |
| Proceeds from new bank and other loans | | **919,755** | 1,266,806 |
| Repayment of bank and other loans | | **(892,281)** | (856,011) |
| Other cash flows used in financing activities | | **(118,054)** | (76,828) |
| **Net cash (used in)/generated from financing activities** | | **(90,580)** | 333,967 |
| **Net increase in cash and cash equivalents** | | **27,152** | 68,447 |
| **Cash and cash equivalents at 1 January** | 12 | **541,514** | 478,244 |
| **Effect of foreign exchange rates changes** | | **1,298** | (525) |
| **Cash and cash equivalents at 30 June** | 12 | **569,964** | 546,166 |

The notes on pages 28 to 64 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 1 CORPORATE INFORMATION

China Glass Holdings Limited (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 condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2018 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate and joint ventures. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 28 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors (the "Directors") of the Company is included on page 20.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2018.

## 2 BASIS OF PREPARATION (continued)

As at 30 June 2018, the Group had net current liabilities of RMB1,487,212,000 (31 December 2017: RMB1,647,878,000). Notwithstanding the net current liabilities as at 30 June 2018, the Directors of the Company do not consider that material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group for the next twelve months ending 30 June 2019 prepared by the management, which taking into account of unutilised bank facilities of RMB279,036,000 as at 30 June 2018, the Group's newly financed bank and other loans of RMB404,745,200 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.

## 3 CHANGES IN ACCOUNTING POLICIES

### (a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in Note 3(b).

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (a) Overview (continued)

| | At 31 December 2017 RMB'000 | Impact on initial application of HKFRS 9 (Note 3(b)) RMB'000 | At 1 January 2018 RMB'000 |
|---|---|---|---|
| Trade and other receivables | 646,984 | (18,824) | 628,160 |
| **Total current assets** | **1,619,457** | **(18,824)** | **1,600,633** |
| Equity securities | – | 3,202 | 3,202 |
| Available-for-sale investments | 1,991 | (1,991) | – |
| Deferred tax assets | 224,023 | 4,757 | 228,780 |
| **Total non-current assets** | **4,653,511** | **5,968** | **4,659,479** |
| Deferred tax liabilities | (34,948) | (303) | (35,251) |
| **Total non-current liabilities** | **(841,183)** | **(303)** | **(841,486)** |
| **Net assets** | **2,164,450** | **(13,159)** | **2,151,291** |
| Reserves | (1,888,603) | 11,916 | (1,876,687) |
| **Total equity attributable to equity shareholders of the Company** | **(1,973,470)** | **11,916** | **(1,961,554)** |
| Non-controlling interests | (190,980) | 1,243 | (189,737) |
| **Total equity** | **(2,164,450)** | **13,159** | **(2,151,291)** |

Further details of these changes are set out in sub-section (b) of this note.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

| | RMB'000 |
|---|---|
| **Retained earnings** | |
| Recognition of additional expected credit losses on financial assets measured at amortised cost | **(17,097)** |
| Related tax | **4,325** |
| Net decrease in retained earnings at 1 January 2018 | **(12,772)** |
| **Fair value reserve (non-recycling)** | |
| Remeasurement of equity securities | **1,142** |
| Related tax | **(286)** |
| Net increase in fair value reserve (non-recycling) at 1 January 2018 | **856** |
| **Non-controlling interests** | |
| Recognition of additional expected credit losses on financial assets measured at amortised cost | **(1,295)** |
| Remeasurement of equity securities | **52** |
| Net decrease in non-controlling interests at 1 January 2018 | **(1,243)** |

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments* (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

| | HKAS 39 carrying amount at 31 December 2017 RMB'000 | Re-classification RMB'000 | Re-measurement RMB'000 | HKFRS 9 carrying amount at 1 January 2018 RMB'000 |
|---|---|---|---|---|
| **Financial assets carried at amortised cost** | | | | |
| Trade and other receivables | 646,984 | – | (18,824) | 628,160 |
| **Financial assets measured at FVOCI (non-recyclable)** | | | | |
| Equity securities (Note) | – | 1,991 | 1,211 | 3,202 |
| **Available-for-sale investments under HKAS 39 (Note)** | 1,991 | (1,991) | – | – |

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated all its equity securities at FVOCI (non-recycling), as these investments are held for strategic purposes.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

Equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using effective interest rate determined at initial recognition or an approximation thereof for trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB18,824,000, which decreased retained earnings by RMB12,772,000 and non-controlling interests by RMB1,295,000 and increased gross deferred tax assets by RMB4,757,000 at 1January 2018.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (b) HKFRS 9, *Financial instruments* (continued)

(ii) Credit losses (continued)

Opening balance adjustment (continued)

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

| | RMB'000 |
|---|---|
| Loss allowance at 31 December 2017 under HKAS 39 | 139,113 |
| Additional credit loss recognised at 1 January 2018 | |
| – trade receivables | 9,018 |
| – other receivables | 9,806 |
| Loss allowance at 1 January 2018 under HKFRS 9 | 157,937 |

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

### (c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. 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;

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

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

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

### (d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

## 4 REVENUE AND SEGMENT REPORTING

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

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

### (a) Disaggregation of revenue

All of the Group's revenue is arising from sales of glass products. Disaggregation of revenue from contracts with customers by geographical location of customers is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| **Disaggregated by geographical location of customers** | | |
| Mainland China (place of domicile) | **907,979** | 764,135 |
| Middle East | **92,464** | 96,158 |
| South Korea | **31,876** | 72,185 |
| Columbia | **18,008** | 7,532 |
| Peru | **14,247** | 1,343 |
| Bangladesh | **13,336** | 21,353 |
| Ecuador | **13,259** | 8,952 |
| Tanzania | **11,482** | 6,085 |
| Kenya | **11,087** | 7,115 |
| Philippines | **11,001** | 4,046 |
| Other countries | **68,748** | 112,752 |
| | **285,508** | 337,521 |
| | **1,193,487** | 1,101,656 |

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 4 REVENUE AND SEGMENT REPORTING (continued)

### (b) Segment results

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar products. The Group's other operating expenses, such as distribution costs and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses are presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below.

| | Clear glass products | | Painted glass products | | Coated glass products | | Energy saving and new energy glass products | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Six months ended 30 June 2018 RMB'000** | Six months ended 30 June 2017 RMB'000 | **Six months ended 30 June 2018 RMB'000** | Six months ended 30 June 2017 RMB'000 | **Six months ended 30 June 2018 RMB'000** | Six months ended 30 June 2017 RMB'000 | **Six months ended 30 June 2018 RMB'000** | Six months ended 30 June 2017 RMB'000 | **Six months ended 30 June 2018 RMB'000** | Six months ended 30 June 2017 RMB'000 |
| **Revenue from external customers** | | | | | | | | | | |
| – Point in time | **476,744** | 417,744 | **159,284** | 208,750 | **302,965** | 280,120 | **254,494** | 195,042 | **1,193,487** | 1,101,656 |
| Inter-segment revenue | **33,759** | 21,468 | **488** | 598 | **–** | – | **–** | – | **34,247** | 22,066 |
| **Reportable segment revenue** | **510,503** | 439,212 | **159,772** | 209,348 | **302,965** | 280,120 | **254,494** | 195,042 | **1,227,734** | 1,123,722 |
| **Reportable segment gross profit** | **79,746** | 55,365 | **28,334** | 23,135 | **66,079** | 42,344 | **44,744** | 20,095 | **218,903** | 140,939 |

## 5 OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Net gain on relocation of production plants (Note) | **20,000** | – |
| Interest income | **3,791** | 2,057 |
| Government grants | **397** | 61,327 |
| Net (loss)/gain on disposal of property, plant and equipment | **(673)** | 361 |
| Net gain on debt restructuring | **–** | 3,936 |
| Others | **4,433** | 5,055 |
| | **27,948** | 72,736 |

Note: The amount for the six months ended 30 June 2018 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.

## 6 PROFIT BEFORE TAXATION

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

### (a) Finance costs

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Interest on bank and other loans | **74,851** | 59,106 |
| Finance charges on convertible bonds (Note 15) | **5,216** | 4,827 |
| Finance charges on obligations under finance leases | **5,539** | 5,756 |
| Bank charges and other finance costs | **14,511** | 16,586 |
| Total borrowing costs | **100,117** | 86,275 |
| Less: amounts capitalised into property, plant and equipment (Note) | **(27,581)** | (28,120) |
| Net borrowing costs | **72,536** | 58,155 |
| Changes in fair value on the derivative component of convertible bonds (Note 15) | **(4,229)** | (7,493) |
| Net foreign exchange (gain)/loss | **(3,155)** | 1,347 |
| | **65,152** | 52,009 |

Note: The borrowing costs have been capitalized at 7.99% per annum for the six months ended 30 June 2018 (9.12% per annum for the six months ended 30 June 2017).

## 6 PROFIT BEFORE TAXATION (continued)

### (b) Other items

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 (Note) |
| | **RMB'000** | RMB'000 |
| Cost of inventories (Note 10) | **974,584** | 960,717 |
| Depreciation and amortisation | **131,668** | 130,527 |
| Impairment losses reversed on trade and other receivables (Note 11(b)) | **(6,078)** | (650) |
| Operating lease charges in respect of | | |
| – land | **79** | 83 |
| – plant and buildings | **1,475** | 2,511 |
| – motor vehicles | **1,185** | 1,289 |
| Research and development costs (other than capitalised costs and related amortisation) | **373** | – |

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3(b)).

## 7 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Current taxation: | | |
| – provision for Corporate Income Tax on the estimated taxable profits for the period | **32,923** | 23,186 |
| – under-provision of Income Tax in respect of prior years | **44** | 237 |
| | **32,967** | 23,423 |
| Deferred taxation (Note 16) | **(22,700)** | (14,506) |
| | **10,267** | 8,917 |

The Hong Kong Profits Tax rate for the six months ended 30 June 2018 is 16.5% (2017: 16.5%).

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

## 7 INCOME TAX (continued)

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2018 (2017: 25%).

A subsidiary of the Group established in the PRC obtained an approval from the tax bureau that it is entitled to tax benefits applicable to entity under the Second Phase of the Western Region Development Plan of the PRC, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2018 (2017: 15%).

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

The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2018 (2017: 30%).

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

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to ordinary equity shareholders of the Company of RMB46,191,000 (six months ended 30 June 2017: RMB22,885,000) and the weighted average of 1,724,147,058 ordinary shares, taking into the effect of shares purchased under a share award scheme set out in Note 17(b)(ii) (six months ended 30 June 2017: 1,810,147,000 shares) in issue during the six months ended 30 June 2018.

## 8 EARNINGS PER SHARE (continued)

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2018 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB47,178,000 and the weighted average of 1,785,338,000 ordinary shares (diluted), calculated as follows:

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Profit attributable to ordinary equity shareholders | **46,191** | 22,885 |
| After tax effect of effective interest on the liability component of convertible bonds (Note 15) | **5,216** | 4,827 |
| After tax effect of changes in fair value recognised on the derivative component of convertible bonds (Note 15) | **(4,229)** | (7,493) |
| Profit attributable to ordinary equity shareholders (diluted) | **47,178** | 20,219 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **'000** | '000 |
| Weighted average number of ordinary shares at 30 June | **1,724,147** | 1,810,147 |
| Effect of conversion of convertible bonds | **61,191** | 60,981 |
| Weighted average number of ordinary shares (diluted) at 30 June | **1,785,338** | 1,871,128 |

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred capital expenditure on property, plant and equipment and construction in progress with a cost of RMB101.8 million (six months ended 30 June 2017: RMB184.8 million). Items of property, plant and equipment with a net book value of RMB11.3 million were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1.4 million).

## 10 INVENTORIES

| | **At 30 June 2018 RMB'000** | At 31 December 2017 RMB'000 |
|---|---|---|
| Raw materials | **114,837** | 112,679 |
| Work in progress and finished goods | **386,874** | 247,942 |
| Racks, spare parts and consumables | **39,707** | 36,678 |
| | **541,418** | 397,299 |
| Less: write-down of inventories | **(10,148)** | (10,148) |
| | **531,270** | 387,151 |

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018 RMB'000** | 2017 RMB'000 |
| Carrying amount of inventories sold | **974,584** | 959,222 |
| Write-down of inventories | **–** | 1,495 |
| | **974,584** | 960,717 |

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

## 11 TRADE AND OTHER RECEIVABLES

| | At 30 June 2018 RMB'000 | At 31 December 2017 (Note ii) RMB'000 |
|---|---|---|
| Trade receivables from (Note (a)): | | |
| – third parties | **176,516** | 152,253 |
| – affiliates of non-controlling equity holders of subsidiaries | **15,688** | 15,773 |
| – a joint venture | **1,878** | – |
| Bills receivables | **168,019** | 166,502 |
| | **362,101** | 334,528 |
| Less: loss allowance (Note (b)) | **(93,656)** | (83,676) |
| | **268,445** | 250,852 |
| Amounts due from related companies: | | |
| – equity shareholders of the Company and their fellow subsidiaries (Note (i)) | **2,874** | 2,965 |
| – non-controlling equity holders of a subsidiary (Note (i)) | **150** | 15,002 |
| | **3,024** | 17,967 |
| Less: loss allowance (Note (b)) | **(91)** | – |
| | **2,933** | 17,967 |
| Other debtors | **329,701** | 328,628 |
| Less: loss allowance (Note (b)) | **(51,591)** | (48,916) |
| | **278,110** | 279,712 |
| Prepayments | **95,806** | 104,974 |
| Less: loss allowance (Note (b)) | **(6,521)** | (6,521) |
| | **89,285** | 98,453 |
| | **638,773** | 646,984 |

Notes:

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

(ii) The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3(b)).

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year. Cash before delivery is generally required for all new customers. Credit terms of three to six months from the date of billing may be granted to customers depending on credit assessment carried out by management on an individual customer basis.

## 11 TRADE AND OTHER RECEIVABLES (continued)

### (a) Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of loss allowance) with the following ageing analysis (based on the invoice date) as of the end of the reporting period:

| | **At 30 June 2018** | At 31 December 2017 (Note) |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 1 month | **129,223** | 105,510 |
| More than 1 month but less than 3 months | **61,631** | 79,019 |
| More than 3 months but less than 6 months | **24,752** | 11,306 |
| Over 6 months | **52,839** | 55,017 |
| | **268,445** | 250,852 |

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 3(b)).

### (b) Movement in the loss allowance amount in respect of trade and other receivables

The movement in the loss allowance amount in respect of trade and other receivables during the past six months ended 30 June 2018 is as follows:

| | **Six months ended 30 June 2018** | Year ended 31 December 2017 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Balance at 31 December under HKAS39 | **139,113** | 129,324 |
| Impact on initial application of HKFRS9 (Note 3(b)) | **18,824** | – |
| Adjusted balance at 1 January | **157,937** | 129,324 |
| Loss allowance (reversed)/recognised | **(6,078)** | 9,789 |
| Balance at 30 June/31 December | **151,859** | 139,113 |

## 12 CASH AND CASH EQUIVALENTS

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Cash at bank and on hand | **569,964** | 541,514 |
| Time deposits with banks | **3,986** | 20,000 |
| Cash and cash equivalents in the consolidated statement of financial position | **573,950** | 561,514 |
| Less: time deposits with original maturity over 3 months | **(3,986)** | (20,000) |
| Cash and cash equivalents in the condensed consolidated cash flow statement | **569,964** | 541,514 |

At 30 June 2018, cash and cash equivalents of RMB190.5 million (31 December 2017: RMB170.5 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.

## 13 TRADE AND OTHER PAYABLES

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Trade payables to: | | |
| – third parties | **479,854** | 469,148 |
| – an affiliate of an equity shareholder of the Company | **–** | 87 |
| – an affiliate of a non-controlling equity holder of a subsidiary | **1,412** | 2,708 |
| Bills payables | **328,636** | 253,887 |
| | **809,902** | 725,830 |
| Amounts due to related parties: | | |
| – the equity shareholders of the Company and their related parties (Note) | **44,770** | 74,529 |
| – companies under common significant influence (Note) | **64** | 64 |
| | **44,834** | 74,593 |
| Accrued charges and other payables | **557,636** | 583,910 |
| Financial liabilities measured at amortised cost | **1,412,372** | 1,384,333 |
| Advances received from customers | **94,541** | 75,852 |
| | **1,506,913** | 1,460,185 |

Note: The amounts are unsecured and non-interest bearing, and have no fixed terms of repayment.

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Included in trade and other payables are trade and bills payables with the following ageing analysis (based on the maturity date) as of the end of the reporting period:

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Due within 1 month or on demand | **565,320** | 443,670 |
| Due after 1 month but within 6 months | **244,582** | 282,160 |
| | **809,902** | 725,830 |

## 14 BANK AND OTHER LOANS

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

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Bank loans | **1,283,183** | 1,294,309 |
| Loans from third parties | **37,603** | 95,797 |
| | **1,320,786** | 1,390,106 |
| Add: current portion of long-term bank and other loans (Note (b)) | **304,936** | 297,350 |
| | **1,625,722** | 1,687,456 |

As of the end of reporting period, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Bank loans: | | |
| – pledged by bank bills | **221,578** | 235,957 |
| – secured by the Group's property, plant and equipment and land use rights | **411,000** | 518,000 |
| – secured by the Group's property, plant and equipment and inventories and guaranteed by a director of the Company | **40,000** | – |
| – guaranteed by a director of the Company | **20,000** | – |
| – secured by the Group's inventories | **20,000** | 20,000 |
| – unguaranteed and unsecured | **570,605** | 520,352 |
| | **1,283,183** | 1,294,309 |
| Loan from third parties: | | |
| – pledged by bank bills | **–** | 50,000 |
| – unguaranteed and unsecured | **37,603** | 45,797 |
| | **37,603** | 95,797 |
| | **1,320,786** | 1,390,106 |

## 14 BANK AND OTHER LOANS (continued)

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

At 30 June 2018, the aggregate carrying value of the secured property, plant and equipment, land use rights for the Group's short-term bank loans is RMB710.7 million (31 December 2017: RMB732.9 million).

At 30 June 2018, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB67.3 million (31 December 2017: RMB40.7 million).

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

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Bank loans | **99,249** | 7,500 |
| Loans from third parties | **962,406** | 954,652 |
| | **1,061,655** | 962,152 |
| Less: current portion of long-term bank and other loans (Note (a)) | **(304,936)** | (297,350) |
| | **756,719** | 664,802 |

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

| | At 30 June 2018 RMB'000 | At 31 December 2017 RMB'000 |
|---|---|---|
| Within 1 year or on demand | **304,936** | 297,350 |
| After 1 year but within 2 years | **554,940** | 505,384 |
| After 2 years but within 5 years | **201,779** | 159,418 |
| | **1,061,655** | 962,152 |

# Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

## 14 BANK AND OTHER LOANS (continued)

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

At 30 June 2018, the Group's long-term bank and other loans are secured as follow:

| | **At 30 June 2018 RMB'000** | At 31 December 2017 RMB'000 |
|---|---|---|
| Bank loans: | | |
| – secured by the Group's property, plant and equipment and land use rights | **–** | 7,500 |
| – secured by the Group's property, plant and equipment and land use rights and guaranteed by a shareholder of the Company | **99,249** | – |
| | **99,249** | 7,500 |
| Loans from third parties: | | |
| – secured by the Group's property, plant and equipment | **21,647** | 28,349 |
| – secured by the Group's property, plant and equipment and guaranteed by a shareholder of the Company | **587,966** | 556,564 |
| – secured by the Group's property, plant and equipment and guaranteed by a director of the Company | **52,182** | 69,128 |
| – guaranteed by a shareholder of the Company | **300,000** | 300,000 |
| – unguaranteed and unsecured | **611** | 611 |
| | **962,406** | 954,652 |
| | **1,061,655** | 962,152 |

## 14 BANK AND OTHER LOANS (continued)

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

At 30 June 2018, 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 RMB1,065.8 million (31 December 2017: RMB1,004.5 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 30 June 2018, the Group's banking facilities amounted to RMB962.5 million (31 December 2017: RMB604.5 million) were utilised to the extent of RMB683.5 million (31 December 2017: RMB421.0 million).

## 15 CONVERTIBLE BONDS

| | Liability component RMB'000 | Derivative component RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2017 | 39,851 | 22,467 | 62,318 |
| Accrued finance charges for the period | 9,853 | – | 9,853 |
| Interest paid | (4,678) | – | (4,678) |
| Fair value changes on the derivative component | – | (5,031) | (5,031) |
| Exchange adjustments | (2,849) | (1,302) | (4,151) |
| At 31 December 2017 and 1 January 2018 | 42,177 | 16,134 | 58,311 |
| Accrued finance charges for the period (Note 6(a)) | 5,216 | – | 5,216 |
| Interest paid | (2,589) | – | (2,589) |
| Fair value changes on the derivative component (Note 6(a)) | – | (4,229) | (4,229) |
| Exchange adjustments | 672 | 121 | 793 |
| At 30 June 2018 | 45,476 | 12,026 | 57,502 |

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.

## 16 DEFERRED TAX ASSETS AND LIABILITIES

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

| | Assets | | | | | | Liabilities | |
|---|---|---|---|---|---|---|---|---|
| **Deferred tax arising from:** | **Unused tax losses RMB'000** | **Write-down of inventories RMB'000** | **Loss allowance RMB'000** | **Depreciation expenses in excess of related tax allowances, and 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, land use rights, equity securities, finance lease, interest capitalisation and related depreciation RMB'000** | **Net RMB'000** |
| **At 1 January 2017** | 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 | (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** |
| Impact on Initial application of HKFRS 9 (Note 3(b)) | **–** | **–** | **4,757** | **–** | **–** | **4,757** | **(303)** | **4,454** |
| **At 1 January 2018** | **153,711** | **1,032** | **27,799** | **39,565** | **6,673** | **228,780** | **(35,251)** | **193,529** |
| Credited to the consolidated statement of profit or loss (Note 7) | **7,536** | **–** | **(1,549)** | **11,064** | **–** | **17,051** | **5,649** | **22,700** |
| **At 30 June 2018** | **161,247** | **1,032** | **26,250** | **50,629** | **6,673** | **245,831** | **(29,602)** | **216,229** |

## 17 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

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

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2017: HK$Nil).

### (b) Equity-settled share-based transactions

(i) Share option scheme

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

A new share option scheme (the "Share Option Scheme 2016") 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 Share Option Scheme 2016 during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

No share options issued under the Share Option Scheme were exercised during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(ii) Share award scheme

On 12 December 2011, 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 of the Group. A trust has been set up for the purpose of administering the Share Award Scheme.

## 17 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Equity-settled share-based transactions (continued)

(ii) Share award scheme (continued)

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 2017 | | – | – |
| Shares purchased during the year | 0.663 | 86,000 | 47,888 |
| At 31 December 2017 and 30 June 2018 | | 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.

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS9 that are held at the end of the reporting period.

## 18 REDUCTION OF PAID IN CAPITAL OF A SUBSIDIARY OF THE GROUP

During the six months ended 30 June 2018, a subsidiary of the Group, namely Nanjing Yuanhong Special Glass Co. Ltd. ("Nanjing Yuanhong"), reduced its share capital from RMB80.0 million to RMB0.8 million. The Group's immediate interest in Nanjing Yuanhong remains 80.95% before and after the reduction. Consequently, the Group recognised a decrease in non-controlling interests of RMB15.1 million.

## 19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2018.

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Purchase of property, plant and equipment | **–** | 224 |
| Construction service received | **6,859** | 162 |
| Net increase in guarantee received for the Group's long-term loans | **130,651** | 304,012 |

### (b) Transactions with a joint venture of the Group

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Sale of glass products | **4,435** | – |

### (c) Transactions with a director of the Company

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | **2018** | 2017 |
| | | **RMB'000** | RMB'000 |
| Net increase in non-interest bearing advances received | (i) | **–** | 1,200 |
| Guarantees received for the Group's bank and other loans | | **43,054** | 84,510 |

## 19 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (d) Transactions with companies under common significant influence

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Sale of glass products | **–** | 1,757 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Sale of glass products | **–** | 194 |

### (f) Key management personnel remuneration

Remuneration for key management personnel is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **RMB'000** | RMB'000 |
| Short-term employee benefits | **2,149** | 2,201 |
| Contributions to defined contribution retirement plans | **664** | 271 |
| Equity compensation benefits under share option scheme | **261** | 862 |
| | **3,074** | 3,334 |

Note:

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

## 20 COMMITMENTS

### (a) Capital commitments

As of the end of reporting period, the outstanding capital commitments of the Group not provided for in the interim financial report were summarised as follows:

| | **At 30 June 2018 RMB'000** | At 31 December 2017 RMB'000 |
|---|---|---|
| Commitments in respect of land and buildings, and machinery and equipment | | |
| – contracted for | **192,418** | 236,657 |
| – authorised but not contracted for | **792,426** | 792,426 |
| | **984,844** | 1,029,083 |

At 30 June 2018, 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 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | **At 30 June 2018 RMB'000** | At 31 December 2017 RMB'000 |
|---|---|---|
| Within 1 year | **6,255** | 7,097 |
| After 1 year but within 5 years | **6,052** | 7,914 |
| After 5 years | **3,718** | 2,477 |
| | **16,025** | 17,488 |

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.

## 21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

(i) 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.

The Group has a finance manager performing valuations for the financial instruments, including the equity securities and derivative component of the convertible bonds. The manager reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the manager at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

| | | Fair value measurements as at 30 June 2018 categorised into | | |
|---|---|---|---|---|
| | Fair value at 30 June 2018 RMB'000 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| **Recurring fair value measurements** | | | | |
| Financial asset: | | | | |
| Equity securities (Note) | 3,202 | – | – | 3,202 |
| Financial liability: | | | | |
| Derivative component of the convertible bonds (Note 15) | 12,026 | – | 12,026 | – |

## 21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

| | Fair value at 31 December 2017 RMB'000 | Fair value measurements as at 31 December 2017 categorised into Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| Financial liability: | | | | |
| Derivative component of the convertible bonds (Note 15) | 16,134 | – | 16,134 | – |

Note: As at 31 December 2017, the equity securities were classified as available-for-sale investments and measured at cost less impairment losses as these investments in unlisted companies do not have a quoted market price in an active market for an identified instruments and whose fair value cannot otherwise be reliably measured. Available-for-sale investments were reclassified to financial assets measured at FVPL and designated at FVOCI (non-recycling) upon to the adoption of HKFRS 9 at 1 January 2018 (see Note 3(b)(i)).

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The estimate of the fair value of the derivative component 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** | **30/06/2018** | 31/12/2017 |
| Share price (HK$) | **0.57** | 0.90 |
| Exercise price (HK$) | **1.28** | 1.28 |
| Expected volatility (Note) | **47.51%** | 59.09% |
| Dividend yield (Note) | **0.35%** | 0.35% |
| Maturity period | **2.59 years** | 3.09 years |
| Conversion period | **2.57 years** | 3.07 years |
| Discount rate (Note) | **11.76%-12.28%** | 12.27%-12.83% |

Note: 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.

## 21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

(iii) Information about Level 3 fair value measurements

| | Valuation techniques | Significant unobservable inputs | Range |
|---|---|---|---|
| Unlisted equity instruments | Market comparable companies | Discount for lack of marketability | 50% to 70% |

The fair value of unlisted equity instruments is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's other comprehensive income by RMB193,460.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

| | RMB'000 |
|---|---|
| Unlisted equity securities: | |
| At 31 December 2017 under HKAS 39 | 1,991 |
| Impact on initial application of HKFRS9 (Note 3(b)) | 1,211 |
| Adjusted balance at 1 January 2018 | 3,202 |
| Net unrealised gains recognised in other comprehensive income during the period | – |
| At 30 June 2018 under HKFRS 9 | 3,202 |

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, any gains arising from the disposal of the unlisted equity securities were presented in the "Other income" line item in the consolidated statement of profit or loss.

## 21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (b) 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 are not materially different from their fair values at 31 December 2017 and 30 June 2018 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

| | **Carrying amounts at 30 June 2018 RMB'000** | **Fair value at 30 June 2018 RMB'000** | Carrying amounts at 31 December 2017 RMB'000 | Fair value at 31 December 2017 RMB'000 |
|---|---|---|---|---|
| **Asset** | | | | |
| Available-for-sale investments | **–** | **–** | 1,991 | 3,202 |
| **Liabilities** | | | | |
| Long-term bank and other loans | **756,719** | **753,163** | 664,802 | 667,121 |
| Convertible bonds liability component | **45,476** | **58,998** | 42,177 | 56,272 |

## 22 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

## 23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report.

### HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, 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. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients.

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 20(b), at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB16.0 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.

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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.