CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 3300

Annual Report 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. Tang Liwei (resigned on 2 January 2018)
Mr. Zhang Jinshu (appointed on 28 August 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. Lyu Guo
Mr. Yang Hongfu
Mr. Xu Ning
Mr. Wang Jianxun
Mr. Han Liming

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) Limited
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

Export-import Bank of China
China Development Bank
Bank of Hankou
Luso International Bank Ltd.
Bank of Communications
Bank Of Wuhai
China Citic Bank
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

Financial Highlights

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2018 are extracted from the audited financial statements of this report and the Company's 2014, 2015, 2016 and 2017 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,617,725**	2,556,418	2,139,650	1,968,857	2,489,369
Cost of sales	**(2,207,630)**	(2,234,842)	(1,812,394)	(1,890,567)	(2,117,120)
Gross profit	**410,095**	321,576	327,256	78,290	372,249
Other income	**230,849**	172,902	163,389	29,063	217,625
Distribution costs	**(78,088)**	(74,474)	(75,599)	(73,218)	(77,346)
Administrative expenses	**(249,030)**	(213,441)	(214,123)	(397,117)	(292,134)
Other expenses	**–**	–	(39,260)	(62,563)	(18,620)
Profit/(loss) from operations	**313,826**	206,563	161,663	(425,545)	201,774
Finance costs	**(160,805)**	(106,216)	(134,476)	(130,386)	(136,088)
Net gain on disposal of interests in an associate	**175**	–	–	–	–
Share of losses of an associate	**(62)**	(12)	(69)	(43)	(64)
Profit/(loss) before taxation	**153,134**	100,335	27,118	(555,974)	65,622
Income tax	**(49,060)**	(39,864)	(6,384)	75,876	(52,463)
Profit/(loss) for the year	**104,074**	60,471	20,734	(480,098)	13,159

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**6,974,710**	6,272,968	5,781,637	5,645,602	6,164,934
Total liabilities	**4,752,779**	4,108,518	(3,605,323)	(3,515,001)	(3,575,275)
Net assets	**2,221,931**	2,164,450	2,176,314	2,130,601	2,589,659

To shareholders,

In 2018, the global economic growth rate slowed down, and China's gross domestic product grew by 6.6% over the previous year, meeting the expected growth target. The domestic glass industry showed a steady development. First, the glass output kept rising and the industrial structure continued to optimize and transform. Second, the price of glass maintained a stable growth. Third, the economic benefits have been significantly improved. With the continuous improvement of environmental protection, the glass industry has demonstrated the development characteristics of de-capacity, enhanced environmental protection and improved profitability.

In the past year, the Company comprehensively promoted the enterprise information management process, optimized the product structure and quality, established the all-round marketing system, and improved the technology research and development openness in accordance with the actual production and operation and in combination with the market and environmental development needs. In the terms of development direction, the Company actively responded to the national call, combined the "Go Out" strategy with "the Belt and Road Initiative", and advocated international cooperation in production capacity and technologies, so as to achieve structural adjustment and the sound development of its industrial layout.

In 2019, the overall macro environment of the glass industry is expected to remain stable. Driven by the real estate development and building energy-saving renovation, the glass for the construction industry remains stable, the energy-saving and environment-friendly glass continues to grow and the profitability of the whole industry will rise steadily. The Company will continue to advocate the policies on low-carbon economy and energy saving and emission reduction, comprehensively adjust the product structure, implement the strategy of industrial upgrading, improve the level of technological research and development, make planning in automotive glass, pharmaceutical glass and special glass, make full use of the mechanism of globalization and marketization, and unswervingly perform its "Go Out" strategy, so as to improve production efficiency and profitability.

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

Peng Shou
Chairman

Management Discussion and Analysis

MARKET REVIEW

In 2018, the world economy continued its moderate growth, but its growth momentum gradually weakened and the economic situation of major economies indicated a strong divergence. China's macroeconomy saw an overall stable operation, and its economic growth rate has been running steadily in the medium-to-high speed range of 6.7% to 6.9% for 12 consecutive quarters. The domestic real estate market had been continuously and deeply affected by the regulatory policies, and the market was expected to undergo positive changes and gradually become rational.

In 2018, the flat glass industry continued its supply-side structural reform, and the industry's economy was operating smoothly, the price of glass showed a trend of "rising first and then declining" and the output continued to grow, and hence the contradiction of overcapacity was effectively alleviated, and further optimizing the industrial structure.

BUSINESS REVIEW

Overview

The Group currently has 13 float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 31 December 2018, the Group had 8 float glass production lines in operation, while those production lines not in operation were temporarily halted for technical upgrades such as cold repair and relocation. The Group also had one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line, and a float glass production line with capacity of 500 tonnes per day in Nigeria is currently under construction.

In addition, the Group has purchased 100% equity interest of Olivotto Glass Technologies S.p.A. (the "OGT"), a company registered in Italy, on 30 October 2018. The OGT Group has always been active in the hollow glass industry since it first succeeded in selling out the spiral glass-blowing machine in 1946. The capabilities of researching, innovation, and continuous technology development grant the leading status globally to the company within the industry. By means of merger and acquisition with various leaders in different aspects within the hollow glass industry such as ANTAS, LYNCH and LINDNER, the OGT Group managed to enrich its experiences in serving, molding production and multi-type glass production equipment within the hollow glass industry. The OGT Group is the only individual within the industry who is capable of providing a full range of equipment for the entire hollow glass industry, the leaders around the global market of glass tubing technology and the global core supplier of manufacturing equipment for medical neutral glass products. Through such procurement, the Group can boost the OGT Group in deepening the domestic market, and along with the continuous development of the market for medical neutral glass in the PRC, the domestic demand growth for the said product will reach its monument globally, which in return the OGT can therefore benefit from the massive potential market, resulting more business opportunities.

In 2018, various bases conscientiously implemented the Emission Standards 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, and also continuously strengthened the management of environmental protection process and equipment. As a result, all the furnaces met the emission standards for exhaust gas.

Raw material and fuel prices and production costs

In 2018, with the increase of environmental protection pressure, the intensity of de-capacity rose and the prices of soda ash, mineral raw materials and natural gas increased, and accordingly, the production costs saw an increase. By further optimizing and adjusting the procurement strategy, the Group's purchase price increased slightly year-on-year but was lower than the industry average.

In the first half of 2018, the domestic soda ash price soared year-on-year because a number of soda ash producers halted the production activities for maintenance due to environmental protection policies. However, the production capacity recovered in the second half of the year with a decline in the price, but the price of soda ash rose again in the end of the year as the inventory level was reduced.

In terms of fuel, the price of imported petroleum coke rose in a step-by-step manner due to the effects of increased foreign demand and increased import tariffs, with a slight decline at the end of the year. Due to environmental factors, the price of natural gas rose due to the short of supply while the price of fuel oil also saw an increase.

In terms of mineral raw materials, the prices of silica sand, limestone and dolomite had all risen due to environmental protection policies.

Production, sales and selling price

In 2018, the Group produced an aggregate amount of 33.38 million weight cases of glass, representing a year-on-year decrease of 6% whereas sales volume was 33.65 million weight cases, representing a decrease of 9% as compared to last year. The average selling price of the Group's glass products increased to RMB77 per weight case in 2018, representing an increase of 12% as compared to last year.

Profitability analysis

In 2018, the Group recorded a sales revenue of RMB2.618 billion, representing an increase of 2% as compared to last year. The increase in revenue was mainly due to the combined effect of rising selling prices of glass products, a decline in sales volume as well as income from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italy Company that the Group acquired and were mainly engaged in technical services. In 2018, the Group recorded a profit for the year of RMB104 million, representing a significant growth over the profit of RMB60.47 million in 2017.

MAJOR WORKS IN 2018

1. **Quality and product upgrades**

   A new standard was formulated on the basis of the original "Corporate Standard of China Glass Holdings", to apply dual management to the quality control personnel in the production base with strengthened unified control over the process from the arrival of raw and fuel material to product exit and over the quality of the entire after-sales service industry chain; the remote monitoring platform of online detection played a part to realize the automatic control of product quality inspection and grade judgment; the production indicators were brokendown and implemented, and the process management system was better regulated.

2. **Vigorous promotion of the informationization process for comprehensive upgrading of corporate management**

   The Company will comprehensively sort out the system documents of "Four Standards and One System", the business modules such as financial management, supply chain management, quality management and sales, promote the development of business modules run into operation such as the extension of the Company's industrial chain, so as to improve work efficiency and reduce management costs.

3. "Go Out" strategy

The Company is constructing a 500 tonnes per day float glass production line in Nigeria, which has received a long-term loan of US$26 million from China Development Bank (CDB) for construction operations in 2018 and is expected to be put into operation in 2019. At the same time, with "the Belt and Road Integration Fund of Glass Industry" as a link, the Company as the management is also promoting the construction progress of the Kazakhstan Float Production Line Project with a melting capacity of 600 tonnes per day. In September 2018, the Company announced the acquisition of an Italian-based company, which produces facilities for the production of neutral medicinal glass, domestic glass and mineral wool, and is the global core supplier of manufacturing equipment for medical neutral glass products as one of the global leaders in glass tube drawing technology in the glass equipment manufacturing industry.

4. Marketing

The Company will open the online real-time procurement module of contract accounts, and the contract price and policy management "shall be formulated with standards, fluctuated in a positive/negative range, and implemented without deviation"; actively participate in the industry price coordination meeting and respond to the industry call; develop new customers, explore new channels, achieve differentiated sales, and improve the sales volume of high-end products.

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

The Company will establish an open internal and external technology platform, promote the new and old kinetic energy transformation projects, further upgrade the differentiated featured products, and improve the technical indicators of the existing products with leading technology. The output of the online Low-E and online Sun-EⓉ featured products of Dongtai China Glass recorded a substantial growth. The visible light reflectance ratio of Weihai online Sun-C (F-green) is increased by 37.5% compared with the traditional solar film. After the production of anti-ultraviolet (ultrawhite) products with high reflectance, Suqian Electronic Glass delivered mass production of electronic B-grade 1.1 mm electronic glass and special glass, and Wuhai Base is ready to launch featured products such as single-piece fire-resistant glass of low self-explosion.

THE GLASS MARKET OUTLOOK

In 2019, under the premise of the stable operation of the real estate market, various regulatory policies will remain stable, and more emphasis will be placed on different policies designed for different cities, the rational implementation of policies and the optimization of structures. It is expected that the macro-environment facing the flat glass industry will be generally stable, and the supply-side structural reform will continue to advance. Driven by new real estate construction projects and energy-saving renovation of existing buildings, the construction glass sector is expected to remain stable, but structural contradictions such as overcapacity still exist, and the downward pressure on the industry still needs attention.

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

In terms of soda ash, it is expected that the domestic soda ash price may decrease in the first quarter of 2019 as affected by an increase in operating rate. In the second and third quarters, the soda ash price may gradually increase because more and more producers will halt the production activities for the maintenance purpose, but the price may gradually fall as the soda ash production capacity recover step by step in the fourth quarter. The overall market situation in 2019 may be similar to that of 2018.

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

In terms of mineral raw materials, the prices of silica sand, quartz stone and limestone may all rise due to the intensified efforts in the environmental protection.

WORK PLANS FOR 2019

According to the requirements of shareholders and the board of directors, the main work plan for 2019 is as follows, focusing on the three strategies such as "Natural Growth", "Merger and Reorganization" and "Go Out":

1. The Company will realize the transformation of new and old kinetic energy conversion and promote the quality and management upgrade of each production lines in accordance with the requirements of "Informatization & Industrialization". In terms of the management, the "two-step" strategy will be adopted. First, made in China will be accomplished according to the requirements of "Informatization & Industrialization" and then created in China will be realized in accordance with the requirements of "Made in China 2025".

2. The float glass, the traditional main business of the Company, will remain as the Company's priority. The Company will pay more attention to the upgrade of ordinary float glass to high-end glass for the construction industry, industrial glass, car glass, and electronic glass products;

3. The Company plans to extend its reach to the downstream glass industry and enter the fields such as automobile glass processing, special glass processing, doors, windows and curtain walls, and carry out various work according to the requirements of marketization and internationalization;

4. The Company will take the unique featured products as the core, introduce the traceable information system, build the online marketing platform, and attract the engagement from upstream and downstream enterprises, so as to provide the one-stop products and services ranging from the glass, doors and windows to the residence for the consumers.

5. The Company will make great efforts in each preparation works for the construction and pre-operation of the Nigerian Float Production Line Project to ensure safe and smooth production; actively cooperate with the Belt and Road Integration Fund of Glass Industry to promote the construction progress of the Kazakhstan Float Production Line Project; explore the market of pharmaceutical glass and glass products, and introduce the Italian Olivito Technology to the China market; explore potential projects and make good preparation for "Go Out" alternative projects in the early stage.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 2% from RMB2.556 billion for the year ended 31 December 2017 to RMB2.618 billion for the year ended 31 December 2018. The increase in revenue was mainly attributable to the combined effect of an increase of 12% in the annual average sales price compared to last year due to an increase in the market price of glass this year, and an decrease of sales volume of 9% compared to last year and the revenue contribution from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italy company that the Group acquired and mainly engaged in technical services.

For the segment revenue of the Group for the year ended 31 December 2018, coated glass products contributed RMB673 million and energy saving and new energy glass products contributed RMB552 million, representing an increase of 13% and 10% as compared to 2017, respectively, while clear glass products contributed RMB999 million and painted glass products contributed RMB357 million, representing a decrease of 10% and 1% as compared to 2017, respectively. The main reason is that the Group has intensified efforts in selling the energy-saving and new energy glass product, and actively geared the product structure to the market demand, by shifting focus from the clear glass products and painted glass products to the coated glass products with higher gross profit margin.

Cost of sales

The Group's cost of sales decreased by approximately 1% from RMB2.235 billion for the year ended 31 December 2017 to RMB2.208 billion for the year ended 31 December 2018 which included a slight increase in production cost.

Gross profit

The Group's gross profit increased by approximately 28% from RMB322 million for the year ended 31 December 2017 to RMB410 million for the year ended 31 December 2018. This was mainly attributable to an increase in gross profit margin. Gross profit margin increased from 13% in 2017 to 16% in 2018, mainly because of a combination of the rise of the market prices of glass products, the invariability of unit cost of the raw material prices, and rise of the fuel cost.

Other income

The Group's other income increased from RMB173 million for the year ended 31 December 2017 to RMB231 million for the year ended 31 December 2018. The other income this year is mainly the compensation for the incurred losses of the Group by the local government authority during the year ended 31 December 2017 and 2018. The losses were incurred from the suspension of operation instructed by the local government. The local government is planning to expropriation of the land use rights of a subsidiary but the relocation agreement is still under negotiation.

Finance costs

The Group's finance costs increased by approximately 51% from RMB106 million as at 31 December 2017 to RMB161 million as at 31 December 2018. The main reason is that the Group expanded other financing channels and strengthened the cooperation with finance leasing companies, the change in loan structure has led to a significant increase in the weighted average balance of other loans.

Current assets

The Group's current assets increased by approximately 19% from RMB1.619 billion as at 31 December 2017 to RMB1.920 billion as at 31 December 2018. This was mainly attributable to an increase in cash and cash equivalents, prepayments and other receivables of the Group.

Current liabilities

The Group's current liabilities increased by approximately 18% from RMB3.267 billion as at 31 December 2017 to RMB3.864 billion as at 31 December 2018. The increase was mainly due to the combined effect of increased bank and other loans, accrued charges and other payables.

Non-current liabilities

The Group's non-current liabilities increased by approximately 6% from RMB841 million as at 31 December 2017 to RMB889 million as at 31 December 2018. This was mainly attributable to an increase in deferred tax liabilities and bank and other loans.

Administrative expenses

Administrative expenses of the Group increased by approximately 17% from RMB213 million as at 31 December 2017 to RMB249 million as at 31 December 2018. This was mainly due to the combined effects of increase of tax resulting from the state levies an environmental protection tax and the rise of financing lease borrowings as well as the acquisition of the Italy company, which led to the increase of relevant expenses such as consulting service fee.

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

As at 31 December 2018, the Group's cash and cash equivalents were RMB607 million (31 December 2017: RMB562 million), of which 75% (31 December 2017: 91%) were denominated in RMB, 24% (31 December 2017: 8%) were denominated in United States Dollars ("USD"), and 1% (31 December 2017: 1%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank and other loans were RMB2.794 billion (31 December 2017: RMB2.352 billion), of which 74% (31 December 2017: 87%) were denominated in RMB, 18% (31 December 2017: 13%) were denominated in USD, 6% (31 December 2017: 0%) were denominated in HKD and 2% (31 December 2017: 0%) were denominated in EUR. As at 31 December 2018, 53% (31 December 2017: 71%) of the outstanding bank and other loans bear interest at fixed rates while approximately 47% (31 December 2017: 29%) bear interest at variable rates.

As at 31 December 2018, the gearing ratio (total interest-bearing debts divided by total assets) was 42% (31 December 2017: 40%). As at 31 December 2018, the Group's current ratio (current assets divided by current liabilities) was 0.50 (31 December 2017: 0.50). The Group recorded net current liabilities amounting to RMB1.944 billion as at 31 December 2018 (31 December 2017: RMB1.648 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.68 as at 31 December 2018 (31 December 2017: 0.65).

CHARGED ASSETS

As at 31 December 2018, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB793 million (31 December 2017: RMB799 million) and certain trade and bills receivables of the Group with a carrying amount of approximately RMB246 million (31 December 2017: RMB236 million) were pledged against certain bank loans with a total amount of approximately RMB827 million (2017: RMB781 million).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

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

In 2018, the Group acquired the entire equity interest in a technical service company in Italy, which is mainly engaged in design, purchasing parts and installation services of neutral pharmaceutical glass production line. Save as disclosed above, the Group did not have any material investments or acquisition of capital assets, or material acquisitions or disposals of subsidiaries and associated companies or significant investments during the year of 2018.

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2018, the Group employed approximately a total of 3,604 employees in the PRC and Hong Kong (31 December 2017: about 3,774 employees). The decrease in staff number of the Group as at 31 December 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 remuneration 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, and is subject to adjustment from time to time based on the employee's performances. The Company has conditionally adopted the share option schemes for the qualified participants and the share award scheme for certain employees.

The Group participates in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively, according to applicable labor regulation. During the year ended 31 December 2018, no contribution to the above schemes were forfeited. Details of staff costs and pension schemes are set out in Note 6(b) to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (31 December 2017: Nil).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future 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 year ended 31 December 2018, the Group did not purchase any derivatives for hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year; and 33% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 8.6% of the Group's total purchases for the year.

For the year ended 31 December 2018, none of the Directors, their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers.

The board of directors (the "Board" or the "Directors") of China Glass Holdings Limited (the "Company") presented its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2018 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the consolidated financial statements on pages 66 to 73.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (31 December 2017: nil).

GROUP'S FIVE YEARS FINANCIAL SUMMARY

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

RESERVES

Details of the distributable reserves of the Company as at 31 December 2018 are set out in Note 28(e) to the consolidated financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in Note 28(a) to the consolidated financial statements.

DONATIONS

The Group had made donations to charities amounted to RMB358,035 during the year ended 31 December 2018 (2017: RMB315,200).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in Note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2018 are set out in Note 28(c) to the consolidated financial statements.

During the year ended 31 December 2018, there were no changes to the total number of ordinary shares of HK$0.05 each in the issued share capital of the Company (the "Shares" and each a "Share") or the share capital structure of the Company.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-executive Directors

Mr. Peng Shou *(Chairman)*
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Zhao John Huan
Mr. Tang Liwei (resigned on 2 January 2018)
Mr. Zhang Jinshu (appointed on 28 August 2018)

Independent Non-executive Directors

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

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

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

On 2 January 2018, Mr. Tang Liwei resigned as a non-executive Director of the Company due to work adjustments which require him to devote more time to his other work commitments. Mr. Tang confirmed that he had no disagreement with the Board and he was not aware of other matters that need to be brought to the attention of the Shareholders in connection with his resignation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2018, none of the Directors or any entity connected with the Directors had any material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save and except for the share option schemes and the share award scheme disclosed on pages 18 to 23 of this report and Note 26 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2018.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 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 Directors	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%
Mr. Zhou Cheng	The Company	Beneficial owner	22,672,633(L)	1.25%

Notes:

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

(2) It included Mr. Cui Xiangdong's interests in 12,000,000 Shares, share options to subscribe for 4,800,000 Shares under the Old Share Option Scheme (as defined herein below), and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the Share Award Scheme (as defined herein below).

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

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

(5) As at 31 December 2018, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at 31 December 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 31 December 2018, the interests and/or short positions of the Shareholders, 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 [10]
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%
Bank of Communications Trustee Limited	Trustee [9]	115,620,000(L)	6.39%

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) Bank of Communications Trustee Limited has been appointed as the Trustee (as defined herein below) of the Share Award Scheme (as defined herein below). 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 Employee(s) (as defined herein below) in accordance with the scheme rules. The Trustee is taken to have a duty of disclosure in relation to such Shares by virtue of Part XV of the SFO.

(10) As at 31 December 2018, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at 31 December 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, the "Qualified Participants" and each, a "Qualified Participant").

(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 26(a) to the consolidated financial statements.

The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme. During the year ended 31 December 2018, save for 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 financial year ended 31 December 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 year	Held as at 31/12/2018	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 year ended 31 December 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 year ended 31 December 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, the "Qualified Participants" and each, a "Qualified Participant").

(b) *The purpose of the New Share Option Scheme*

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

(c) *Subscription price*

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

(d) *Grant of option*

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

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

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

The maximum number of Shares in respect of which options may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the 19 February 2016, the date of the special general meeting approving the New Share Option Scheme, which is 181,014,705 Shares (representing 10.00% of the issued share capital as at the date of this report).

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board 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 year ended 31 December 2018, based on the Company's instruction for the purpose of the Share Award Scheme, the Trustee purchased 29,620,000 Shares on the market, representing approximately 1.64% of the issued share capital of the Company, for a total purchase price of HK$18,794,053.

During the year ended 31 December 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 26(b) to the consolidated financial statements.

BIOGRAPHICAL INFORMATION OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Directors

Executive Director

Mr. Cui Xiangdong (崔向東), aged 58, is an Executive Director, the Chief Executive Officer and a member of the Strategy Committee of the Company. Mr. Cui is also the Chairman, Legal Representative, and a director of certain subsidiaries of the Company. Mr. Cui is an accountant and a senior economist with a university degree. He serves as a Vice President of China Building Materials Federation and China Architectural and Industrial Glass Association, and an Associate Director of Sealed Insulating Glass Professional Committee and Vacuum Glass Professional Committee. Mr. Cui has previously served as Financial Director of Weihai Glass Factory, General Manager of Shandong Blue Star Glass Group Co., Ltd., and Senior Vice President of the Company. Mr. Cui has over 30 years of extensive experience in building material industry, corporate management and marketing.

Non-executive Directors

Mr. Peng Shou (彭壽), aged 58, is the Chairman, a Non-executive Director, the Chairman of the Strategy Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Peng joined the Group since 13 February 2015. Mr. Peng obtained the Bachelor's Degree in Engineering from Wuhan Institute of Building Material Industry (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree in Management from Wuhan Poly-technic University (now renamed as Wuhan University of Technology) in 2001.

Mr. Peng is a senior engineer at professor level, doctoral supervisor, a national engineering survey and design master, expert enjoying special allowance from the State Council, one of the first batch of national candidates for "New Century Hundred-Thousand and Ten-Thousand Talents Project", Deputy Supervisor of Material Technology International Promotion Center of United Nations Industrial Development Organization, adjunct professor of Wuhan University of Technology, member of the Academic Committee of Major Laboratory of Silicate Material Engineering under the Ministry of Education. He won Science and Technology Innovation Award awarded by the Ho Leung Ho Lee Foundation, Guanghua Engineering Science and Technology Award, the Medal for Leadership in the Advancement of Ceramic Technology awarded by The American Ceramic Society, Grishmanov Ivan Alexandrovich award of the Russian Academies of Engineering, the third "Central Enterprise Model", 2017 Excellent Entrepreneur in National Building Material Industry, National Model Worker, National Excellent Science and Technology Worker, and bearer of National May 1 Labor Medal. Mr. Peng led science and technology research team to the second prize of National Science & Technology Progress Award for three times. Mr. Peng has accumulated over 30 years of business and management experiences in the building material industry. He is an expert in inorganic material research and development as well as engineering design and consultancy.

* For identification purpose only

Mr. Peng is the Legal Representative, Executive Director and General Manager of Triumph Science & Technology Group Co., Ltd.*（凱盛科技集團有限公司）("Triumph Technology", a substantial shareholder of the Company), and has been an Executive Director of China National Building Material Company Limited* (中國建材股份有限公司) ("CNBM", an associate of Triumph Technology, and being a company listed on the Stock Exchange) since June 2006 and also the President of CNBM and the Chairman of the Board of China Triumph International Engineering Company Limited*（中國建材國際工程集團有限公司, an associate of Triumph Technology). Mr. Peng served as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016. At present, Mr. Peng is the Chairman of the Advisory Committee and an executive member of International Commission on Glass, the Director of State Key Laboratory for Advanced Technology of Float Glass*（浮法玻璃新技術國家重點實驗室）, the Vice Chairman of The Chinese Ceramic Society* (中國矽酸鹽學會）, the Vice President of China Architectural and Industrial Glass Association*（中國建築玻璃與工業玻璃協會）and the Vice President of China Building Materials Federation*（中國建築材料聯合會）, etc.

Mr. Zhou Cheng（周誠）, aged 62, is a Non-executive Director, the Honorary Chairman, a member of the Nomination Committee and a member of the Strategy Committee of the Company. Mr. Zhou has been an Executive Director and Chief Executive Officer of the Company since the listing of the Company in 2005 until 19 October 2010 and 14 September 2007, respectively. Mr. Zhou was the Chairman of the Company from September 2007 to February 2015. He is a senior engineer and graduated from Nanjing University of Technology in 1980, majoring in inorganic chemistry. Mr. Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and the Chairman and General Manager of Jiangsu Glass Group Company Limited. Mr. Zhou is currently a director of First Fortune Enterprises Limited (a substantial shareholder of the Company) and the venture partner of Hony Capital Limited (an indirect substantial shareholder of the Company).

Mr. Zhao John Huan（趙令歡）, aged 56, is a Non-executive Director and a member of the Strategy Committee of the Company. Mr. Zhao joined the Group in January 2005. Mr. Zhao obtained a bachelor degree in physics from Nanjing University*（南京大學）, dual master degrees in electrical engineering and physics from Northern Illinois University in United States, and a master degree in business administration from the Kellogg School of Management of Northwestern University in United States.

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

* For identification purpose only

Mr. Zhao is also the Vice Chairman of Asset Management Association of China ("AMAC") and Chairman of the private equity & buyout fund committee under AMAC, board member of the China Development Research Foundation (CDRF), governor of Our Hong Kong Foundation, governing board member of China-United States Exchange Foundation, and other social positions. Mr. Zhao also held senior management positions at several large companies at home and abroad before, accumulating rich experience in corporate management. He acted as the Deputy Chairman of the board of Shanghai SMI Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Shanghai Environment Group Co., Ltd. (a company listed on the Shanghai Stock Exchange), and a Director in each of Wumart Stores, Inc. (a company which was previously listed on the Stock Exchange), New China Life Insurance Company Ltd. (a company listed on the Stock Exchange), Chinasoft International Limited (a company listed on the Stock Exchange), and CSPC Pharmaceutical Group Limited (a company listed on the Stock Exchange).

Mr. Zhang Jinshu (張勁舒), aged 37, is a Non-executive Director of the Company. Mr. Zhang joined the Group on 28 August 2018. Mr. Zhang holds a master's degree in electromagnetic field and microwave technology as well as a bachelor's degree in electronic engineering from Shanghai Jiao Tong University. He also holds a master of science degree in applied science and technology from University of California, Berkeley. Mr. Zhang is currently the vice director of the development and investment department of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司), a substantial shareholder of the Company, a director of Olivotto Glass Technologies S.p.A. and Phu My Ultra Clear Float Glass Co., Ltd., and the supervisor of Triumph JunHeng Co., Ltd., etc. Mr. Zhang worked for Ultralife Corporation (Ultralife China) as an assistant general manager, director of sales and liaison officer from May 2012 to June 2016.

Independent Non-executive Directors

Mr. Zhang Baiheng (張佰恒), aged 57, is an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in January 2005. Mr. Zhang is a university graduate and a senior engineer. He was a pilot and district chief in the Sixth Flight Institute of the People's Liberation Army of China from 1979 to 1981. From 1981 to 1985, he was a member and district chief at the Staff Officer Faculty of the People's Liberation Army Air Force Academy of China. From 1985 to 1996, he was a staff officer at the Training Department of the People's Liberation Army Air Force Academy of China. Mr. Zhang has extensive experience in the building material industry. He was the deputy director of China Building Material Industry Association (now renamed as China Building Materials Federation) and the Independent Director of AVIC Sanxin Co., Ltd* (中航三鑫股份有限公司) (a company listed on the Shenzhen Stock Exchange). Mr. Zhang currently serves as the Independent Director of Jiangsu Xiuqiang Glasswork Co., Ltd.* (江蘇秀強玻璃工藝股份有限公司) (a company listed on the Shenzhen Stock Exchange) and the Executive Vice President of China Architectural And Industrial Glass Association.

Mr. Zhao Lihua (趙立華), aged 76, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Zhao joined the Group on 30 June 2011. He graduated from Hunan University in 1965 with a bachelor's degree majoring in physics. He was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and was promoted to a professor in the same university in 1987. He was a visiting professor of University of Hanover in Germany in 1989 and the vice president of Hunan University from March 1992 to March 2000. Mr. Zhao was also a former professor and tutor of doctorate candidates of Hunan University, the Chairman of Hebei Huda Technology & Education Development Co., Ltd. and the chief supervisor of Sinosafe General Insurance Co. Ltd. He also served as the Independent Non-executive Director of China National Building Material Company Limited (a company listed on the Stock Exchange) in 2014 and resigned on 27 May 2016. Mr. Zhao has also been an Independent Non-executive Director of Hydoo International Holding Limited (a company listed on the Stock Exchange) since 23 November 2014.

* For identification purpose only

Mr. Chen Huachen (陳華晨), aged 40, is an Independent Non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Chen joined the Group on 27 December 2012. Mr. Chen is a Chartered Financial Analyst. Mr. Chen graduated from the Capital University of Economics and Business in 2001 with a bachelor's degree in Accounting, and graduated from the Faculty of Business of the Hong Kong Polytechnic University in 2006 with a master's degree in Accounting. Mr. Chen also holds an MBA degree awarded by Columbia Business School in 2009. Mr. Chen was a senior staff member at the Department of Public Offering Supervision of the China Securities Regulatory Commission from 2003 to 2007. After graduating from Columbia University, Mr. Chen returned to China and worked for UBS Securities Co. Limited as a director in the Greater China Investment Banking Division from 2009 to 2011. Mr. Chen worked for Qiming Ventures Partners as a partner from 2011 to 2012. Mr. Chen has ample experience in the capital market and financial related matters.

Senior Management

Mr. Li Ping (李平), aged 57, is the Senior Vice President of the Company. Mr. Li is the Chairman of the CNG Glass (Nigeria) Fze, a subsidiary of the Company. He is a senior engineer at postgraduate level and graduated in 1982 from Zhejiang University with a bachelor degree in Engineering majoring in metasilicate, and obtained a master's degree in Business Administration from China University of Mining and Technology in 2002. He has formerly worked as deputy head of Jiangsu Glass Factory, general manager of Jiangsu Glass Group Company Limited and Executive Director of the Company. He has over 30 years of extensive experience in the building material industry and corporate management.

Mr. Lyu Guo (呂國), aged 56, is a Vice President of the Company. Mr. Lyu is a director of certain subsidiaries of the Company. Mr. Lyu is a senior engineer at postgraduate level. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material (now known as Wuhan University of Technology), majoring in glass. He has worked as head of a branch factory of Jiangsu Glass Factory, a deputy general manager of Jiangsu Glass Group Company Limited, and General Manager of Jiangsu SHD New Materials Co. Ltd. and Dongtai China Glass Special Glass Co. Ltd.. He has over 30 years of extensive experience in business management of glass industry.

Mr. Yang Hongfu (楊洪富), aged 57, is a Vice President of the Company. He is the Chairman of Jiangsu SHD New Materials Co. Ltd., Suqian CNG Electronic Glass Company Limited*（宿遷中玻電子玻璃有限公司）, Dongtai China Glass Special Glass Co., Ltd. and Beijing Qinchang Glass Co., Ltd., all are subsidiaries of the Company. Mr. Yang is a senior economist and a university graduate. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, vice chairman of Jiangsu SHD New Materials Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision of Jiangsu Nantong Yaorong Glass Co., Ltd.

* For identification purpose only

Mr. Xu Ning (徐寧), aged 55, is the Vice President of the Company. Mr. Xu was appointed as Vice President of the Company on 13 May 2016. Mr. Xu currently serves as a director of Weihai CNG New Technology Glass Ltd., Linyi CNG Glass Co., Ltd., Shaanxi CNG New Technology Co., Ltd., Xianyang CNG Coated Glass Limited*(中玻(咸陽)鍍膜玻璃有限公司)and Wuhai CNG Special Glass Limited, etc, all are subsidiaries of the Company. Mr. Xu, a senior economist with a university degree, has previously served as Chief Economist and deputy head of Shaanxi Glass Factory, general manager and chairman of Shaanxi Blue Star Glass Company Limited*(陝西藍星玻璃有限公司), general manager of Linyi CNG Glass Co., Ltd., director, vice president, chairman and President of China Yaohua Glass Group Limited*(中國耀華玻璃集團有限公司). Mr. Xu has extensive experience in the glass sector over 30 years, and was awarded honorary titles such as Model Worker in National Building Material Industry*(全國建材行業勞動模範).

Mr. Wang Jianxun (汪建勛), aged 61, is the Chief Technology Officer of the Company. Mr. Wang is the Chairman of Hangzhou Blue Star New Materials Technology Company Limited, a subsidiary of the Company. He is a senior engineer at professor level. He graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor's degree in engineering. Mr. Wang has previously worked as engineer, deputy chief engineer, senior engineer, senior engineer at professor level in Qinhuangdao Glass Design Research Institute. He is a professor of Zhejiang University and was awarded National S&T Progress Awards for several times. Mr. Wang has over 30 years of extensive experience in the research and development and application on the glass engineering project design.

Mr. Han Liming (韓黎明), aged 43, is the Chief Finance Officer of the Company. Mr. Han joined the Group on 28 March 2017. Mr. Han is an accountant with a master's degree in Business Administration. Mr. Han worked in finance department of China National Building Material Group Corporation*(中國建築材料集團有限公司)and served as the general manager of finance department of China Building Material Glass Limited*(中建材玻璃公司). Mr. Han also acted as the head of finance department of Triumph Science & Technology Group Co., Ltd.*(凱盛科技集團有限公司), a substantial shareholder of the Company. Mr. Han has over 10 years of experience in financial management in the glass industry.

Company Secretary

Ms. Kuok Yew Lee (郭尤莉), aged 42, is the Company Secretary of the Company. Ms. Kuok has been appointed as the Company Secretary of the Company on 13 December 2017. Ms. Kuok is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom ("ICSA") and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and a holder of the Practitioner's Endorsement issued by HKICS. She also holds the Chartered Governance Professional qualification of ICSA and HKICS, and a Master of Business Administration with Merit in International Management from the University of London.

* *For identification purpose only*

CONNECTED TRANSACTIONS

The Group did not enter into any connected transactions or non-exempted continuing connected transactions for the financial year ended 31 December 2018 which are subject to annual reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

The material related party transactions are set out in Note 32 to the consolidated financial statements. Save for certain related party transactions deriving from connected transactions entered into by the Group in 2017 (details of which were disclosed in the 2017 Annual Report of the Company), none of the related party transactions disclosed in Note 32 to the consolidated financial statements fall under the definition of "connected transaction" in Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements for all connected transactions in accordance with Chapter 14A of the Listing Rules.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules during the year and up to the date of this report.

EQUITY-LINKED AGREEMENTS

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

BUSINESS REVIEW

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

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Management Discussion and Analysis on pages 9 to 11 and the Group's Five Years Financial Summary on page 4 of this Annual Report.

Relationship with Employees

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

Relationship with Customers

As a glass manufacturer, the Group puts emphasis on developing and maintaining long-term and stable commercial relationships with its customers, including end-customers and franchised dealer, etc. The Group has been focusing on the concerns of its customers, and fully utilizes all effective routes to execute the collection and analysis of information regarding customer satisfaction. Rectification measures are promptly formulated and executed by the relevant specific departments according to customer's effective opinions and advice. Through various ways including initial training and on-site guidance, the Group strives to perform excellent pre-sales service by allowing the customers to understand product performance, processing parameters, and other matters worthy of attention. The Group has set up nation-wide complaint hotlines and formed stringent customer complaint feed-back mechanism and the relevant solving procedures.

Relationship with Suppliers

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

Environmental Policies and Performance

As a socially responsible corporation, the Group's construction of environmental protection facilities has been in a leading position in the industry; it adamantly implements government laws and regulations regarding environmental protection. Each of the manufacturing bases has been equipped with environmental protection facilities up to standard, with all environmental indicators up to or above the national standards.

Details of the Group's environmental policies are contained in the section headed "Environmental, Social and Governance Report" on pages 31 to 40 of this Annual Report.

Compliance with Laws and Regulations

During the year ended on 31 December 2018 and up to the date of this report, as far as the Company is aware, there is no material non-compliance with the relevant laws and regulations applicable to the Group that has a significant impact on the business and operations of the Group.

The applicable laws and regulations which have a significant impact on the business and operations of the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 31 to 40 of this Annual Report.

MATERIAL INVESTMENTS, ACQUISITIONS OR DISPOSALS

On 27 September 2018, the Company (being the purchaser) entered into a sale and purchase agreement with Star Capital SGR S.p.A ("Star Capital"), Industries S.R.L. ("Industries") and Mr. Marco Gazzaniga ("Mr. Gazzaniga") (collectively, the "Vendors"), pursuant to which the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell 1,408,000 ordinary shares with par value of Euro 1 each which representing the entire equity interest of Olivotto Glass Technologies S.p.A. ("OGT", being a joint stock company incorporated under the Laws of Italy with limited liability) (the "Sale Shares") owned by the Vendors (in particular, Star Capital owned 998,019 shares which representing 70.88% of the Sale Shares, Industries owned 400,000 shares which representing 28.41% of the Sale Shares and Mr. Gazzaniga owned 9,981 shares which representing 0.71% of the Sale Shares), at the consideration of Euro 21,445,142 (the "Acquisition"). Upon the completion of the Acquisition, OGT has became a wholly-owned subsidiary of the Company. Further details of the Acquisition are set out in Note 29 to the consolidated financial statements.

Save as disclosed above, the Group did not make any material investments, acquisitions or disposals during the year ended 31 December 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

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

In 2019, the glass industry will be further differentiated and adjusted as the process to cut excessive industrial capacity will continue further. As for ordinary float glass, parts of potential capabilities may accelerate to release attributed to the price recovery in 2018. The Group has taken a number of measures to address the uncertainties faced by the industry, for further details, please refer to the subsection headed "Work Plans for 2019" on page 9 of this Annual Report.

The Group is also subject to other financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk, in the normal course of the Group's business. Particulars of financial risk management of the Group are set out in Note 34 to the consolidated financial statements.

INVESTOR RELATIONS AND COMMUNICATIONS

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

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2018 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
Peng Shou
Chairman

Hong Kong, 27 March 2019

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

I. WORK ENVIRONMENT

1. Corporate Culture

Talents are the most valuable wealth of an enterprise. The Group persisted in the combination of a people-oriented management philosophy and an innovation mechanism. It offers growth opportunities for all the employees in a fair, just and reasonable manner, and sets up a platform for the full display of talents. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Company and its staff, and created a positive, healthy and motivated corporate culture and work environment for its employees. Moreover, the Group also incessantly optimized its human resources structure, improved its management methods, fully brought out employees' enthusiasm and initiatives, and established the employment mechanism that attracts, cultivates and rewards capable, quality and international talents.

The Group strictly adhered to Labor Contract Law of the PRC, Labor Law of the PRC and other relevant applicable laws and regulations. Besides, the Group complied with the principle of "adapting to the market environment, actualizing values of talents and bringing out the full effects of incentives" to establish a competitive remuneration mechanism, pay for employees' social insurance and provide benefits such as transportation and communication subsidies, high-temperature subsidies and meal allowance. The Group's employees work 8 hours per day while production departments implement a shift system. Furthermore, the Group provides national statutory holidays and paid leaves, such as annual leave, maternity leave, marriage leave, and funeral leave, etc.

As of 31 December 2018, the Group had a total of 3,604 employees with age mainly ranging from 35 to 60 years old, including teams of production, sales, technology research and development and management. The Group adheres to the principle of diversity and the employment is made based on different gender, age, ethnicity, nationality and region, religion and educational background, etc. In addition, all the employees are provided with open and fair promotion opportunities while all types of discrimination in employment are strongly prohibited.

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

For the year ended 31 December 2018, the number of the Group's employees by employment type, age group and geographical region is set out as follows:

Employees		Age Group				Geographical region				
Total number of employees	Employment type	Below 35 years old	Between 35-60 years old	Above 60 years old	Total	Shandong	Shaanxi	Jiangsu	Inner Mongolia	Others
3,604	Contract employee	630	2,967	7	3,604	1,182	473	1,161	359	429

2. Health and Safety

The Group strictly adhered to people orientation and safe development in its safety production in constant compliance with relevant laws and regulations such as the Production Safety Law and the policy that "safety comes first; prevention is better than cure, cure is implemented by comprehensive management measures". Following the principle of "combination of prevention and treatment with focus on prevention", it carries out classified management and comprehensive governance in the prevention and control of occupational diseases, strengthens and implements the entity responsibilities of each production & operation unit, establishes the mechanism with employee participation in the charge of each production & operation unit, and accepts the government regulation, industry self-discipline and social supervision. It implements the comprehensive management system integrating four standards concerning quality, environment, energy, safety and occupational health (GB/T19001-2016/ISO9001:2015, GB/T24001-2016/ISO14001:2015, GB/T 23331-2012/ISO50001:2011 (RB/T111-2014), GB/T28001-2011/OHSAS18001:2007) in the production and operation activities, in order to guarantee the normal production activities.

The key persons in charge of various production & operation units of the Group take full responsibility for the safety production in their own unit while supervisors at all levels take full responsibility for the safety production in their own department. Production must follow the safety needs to achieve safe production and civilized production. Each production & operation unit of the Group has set up a safety production standardization management system (GB/T33000-2016), and occupational health and safety management system (ISO45001: 2018), with a series of safety measures required to be taken, including but not limited to setting up safety and occupational health management organization, equipping safety and occupational health management personnel, establishing goals and indicators for safety production and occupational health, ensuring input in the safety and occupational health, establishing and improving the safety and occupational health management rules, regularly providing education and training for staff on the safety and occupational health, enhancing the operation and maintenance of production equipment and facilities, strengthening the site management of production and control on production process, making sound records on occupational hygiene and health care of employees, setting up emergency organization and team and regularly conducting emergency training and drill.

In 2018, the Group implemented the procedures, rules and regulations above for the year. The process of implementation was reviewed regularly and supervised by spot check by the committee designated by the senior management.

3. Development and Training

The Group attaches great importance to the improvement of comprehensive quality and expertise of the staff, and works out training programs in a scientific manner for the employees of each position based on their business needs. In 2018, training activities provided by the Company to employees included:

– induction training for new staff;

– in-service and transferred staff skills training;

– professional job skills enhancement and technical backbone staff training;

– learning exchange opportunities like academic seminars and external specialized training organized by professional authoritative institutions; as well as training seminars organized by professionals;

– regular specialized training for employees based overseas;

– training by in-house trainers;

– scheduled and focused year-round comprehensive skills training for management staff of high and middle level through the Group's cyber college.

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

For the year ended 31 December 2018, the number of the Group's employees by employment type, age group and geographical region is set out as follows:

Staff Category	High Level Management	Middle Level Management	Base Level Management	Technical Staff	Marketing staff	Production staff	Others	Total
Staff size (persons)	73	314	492	241	76	1,953	455	3,604
Number of persons trained	73	314	465	239	76	1,698	227	3,092
Percent of persons trained	100%	100%	95%	99%	100%	87%	50%	86%

4. Labor Standards

The Group has 97% staff in China. They strictly comply with the Labor Contract Law of the People's Republic of China and the Labor Law of the People's Republic of China, and overseas staff also strictly comply with the relevant requirements of applicable laws and regulations. There were no non-compliance cases identified in 2018. The Group complies with the relevant requirements of national laws and regulations in its recruitment activities and clarifies the relationship of work allocation between employers and employees from the perspective of system and mechanism. Moreover, the Group safeguards its employees' legal rights and interests and rigorously forbids child and forced labor.

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

II. ENVIRONMENTAL PROTECTION

In active response to the national policy of low-carbon economic development, energy conservation and emission reduction, the Group has comprehensively adjusted the product mix, implemented the industrial upgrading strategy, and continuously expanded the energy-saving glass and renewable energy field. It focuses on research and development, production, and sales of a range of coated glass for the construction industry, and glass for energy conservation and new energy fields, and takes a leading position in the glass for energy conservation and new energy fields. The Group strives to make contributions to building a green and energy-saving society through continuous product renovation.

1. Emissions

Adamantly implementing government laws and regulations regarding environmental protection such as the Ecological Environment Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Group has increased its investment in technical transformation, energy conservation, consumption reduction and environmental protection facilities, and the manufacturing bases of the Group have basically completed the construction of environmental protection facilities for desulfurization, denitration and integrated dust removal improvement. In 2018, RMB74.50 million of operating cost of environmental protection facilities was incurred, representing a slight decrease as compared to the RMB94 million in 2017, mainly due to the suspension of two production lines of the subsidiary company for cold repair within the year. In 2018, all the manufacturing bases of the Group strengthened the management and control of the environmental protection facilities, further reduced the emission concentration. The emission concentration of dust, sulfur dioxide and nitrogen oxide was 48.57%, 31.4% and 50.27% of the national standards respectively, all of which were within the national standards with a decline tendency of the annual total emissions.

The Group has sound environmental protection system in place as each manufacturing base has been equipped with environment management system (ISO14001: 2015). The manufacturing departments of the Group have established a management team specialized in environmental protection and energy saving matters. Each manufacturing base has responsible staff in charge of operation of environmental protection and energy saving facilities. Smoke and waste gas on-line monitoring systems installed in the manufacturing bases are connected to the Environmental Protection Department's network, establishing an online system for real-time environmental monitoring to ensure the emissions meet the national emission standards.

In order to achieve the objective of "Made in China 2025", the Group has thoroughly implemented green manufacturing projects to construct a green manufacturing system and exert its leading role in advanced exemplary enterprise for green manufacturing, so as to achieve energy saving and comprehensive utilization of energy, and build itself as a green manufacturing enterprise. In February 2018, Dongtai Base of the Group was selected by the Ministry of Industry and Information Technology as the second batch of green manufacturing demonstration list (the "Green Factory"); in June, it was selected by the Ministry of Industry and Information Technology as the "leader" of energy efficiency in the key energy-consuming industry of 2017; in September, it was honored by China Building Material Federation as the "National Demonstration Enterprise of the Emerging Industry of Construction Materials".

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

(1) *Exhaust emission:*

The greenhouse gases and emissions during the glass production included carbon dioxide, sulfur dioxide, nitrogen oxide and particulate matter. The sulfur dioxide, nitrogen oxide and particulate matter were emitted by the Group in compliance with the designated national emission standards. Suqian Base, Dongtai Base, Xianyang Base and Wuhai Base implemented Emission Standard of Air Pollutants for Flat Glass Industry (GB 26453–2011) and Emission Standard of Air Pollutants for Electronic Glass Industry (GB 29495–2013); Weihai Base and Linyi Base implemented Integrated Emission Standard of Regional Air Pollutants in Shandong Province (DB 37/2376–2013).

Unit: mg/m^3

Emissions	**Particulate matter**	**Sulfur dioxide**	**Nitrogen oxide**
Emission Standard of Air Pollutants for Flat Glass Industry GB 26453-2011	50	400	700
Emission Standard of Air Pollutants for Electronic Glass Industry GB 29495-2013	50	400	700
Integrated Emission Standard of Regional Air Pollutants in Shandong Province DB 37/2376–2013	30	200	500

The Group's total emissions in 2018:

Unit: Tons

Name of emissions	**2018 Total**	2017 Total
Sulfur dioxide	**671**	1,018
Nitrogen oxide	**2,183**	2,104
Particulate matter	**137**	126

It can be seen from the above chart that, the total sulfur dioxide emissions of the Group in 2018 decreased significantly as compared with 2017, and the total emissions of nitrogen dioxide and particulate matter were basically the same. In 2018, each base within the Group focused on environmental management and ensured the normal and stable operation of environmental protection equipment.

(2) *Wastewater discharge:*

Wastewater generated from all bases of the Group was recycled for site spraying, roads and green seedlings watering, and domestic sewage was transmitted to the local sewage treatment plants for treatment after reaching the take-over standard of such plant. The Group also installed online sewage testing equipment and established an online real-time monitoring for environmental protection to ensure compliance with emissions standards. Wuhai Base transmitted the coke oven gas condensate wastewater to the local coking plants for treatment while Dongtai Base treated the coke oven gas condensate wastewater at its own discretion and reused it in glass raw material batching.

(3) *Hazardous wastes:*

In 2018, Dongtai Base generated 50m^3 of denitration dead catalyst and they recycled it after recovery in the catalyst recovery unit according to national management requirements for hazardous wastes. Other bases of the Group generated no hazardous wastes.

(4) *Greenhouse gas emission:*

The Group generated a greenhouse gas emission of 1.516 million tons in 2018, with a slight decline as compared with 1.6305 million tons in 2017, which was mainly due to the suspension of two production lines of the subsidiary company for cold repair.

2. Use of Resources

Production lines of the Group's Dongtai and Wuhai manufacturing bases utilized the coke oven gas for major fuel, which local coking companies originally emitted into the atmosphere, and thus helped to drastically reduce air pollution caused by emission of these gases. Suqian Electronic and Linyi Base increased the use of the environment-friendly and clean energy-natural gas.

The Group welcomed the rational proposals for cost reduction and efficiency enhancement, and actively encouraged employees to raise rational proposals for energy conservation and emission reduction. It realized a total rate of finished products of over 90%, and the unit comprehensive consumption of 12.5kg standard coal/weight case by strengthening the kiln thermal insulation, combustion engineering and equipment electricity-saving transformation, enhancing the heat efficiency and reducing the energy consumption. The evaluation on its resource consumption was further reinforced.

In 2018, the Group established an energy management system in all bases, further phased out low capacity equipment, and took a number of measures including updating the combustion techniques. Through these activities, it conducted technological and efficiency innovations; and through reasonable and efficient energy utilization, it achieved social and corporate co-development. In June 2018, Dongtai Base was selected by the Ministry of Industry and Information Technology as the "leader" of energy efficiency in the key energy-consuming industries.

Total energy consumption in 2018

Name of energy	**Unit**	**2018 total**	2017 total
Coke oven gas	0'000m^3	**27,182**	30,404
Petroleum coke powder	Tons	**102,064**	135,937
Fuel oil	Tons	**34,856**	33,263
Natural gas	0'000m^3	**4,941**	2,730
Electricity	0'000kWh	**21,740**	19,832
Coal	Tons	**96,924**	107,000

To reduce energy consumption and cost of manufacture, the Group constructed residual heat electricity generation systems in all bases. During the production of glass, the heat taken away by waste gas produced from melting accounts for about 30% of furnace energy consumption, thus the utilizing the residual heat is an effective way to reduce the energy consumption in glass production. The 480°C fuel gas produced by the glass furnace kiln is connected to the inlet of the heat recovery power generation boiler to produce 2.16Mpa superheated steam at the temperature of 430°C, which is then used to generate electricity. The excess pressure steam after power generation may also be used for the fuel heating in production or heat supply in life. All the electricity was used by the Group, which greatly reduced the electricity purchased from the power supply company, lessened the glass production cost, turned waste into wealth, saved energy and realized the sound cycle of the energy utilization. In 2018, a total of 89.392 million kWh of electricity was generated and a total of 70.985 million kWh of electricity was supplied by various manufacturing bases with the heat recovery power generation system, representing 28.28% of the total electricity used by various manufacturing bases.

In 2018, the roof photovoltaic power generation projects were implemented in various bases, which converted solar energy into electric energy, and realized the utilization of renewable energy. 2.8MW distributed roof photovoltaic power generation project in Suqian Base was combined to the grid, and 4.375MW distributed roof photovoltaic power generation project in Dongtai Base was combined to the grid in July 2018.

3. **Environment and Natural Resources**

(1) Wood resources: In order to save resources and reduce the cost, all the bases of the Group actively explored new, improved packaging ways for glass products. Products sold inside and outside have adopted the unpackaged or iron stand packaging techniques. The wooden package of some products sold outside has been changed in structure, and adopted the reinforced composite board, which has significantly saved wood resources.

(2) Water resources: Many glass manufacturing equipment work under high temperature conditions. To keep them in good conditions and ensure normal operation, water cooling is normally the adopted technique. In order to save resources and reduce the consumption of fresh water, all the bases strengthened the management of water usage, established the water usage management system, and used the water as planned. All our bases employed the closed-loop circulation system for recycled water, and the circulation rate of the indirect cooling water system reached above 98%. For instance, Dongtai Base was awarded the title of Conserving Energy Advanced Company of Jiangsu Province.

III. OPERATING PRACTICES

Supply Chain Management

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

As of 31 December 2018, the Company procured raw materials, fuel and production line equipment from over 150 appraised and qualified suppliers, of which over 110 suppliers supplied raw materials, over 10 suppliers supplied fuel, and over 30 suppliers supplied production line equipment; all of which were independent third parties and located in China. The Group procures raw materials, fuel and spare parts for its equipment from many other suppliers, and does not rely on any single supplier.

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

In terms of the supplier selection standards, the Group raises following requirements on suppliers in the aspect of environmental protection and safety: firstly, manufacturers of suppliers must comply with national environmental protection policies and production safety requirements, and undertake the due environmental protection responsibility, in order to guarantee the stability and safety of the supply of goods; secondly, products provided by suppliers must comply with national environmental protection policies and production safety requirements, in order to prevent any damage to the environment and guarantee safety during production; thirdly, the supplier must use the clean energy that conforms to the environmental protection requirements, and the main environmental protection indexes shall comply with the highest requirements.

IV. PRODUCT RESPONSIBILITY

1. Quality Assurance:

The Group considers high product quality and scientific technology as the basis for its business development, and gives top priority to the "quality improvement" and "product upgrading". The headquarters carry out unified quality supervision and control, and each manufacturing base implements the Standards of High-quality Product Manufacturers and Product Quality Inspection and Control Regulations higher than the national standards. The full-process quality control is carried out from the import of raw and fuel materials, manufacture till the product ex-factory in strict accordance with the quality management system (ISO9001: 2015). All the products are tested with the automatic testing equipment, in order to provide high-quality products for customers.

2. Pre-sales and After-sales Services:

The Group, through various ways including initial door-to-door training, intensified training and on-site guidance for processing and comparison test, strives to perform excellent pre-sales service by allowing the customers to understand product performance, processing parameters, and other matters worthy of attention.

The Group formulates the perfect After-sales Service Management Regulations, sets up nation-wide marketing service and complaint hotlines, and establishes ERP information system after-sales board, which realizes the information-based after-sales quality complaints and handling. The Group forms stringent customer complaint feed-back mechanism and the relevant solving procedures. It takes full advantage of various effective methods to carry out the collection and analysis of customer satisfaction information. Rectification and preventive measures are promptly formulated and put in place in response to quality problems raised by clients, in order to further improve product quality, enhance service quality, guarantee customer satisfaction, and enable the smooth going of marketing business. In 2018, the Group further improved the customer service. Customers may place orders, make settlement, complete procurement, inquire the account, and feed back quality nonconformity and opinions via the mobile APP, which greatly reduces the communication cost, and enhances the work efficiency and customer satisfaction.

In order to better serve the clients, the Group has established sound client information and data files, with personnel designated to manage client files, and signed a job confidentiality agreement with the management personnel. The Group strengthens the business training and formulates strict confidentiality system, in order to prevent the clients' privacy from being divulged.

During the Reporting Period, the Group was not involved in significant legal lawsuits and complaints arising from product quality and service. In 2018, no product was returned due to safety and health issues among products sold or delivered in 2018.

3. Intellectual Property Rights:

The Group has been committed to the R&D of high-end energy-saving products, and possesses dozens of national and world class glass product technology patents. Following achievements were made in 2018:

Through independent R&D, the Group successfully developed and produced the new-generation online solar control coated glass product in Weihai Base-online Sun-C energy saving coated glass, realizing the upgrading of the performance of the online solar control coated glass products; 400 tonnes float glass production line achieved a successful trial-run of 1.1mm-thick electronic glass products amounting 3660 pieces in Suqian Electronics; 600 tonnes float glass production line of Dongtai Base achieved an annual output of 1.5 million heavy cases of online Sun-EⓉ and Low-E energy-saving coated glass. Online coated glass products won the great popularity among clients with their high quality.

V. ANTI-CORRUPTION

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

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

In 2018, the Group and its employees were not involved in any legal case in connection with corruption activities.

VI. COMMUNITY INVESTMENT

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

The Group contributed RMB358,035 in the community investment during the year ended 31 December 2018, as compared with RMB315,200 in the corresponding period of 2017.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2018, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviation set out in the CG Code A.2.7 which requires the chairman of the Board (the "Chairman") to at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the year 2018, save as certain Directors abstained from voting on the connected transactions entered into by the Company for better corporate governance practice, all major decisions of the Company were made by the entire Board, and there were no special circumstances requiring independent discussions with non-executive Directors in the absence of the executive Director. Therefore, no such meeting with the non-executive Directors was held. Notwithstanding that, the Company has internal policies and arrangements to allow all Directors (including the non-executive Directors) to express their views and raise their concerns in relation to the business of the Company with the Chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2018.

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

THE BOARD OF DIRECTORS

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

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

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 December 2018, a total of 5 Board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. Board minutes/resolutions are kept by the company secretary of the Company (the "Company Secretary"), which are sent to the Directors for records and are available for inspection by the Directors.

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

Corporate Governance Functions

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

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives;
- to ensure the Company establishes and maintains appropriate and effective risk management and internal control systems;
- to oversee the Company's risk management and internal control systems on an ongoing basis;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code.

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company ("CEO") are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. During the year 2018, the Chairman, Mr. Peng Shou, provided leadership to the Board so that the Board worked effectively and discharged its responsibilities, and that all major issues were discussed by the Board in a timely manner. On the other hand, the CEO, Mr. Cui Xiangdong, who is an executive Director, has executive responsibilities over the business directions and operational decisions of the management.

Board Composition

Up to the date of the Annual Report, the Board comprises a total of eight Directors, being one executive Director, four non-executive Directors and three independent non-executive Directors. The number of independent non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules of which one of them has appropriate professional qualification and financial management expertise as required by Rule 3.10(2) of the Listing Rules. Details of the composition of the Board are set out on page 2 of this Annual Report.

The Board members have no financial, business, family or other material relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out on pages 23 to 26 of this Annual Report, which demonstrates a diversity of skills, expertise, experience and qualifications for the requirements of the Company's business. The Directors possess management, finance and accounting professional qualifications with extensive experience in diversified business.

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

The Company has received annual confirmation of independence from each independent non-executive Director in accordance with Rule 3.13 of the Listing Rules. The nomination committee of the Company has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in the Listing Rules.

Appointments, Re-election and Removal of Directors

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

Pursuant to the bye-law 99 of the Bye-laws, at each annual general meeting, not less than one-third of the Directors shall retire from office by rotation. The retiring Directors shall be eligible for re-election.

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

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

Responsibilities, Accountabilities and Contributions of Directors

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

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

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

Delegation by the Board

The Board directly, and indirectly through its committees (the "Board Committees"), leads and provides direction to management by laying down policies and strategies and overseeing their performance as well as monitoring the Group's operational and financial performance. Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. The delegated functions and tasks are periodically reviewed by the Board.

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

Supply of and Access to Information

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

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

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

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

Continuous Professional Development of Directors

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and ensure that they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Group. The Company has arranged inhouse trainings for Directors in the form of seminar, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company Secretarial Department of the Company would provide relevant reading materials to the Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills. Set out below is a summary of training received by Directors for the year ended 31 December 2018 according to the records provided by the Directors.

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

During 2018, the Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

Directors	**Type of trainings**
Executive Director	
Mr. Cui Xiangdong	A, B, C
Non-executive Directors	
Mr. Peng Shou	A, B, C
Mr. Zhao John Huan	A, B, C
Mr. Zhou Cheng	A, B, C
Mr. Tang Liwei *(resigned on 2 January 2018)*	(N/A)
Mr. Zhang Jinshu *(appointed on 28 August 2018)*	A, B, C
Independent Non-executive Directors	
Mr. Zhang Baiheng	A, B, C
Mr. Zhao Lihua	A, B, C
Mr. Chen Huachen	A, B, C

A: attending seminars and/or conferences and/or forums on subjects relating to, inter alia, the development direction of fiscal and taxation system reform, joint-venture and related Listing Rules, new challenges of investors relations, directors' duties and responsibilities, environmental protection and corporate governance, etc.

B: reading newspapers, journals, magazines and other reading materials relating to the economy, general business, glass industry development, director's duties and responsibilities, legal and regulatory updates and corporate governance and matters of relevance to the Directors in the discharge of their duties.

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

BOARD COMMITTEES

The Board currently has four committees, namely the audit committee (the "AC" or the "Audit Committee"), nomination committee (the "Nomination Committee") , remuneration committee (the "Remuneration Committee") and strategy committee (the "Strategy Committee"). All the Board Committees are empowered by the Board under their own terms of reference which have been posted on the websites of the Stock Exchange and the Company.

Audit Committee

Members:

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

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

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment, reappointment and removal of the external auditors; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system, risk management and internal control systems of the Group.

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

For the year ended 31 December 2018, the Audit Committee met twice with the external auditors to discuss and review areas of concerns and risk management and internal control systems of the Group. Details of the committee members' attendance at the Audit Committee Meetings are set out under "Attendance at the Board and Board Committees Meetings, and General Meetings" of this report. The Audit Committee reviewed the announcement of annual results and annual report of the Group for the financial year ended 31 December 2017, and the announcement of interim results and interim report of the Group for the six months ended 30 June 2018 before submission to the Board for adoption and publication. The committee not only focused on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The Audit Committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing (including audit issues of the Group and reviewed their findings, recommendations and representations), as well as the Company's operational, risk management and internal control, and financial reporting matters and systems of the Group. The committee has also reviewed with the Company's management on the major internal audit issues for 2017, the internal audit plan for 2018, and the report on ethics and compliance supervision. The discussion also includes, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Nomination Committee

Members:

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

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

The primary duties of Nomination Committee include examinating the structure, size and composition of the Board, identifying suitable individual qualified to become Board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by Nomination Committee and agree any appointment of its members and recommend appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the year ended 31 December 2018, the Nomination Committee met twice to assess the independence of independent non-executive Directors; review the structure, size and composition of the Board; and make recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company, renewal of service contract with executive Director and letters of appointment with non-executive Directors, appointment of non-executive Director (the "Appointment of Director"), and the adoption of the new board diversity policy (the "Policy"). The Appointment of Director has been based on meritocracy, and the proposed director has been considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee also considered the factors based on the Company's own business model and specific needs so as to complement the Company's corporate strategy. Details of the committee members' attendance are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

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

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

The Nomination Committee is responsible for reviewing the Policy, developing and reviewing measurable objectives for implementing the Policy and monitoring the progress on achieving these objectives. The Nomination Committee shall review the Policy and the measurable objectives at least annually to ensure the continued effectiveness of the Board. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business growth.

Remuneration Committee

Members:

Independent Non-executive Director	Mr. Zhao Lihua *(Chairman)*
	Mr. Zhang Baiheng
Non-executive Director	Mr. Peng Shou

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

The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure for all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration package of the executive Director and make recommendations to the Board of the remuneration of non-executive Directors, by reference to the Board's corporate goals and objectives. During the year ended 31 December 2018, the Remuneration Committee met three times to review the remuneration packages of the Directors and senior management; and make recommendations to the Board on the remuneration of the person proposed to be appointed as a Director and the purchase of the Company's shares on the market for the purpose of the share award scheme of the Company.

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance. No Director or any of his associates is involved in deciding his own remuneration. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2018 are set out in Notes 8 and 32 to the consolidated financial statements.

Strategy Committee

Members:

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

The Strategy Committee is mainly responsible for reviewing the mid-term and long-term strategies of the Company pursuant to its defined terms of reference. The Strategy Committee meets regularly as when necessary. During the year ended 31 December 2018, the Strategy Committee met once to review and discuss the Group's three-year strategic plan (2019 – 2021), and make recommendation to the Board on establishment of appropriate policies and practices in pursuit of the Group's strategic objectives and business plans.

ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS, AND GENERAL MEETINGS

Name of Directors	Meetings Attended/ Held During the Year Ended 31 December 2018					
	Board Meeting(3)	Audit Committee Meeting(4)	Nomination Committee Meeting(4)	Remuneration Committee Meeting(4)	Annual General Meeting(13)	Special General Meeting(13)
Executive Director						
Mr. Cui Xiangdong *(CEO)*	5/5	-	-	-	1/1	2/2
Non-executive Directors						
Mr. Peng Shou *(Chairman)*	5/5(5)	2/2(9)	-	3/3(11)	0/1(12)	0/2(12)
Mr. Zhao John Huan	5/5(6)	-	-	-	0/1(12)	0/2(12)
Mr. Zhou Cheng *(Honorary Chairman)*	5/5	-	2/2	-	1/1	2/2
Mr. Tang Liwei (1)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Zhang Jinshu (2)	3/3	-	-	-	N/A	2/2
Independent Non-executive Directors						
Mr. Zhang Baiheng	5/5(7)	2/2	2/2	3/3	0/1(12)	0/2(12)
Mr. Zhao Lihua	5/5	2/2	2/2	3/3	1/1	0/2(12)
Mr. Chen Huachen	5/5(8)	2/2(10)	-	-	1/1	0/2(12)

Notes:

1 Resigned as Director on 2 January 2018.

2 Appointed as Director on 28 August 2018.

3 Pursuant to section 91A of the Companies Act 1981 of Bermuda (as amended), the Director may appoint another Director to represent him and to vote on his behalf at any meeting of the Directors.

4 Pursuant to the terms of reference and rules of procedures of the respective Audit Committee, Nomination Committee and Remuneration Committee, if members are unable to attend the meeting, they may appoint another member to attend the meeting and exercise the voting right on their behalf.

5 Mr. Peng has attended 4 meetings personally and his duly appointed representative has attended 1 meeting on his behalf.

6 Mr. Zhao has attended 1 meeting personally and his duly appointed representative has attended 4 meetings on his behalf.

7 Mr. Zhang has attended 3 meetings personally and his duly appointed representative has attended 2 meetings on his behalf.

8 Mr. Chen has attended 4 meetings personally and his duly appointed representative has attended 1 meeting on his behalf.

9 Mr. Peng has attended 1 meeting personally and his duly appointed representative has attended 1 meeting on his behalf.

10 Mr. Chen has attended 1 meeting personally and his duly appointed representative has attended 1 meeting on his behalf.

11 Mr. Peng has attended 2 meetings personally and his duly appointed representative has attended 1 meeting on his behalf.

12 Absence of the Directors in such general meetings were due to other overseas commitments at that relevant times.

13 The Chairman was not in a position to attend all general meetings due to other overseas commitments at that relevant times; and the Honorary Chairman of the Company chaired all the general meetings on his behalf. The Company has encouraged the Directors to attend the general meetings to gain and develop a balanced understanding of the views of the Shareholders, albeit presence overseas for other work commitments or unforeseen circumstances might prevent Directors from doing so.

ACCOUNTABILITY AND AUDIT

Accountability

The Board is accountable to the shareholders while the management is accountable to the Board. The management provides sufficient explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before it for approval.

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the financial year ended 31 December 2018, confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review, and consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards. The Directors aim to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in all shareholder communications. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore, the Board continues to adopt the going concern approach in preparing the financial statements.

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

Auditors' Remuneration

The financial statements for the year ended 31 December 2018 were audited by KPMG of which the term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that KPMG be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 56 to 65 of this Annual Report.

During the year under review, the fees for (i) audit services and (ii) non-audit services provided by KPMG amounted to RMB7.0 million and RMB0.4 million, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group has developed and adopted various risk management and internal control procedures and guidelines with a well-defined management structure with limits of authority for implementation by key business processes and office functions, which is designed for the achievement of business objectives, to safeguard assets against unauthorized use or disposition, to ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited. The Company has established the reporting procedures and arrangements for employees and those who deal with the Group to report and raise concerns, inconfidence, with the Company's Ethics and Compliance Supervisory Committee about possible improprieties in financial reporting, internal control, operational or other matters.

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board has delegated to the Audit Committee the responsibilities of reviewing the effectiveness of the Group's risk management and internal control systems and the Audit Committee has conducted a review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018. The review has covered all material controls, including financial, operational and compliance controls with an aim of minimising the overall business and operational risks of the Group.

The management has provided a confirmation to the Board on the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2018. The Board acknowledges its responsibility for the risk management and internal control systems, and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board and the Audit Committee considered the risk management and internal control systems to be effective and adequate.

COMPANY SECRETARY

During 2018, Ms. Kuok Yew Lee ("Ms. Kuok"), a full-time employee of the Company and has day-to-day knowledge of the Company's affairs, is the Company Secretary who reports to the Chairman and is responsible for advising the Board on corporate governance matters, and ensuring the Board procedures are duly followed and Board activities are efficiently and effectively conducted. All Directors have access to the advices and services of Ms. Kuok on corporate governance and Board practices matters. Ms. Kuok has confirmed that she has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2018. The biography of Ms. Kuok is set out on page 27 of this Annual Report.

SHAREHOLDERS' RIGHTS

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

(A) *Right to convene SGM*

Bye-laws

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

Companies Act

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

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

(iv) If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

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

(B) *Right to put forward proposals at General Meetings*

Companies Act

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

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

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

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

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

(b) not less than one hundred Shareholders.

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

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

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

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

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

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

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

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

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

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

Procedures to send Enquiries to the Board

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

Communications with Shareholders

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

In every general meeting, in respect of each substantially separate issue (including the election of individual Directors), a separate resolution would be proposed by the Chairman of that meeting.

The Board and senior management maintain a continuing dialogue with the Company's Shareholders and investors through various channels including the Company's annual general meeting. The Chairman and other members of the Board (including the chairman of the respective Board Committees) as well as external auditors are available to answer questions at the annual general meeting. The 2019 annual general meeting ("2019 AGM") will be held on 31 May 2019. The notice of 2019 AGM will be sent to shareholders at least 20 clear business days before the 2019 AGM. Details of the Directors' attendance at the general meetings held in 2018 are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

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

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

During the year under review, the Company has not made any changes to the Bye-laws. An up to date version of the Bye-laws is available on the websites of the Company and the Stock Exchange (www.hkexnews.hk).

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 166, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

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

The Key Audit Matter

As at 31 December 2018 the Group had net current liabilities of RMB1,943,928,000. Note 2(b) to the consolidated financial statements explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group.

The directors of the Company made their assessment of the Group's ability to continue as a going concern by preparing a cash flow forecast in which some key assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and necessary capital expenditure for glass products and the availability of banking and other financing facilities as well as financial support from the largest shareholder of the Company, namely Triumph Science Technology Group Co., Ltd.* (the "Triumph Group"), which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd., a central state-owned enterprise. Based on the assessment, the directors concluded that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

We identified going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Group which are inherently uncertain.

How the matter was addressed in our audit

Our audit procedures to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern included the following:

- assessing and challenging the key assumptions used by management in the cash flow forecast (including forecast sales volumes, average selling prices, raw materials costs and necessary capital expenditure for glass products) and evaluating whether there were any indicators of management bias by comparing the key assumptions, where possible, to budgets reviewed by management and market and other externally available information;
- comparing the cash flow forecast prepared in the prior year with the current year's performance of the Group to assess how accurate the prior year's cash flow forecast was and making enquiries of management as to the reasons for any significant variations identified;
- assessing the availability of banking and other financing facilities during the forecast period by inspecting relevant underlying documentation in relation to banking and other financing facilities and evaluating whether the financing facilities were sufficient to meet the Group's needs in the context of the cash flow forecast, taking into the account any breach of loan covenants which may trigger early repayment of loans;

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

KEY AUDIT MATTERS (continued)

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

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
	• inspecting a letter of financial support from Triumph Group and assessing the intention of Triumph Group to provide such financial support, the legality and enforceability of the terms of the letter and the ability of Triumph Group to provide such financial support by inspecting publicly available financial information and publicly announced financing plans of Triumph Group; • obtaining from management sensitivity analyses of the key assumptions (including forecast sales volumes, average selling prices, raw materials costs and necessary capital expenditure for production) adopted in the cash flow forecast prepared by management and assessing the impact on the conclusions of the going concern assessment; and • assessing the related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Potential impairment of property, plant and equipment

Refer to Note 11 to the consolidated financial statements and the accounting policies of Note 2(n)

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the Group's property, plant and equipment is the most quantitatively significant item in the consolidated statement of financial position and mainly comprises plant, buildings, machinery and equipment used in the Group's glass production lines located in the People's Republic of China. The Group's property, plant and equipment is allocated to relevant cash generating units ("CGUs") for the purpose of assessing if there is any impairment at the end of the reporting period. Management considered that there were indicators of potential impairment of property, plant and equipment at 31 December 2018 because certain CGUs have sustained losses and, consequently, management prepared impairment assessments of the loss-making CGUs by assessing their recoverable amounts using value in use calculations based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating future production and sales volumes and future unit selling prices and unit costs for the relevant CGUs in different locations and in determining the discount rates applied, all of which may be inherently uncertain. We identified assessing potential impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of property, plant and equipment included the following: • challenging the evidence on which management based its assessment as to whether indicators of impairment existed by comparing historical performance with the current financial performance and considering changes in market conditions; • assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards; • engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards; • challenging the key assumptions adopted in the discounted cash flow forecasts, including future production and sales volumes and future unit selling prices and unit costs by comparing these inputs with the historical results of each CGU and economic and industry forecasts; • evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry; and • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias in the process.

KEY AUDIT MATTERS (continued)

Assessing the valuation of identifiable assets acquired and the liabilities assumed in relation to an acquisition and assessing potential goodwill impairment

Refer to Notes 15 and 29 to the consolidated financial statements and the accounting policies of Note 2(f) and 2(n).

The Key Audit Matter

On 30 October 2018, the Group acquired 100% equity interest in Olivotto Glass Technologies S.p.A. ("OGT") and its subsidiaries (collectively referred to as the "OGT Group"). The cash consideration for this acquisition is EUR21.4 million (equivalent to RMB169.7 million).

The principal activities of the OGT Group are the engineering, manufacture, installation and commissioning of hollow glass forming plants, systems and machines.

Goodwill arising from the acquisition amounted to EUR13.8 million (equivalent to RMB108.9 million) which represents the excess of the fair value of the consideration paid over the fair value of the identifiable assets acquired and the liabilities assumed, including intangible assets, amounted to EUR7.7 million (equivalent to RMB60.8 million), which comprise technologies, customer relationship and non-competition agreement of the acquired business.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of the identifiable assets acquired and the liabilities assumed included the following:

- inspecting the sale and purchase agreement and evaluating management's accounting treatment for the acquisition with reference to the terms set out in the agreement and the requirements of the prevailing accounting standards;
- assessing the external valuation firm's qualifications, experience and expertise and considering their objectivity and independence;
- assessing the external valuation firm's process for identifying intangible assets acquired and whether all applicable types of intangible assets had been considered with reference to the guidance in the prevailing accounting standards;
- obtaining and inspecting the valuation report prepared by the external valuation firm;

KEY AUDIT MATTERS (continued)

Assessing the valuation of identifiable assets acquired and the liabilities assumed in relation to an acquisition and assessing potential goodwill impairment (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
As at 31 December 2018, management has also performed impairment assessment of goodwill by preparing a discounted cash flow forecast for the OGT Group. This involves significant management judgement and estimation including future revenue growth rate, profit margins and the discount rate applied. The Group engaged an external valuation firm to perform valuations of the fair value of the identifiable assets acquired and the liabilities assumed at 30 October 2018. The external valuation firm also perform the impairment test on the goodwill at the end of 31 December 2018. We identified assessing the valuation of identifiable assets acquired and the liabilities assumed in relation to the acquisition and assessing potential goodwill impairment as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because of the assessment of the fair value of the identifiable assets acquired and the liabilities assumed and the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.	• challenging the key assumptions adopted by the external valuation firm in the valuation by discussing with management and comparing these assumptions, which included revenue growth rate and profit margins, with market data, our knowledge of the business, and the Group's business plan supporting the acquisition, and comparing the business forecasts with the historical performance of the acquired business and industry forecasts; • involving our internal valuation specialists to assist us in assessing the valuation methodology adopted by the external valuation firm with reference to the guidance of the prevailing accounting standards; • involving our internal valuation specialists to assist us in assessing the significant estimates and assumptions applied in the valuation of identifiable assets acquired and the liabilities assumed, which included discount rate, contribution rate and attrition rate, with reference to available market information; and • assessing the disclosures in the consolidated financial statements in respect of the acquisition with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing the valuation of identifiable assets acquired and the liabilities assumed in relation to an acquisition and assessing potential goodwill impairment (continued)

The Key Audit Matter (continued)	How the matter was addressed in our audit (continued)
	Our audit procedures to assess the potential impairment of goodwill in relation to the acquisition included the following: • obtaining and inspecting the valuation report prepared by the external valuation firm; • evaluating management's profit forecast and cash flow forecast for the acquired business, comparing these with board approved business plans, challenging the key assumptions, which included revenue growth rate and profit margins, by comparing these forecasts with the historical performance of the acquired business and industry forecasts; • involving our internal valuation specialists to assist us in evaluating management's valuation methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards, in evaluating the discount rate used in the cash flow forecast by benchmarking against other similar companies in the same industry; • performing sensitivity analysis of the discount rate and future revenue and considering the resulting impact on management's conclusion in respect of the impairment assessment and whether there were any indicators of management bias; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitivities, with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

27 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018
(Expressed in Renminbi ("RMB"))

	Note	**2018** **RMB'000**	2017 (Note) RMB'000
Revenue	4	**2,617,725**	2,556,418
Cost of sales		**(2,207,630)**	(2,234,842)
Gross profit	4	**410,095**	321,576
Other income	5	**230,849**	172,902
Distribution costs		**(78,088)**	(74,474)
Administrative expenses		**(249,030)**	(213,441)
Profit from operations		**313,826**	206,563
Finance costs	6(a)	**(160,805)**	(106,216)
Net gain on disposal of interest in an associate		**175**	–
Share of losses of an associate		**(62)**	(12)
Profit before taxation	6	**153,134**	100,335
Income tax	7	**(49,060)**	(39,864)
Profit for the year		**104,074**	60,471
Attributable to:			
Equity shareholders of the Company		**93,488**	64,965
Non-controlling interests		**10,586**	(4,494)
Profit for the year		**104,074**	60,471
Earnings per share (RMB cent)			
Basic	10(a)	**5.45**	3.59
Diluted	10(b)	**5.45**	3.59

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 2(c)).

The notes on pages 74 to 166 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 28(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018
(Expressed in RMB)

	2018 RMB'000	2017 (Note) RMB'000
Profit for the year	**104,074**	60,471
Other comprehensive income for the year (before and after tax):		
Item that will not be reclassified to profit or loss:		
– Equity securities at FVOCI – net movement in fair value reserve (non-recycling)	**(209)**	–
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	**(1,725)**	(17,499)
Total comprehensive income for the year	**102,140**	42,972
Attributable to:		
Equity shareholders of the Company	**91,564**	47,466
Non-controlling interests	**10,576**	(4,494)
Total comprehensive income for the year	**102,140**	42,972

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 2(c)).

The notes on pages 74 to 166 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2018
(Expressed in RMB)

	Note	2018	2017 (Note)
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	11	**4,295,827**	4,159,131
Lease prepayments	13	**260,301**	267,108
Intangible assets	14	**129,268**	–
Goodwill	15	**107,936**	–
Interest in an associate	16	**–**	412
Interest in joint ventures	17	**6,397**	846
Equity securities		**2,923**	–
Available-for-sale equity securities		**–**	1,991
Deferred tax assets	27(b)	**252,222**	224,023
		5,054,874	4,653,511
Current assets			
Inventories	18	**492,293**	387,151
Contract assets	19(a)	**2,350**	–
Trade and other receivables	20	**803,605**	646,984
Prepaid income tax	27(a)	**14,756**	23,808
Cash and cash equivalents	21	**606,832**	561,514
		1,919,836	1,619,457
Current liabilities			
Trade and other payables	22	**1,654,636**	1,460,185
Contract liabilities	19(b)	**5,344**	–
Bank and other loans	23	**2,065,400**	1,687,456
Obligations under finance leases	25	**22,262**	25,092
Income tax payable	27(a)	**116,122**	94,602
		3,863,764	3,267,335
Net current liabilities		**(1,943,928)**	(1,647,878)
Total assets less current liabilities		**3,110,946**	3,005,633

The notes on pages 74 to 166 form part of these consolidated financial statements.

At 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current liabilities			
Bank and other loans	23	**728,983**	664,802
Convertible bonds	24	**62,881**	58,311
Obligations under finance leases	25	**29,723**	80,192
Deferred tax liabilities	27(b)	**63,007**	34,948
Other non-current liabilities		**4,421**	2,930
		889,015	841,183
NET ASSETS		**2,221,931**	2,164,450
CAPITAL AND RESERVES	28		
Share capital		**84,867**	84,867
Reserves		**1,952,348**	1,888,603
Total equity attributable to equity shareholders of the Company		**2,037,215**	1,973,470
Non-controlling interests		**184,716**	190,980
TOTAL EQUITY		**2,221,931**	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 2(c)).

Approved and authorised for issue by the board of directors on 27 March 2019.

Peng Shou
Chairman

Cui Xiangdong
Director

The notes on pages 74 to 166 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018
(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 28(c))	Share premium RMB'000 (Note 28(d)(i))	Shares held under share award scheme RMB'000 (Note 28(d)(ii))	Capital reserve RMB'000 (Note 28(d)(iii))	Statutory reserves RMB'000 (Note 28(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 28(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	84,867	2,081,912	–	30,139	40,785	(447,114)	1,620	179,511	1,971,720	204,594	2,176,314
Changes in equity for 2017											
Profit for the year	–	–	–	–	–	–	–	64,965	64,965	(4,494)	60,471
Other comprehensive income	–	–	–	–	–	–	(17,499)	–	(17,499)	–	(17,499)
Total comprehensive income for the year	–	–	–	–	–	–	(17,499)	64,965	47,466	(4,494)	42,972
Equity settled share-based transactions (Note 26(a))	–	–	–	2,467	–	–	–	–	2,467	–	2,467
Shares purchased under the share award scheme (Note 26(b))	–	–	(47,888)	–	–	–	–	–	(47,888)	–	(47,888)
Acquisition of non-controlling interests("NCI") of a subsidiary	–	–	–	–	–	(295)	–	–	(295)	(9,120)	(9,415)
	–	–	(47,888)	2,467	–	(295)	–	–	(45,716)	(9,120)	(54,836)
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 2(c)).

The notes on pages 74 to 166 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (CONTINUED)

For the year ended 31 December 2018

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 28(c))	Share premium RMB'000 (Note 28(d)(i))	Shares held under share award scheme RMB'000 (Note 28(d)(ii))	Capital reserve RMB'000 (Note 28(d)(iii))	Statutory reserve RMB'000 (Note 28(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 28(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 28(d)(vi))	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 (Note 2(c)(i))	–	–	–	–	–	–	–	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 year ended 31 December 2018												
Profit for the year	–	–	–	–	–	–	–	–	93,488	93,488	10,586	104,074
Other comprehensive income	–	–	–	–	–	–	(1,725)	(199)	–	(1,924)	(10)	(1,934)
Total comprehensive income	–	–	–	–	–	–	(1,725)	(199)	93,488	91,564	10,576	102,140
Equity settled share-based transactions (Note 26(a))	–	–	–	592	–	–	–	–	–	592	–	592
Shares purchased under the share award scheme (Note 26(b))	–	–	(16,365)	–	–	–	–	–	–	(16,365)	–	(16,365)
Acquisition of NCI of a subsidiary (Note 31)	–	–	–	–	–	(130)	–	–	–	(130)	(510)	(640)
Reduction of paid-up capital of a subsidiary (Note 30)	–	–	–	–	–	–	–	–	–	–	(15,087)	(15,087)
	–	–	(16,365)	592	–	(130)	–	–	–	(15,903)	(15,597)	(31,500)
Balance at 31 December 2018	**84,867**	**2,081,912**	**(64,253)**	**33,198**	**40,785**	**(447,539)**	**(17,604)**	**657**	**325,192**	**2,037,215**	**184,716**	**2,221,931**

The notes on pages 74 to 166 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Profit before taxation		**153,134**	100,335
Adjustments for:			
Depreciation and amortisation	6(c)	**247,154**	249,343
Net gain on disposal of property, plant and equipment	5	**(24,638)**	(10,932)
Net gain on disposal of interest in an associate		**(175)**	–
Compensation for incurred losses from local government	5	**(177,407)**	(80,000)
Interest income	5	**(4,170)**	(4,782)
Interest expenses and other borrowing costs	6(a)	**161,594**	118,771
Changes of fair value on the derivative components of convertible bonds	6(a)	**(4,431)**	(5,031)
Share of losses of an associate		**62**	12
Equity settled share-based payment expenses	6(b)	**592**	2,467
Changes in working capital:			
(Increase)/decrease in inventories		**(83,038)**	41,911
Decrease in contract assets		**4,113**	–
Increase in trade and other receivables		**(7,435)**	(144,019)
Increase/(decrease) in trade and other payables		**85,360**	(5,566)
Decrease in contract liabilities		**(10,643)**	–
Cash generated from operations		**340,072**	262,509
Income Tax paid	27(a)	**(43,679)**	(28,044)
Net cash generated from operating activities		**296,393**	234,465
Investing activities			
Payments for the purchase of property, plant and equipment		**(270,758)**	(896,270)
Payments for land use right premiums		**(8,802)**	(10,513)
Payment for development of intangible assets		**(3,969)**	–
Proceeds from disposals of property, plant and equipment and land use rights		**50,436**	141,956
Payment for acquisition of subsidiaries net off cash acquired		**(169,260)**	–
Payment for acquisition of minority interests		**(640)**	–
Payment for investing in a joint venture		**(5,210)**	–
Proceeds from disposal of equity interests in an associate		**300**	–
Increase in time deposits	21(a)	**(16,000)**	(6,600)
Interest received		**6,586**	2,366
Net cash used in investing activities		**(417,317)**	(769,061)

The notes on pages 74 to 166 form part of these consolidated financial statements.

For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 (Note) RMB'000
Financing activities			
Proceeds from bank and other loans	21(b)	**1,867,913**	2,703,488
Repayment of bank and other loans	21(b)	**(1,485,994)**	(1,859,418)
Payments for purchase of shares under share award scheme	26(b)	**(16,365)**	(47,888)
Dividends paid to an equity owner of a subsidiary		**(3)**	–
Borrowing costs paid	21(b)	**(224,826)**	(194,553)
Net cash generated from financing activities		**140,725**	601,629
Net increase in cash and cash equivalents		**19,801**	67,033
Cash and cash equivalents at 1 January	21(a)	**541,514**	478,244
Effect of foreign exchange rate changes		**9,517**	(3,763)
Cash and cash equivalents at 31 December	21(a)	**570,832**	541,514

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 2(c)).

The notes on pages 74 to 166 form part of these consolidated financial statements.

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 consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in joint ventures and an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, designing and installation of production lines of pharmaceutical glass, and the development of glass production technology.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments (see Note 2(h)) and equity securities (see Note 2(g)) which are stated at their fair values.

As at 31 December 2018, the Group had net current liabilities of RMB1,943,928,000 (31 December 2017: RMB1,647,878,000). Notwithstanding the net current liabilities as at 31 December 2018, the directors of the Company consider that there are no material uncertainties related to events or conditions 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 31 December 2019 prepared by the management, which has taken into account unutilised bank facilities of RMB509.0 million, the Group's newly financed bank and other loans of RMB90.0 million and newly refinanced short-term loans of RMB80.5 million, and financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.* ("凱盛科技集團有限公司", the "Triumph Group"), a wholly-owned subsidiary of China National Building Material Group Co., Ltd., which is a central state-owned enterprise, 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 for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued a number of 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) 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)	
Increase in fair value reserve (non-recycling)	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)
Net increase in fair value reserve (non-recycling)	52
Net decrease in non-controlling interests at 1 January 2018	(1,243)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) 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:

a. 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.

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	Reclassification	Remeasurement	HKFRS 9 Carrying amount at 1 January 2018
	RMB'000	RMB'000	RMB'000	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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

b. 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 following items:

– financial assets measured at amortised cost (including cash on hand and at bank, trade and other receivables);

– contract assets as defined in HKFRS15 (see Note 2(p));

For further details on the Group's accounting policy for accounting for credit losses, see Notes 2(n)(i) and (ii).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

c. 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.

(ii) 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

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.

(iii) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures

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

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

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

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

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

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

In all other cases, when the Group cease to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a finance asset (see Note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non–controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(n)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 34(e). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Equity investments

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, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(x)(v).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in equity securities (continued)

(B) Policy applicable prior to 1 January 2018

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

Investments in equity securities which did not fall into the above category were classified as available-for-sale securities. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity securities and was recognised in profit or loss in accordance with the policies set out in Note 2(x)(v). When the investments were derecognised or impaired (see Note 2(n)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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

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

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

(j) Intangible assets

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

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

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

	Estimated useful lives
Technologies	5-20 years
Non-competition agreement	5 years
Customer relationship	10 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Lease prepayments

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

(l) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(p)). Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(n)(i)).

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and deposits and other receivables); and

– contract assets as defined in HKFRS 15 (see Note 2(p));

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 and contract assets 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(A) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

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, deposits and other receivables and contract assets 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(A) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

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.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(x)(iii) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(A) Policy applicable from 1 January 2018 (continued)

Write-off policy

The gross carrying amount of a financial asset or contract assets 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.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

– significant financial difficulty of the debtor;

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

If any such evidence existed, any impairment loss was determined and recognised as follows:

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

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

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and Impairment of assets (continued)

(i) Credit losses from financial instruments and contract assets (continued)

(B) Policy applicable prior to 1 January 2018 (continued)

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

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

Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– lease prepayments;

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Credit losses and Impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iii) Interim financial reporting and impairment

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(o)(i)), property, plant and equipment (see Note 2(i)) or intangible assets (see Note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(x).

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(x)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(n)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Convertible bonds

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

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

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

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

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(z)).

(t) Employee benefits

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Share-based payments

– *Share options granted to employees under the share option scheme*

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

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

– *Shares granted to employees under the share award scheme*

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Share-based payments (continued)

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

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

(iii) Termination benefits

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

(u) Trade and other payables

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

(v) Income tax

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Income tax (continued)

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

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

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

  – the same taxable entity; or

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

(w) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. Revenue for sale of goods was recognised on a similar basis in the comparative period under HKAS 18.

(ii) Service contract

When the outcome of a service contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to date to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(n)(i).

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(n)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue and other income (continued)

(iv) Government grants

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

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on a consolidation of foreign operation acquired after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(z) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Determine whether an arrangement contains a lease

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

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty

Notes 15, 26 and 34 contain information about the assumptions and their risk factors relating to impairment of goodwill, fair value of share options granted under share option scheme and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of receivables and contract assets

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

(ii) Impairment of long-lived assets

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

(iii) Depreciation and amortisation

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iv) Deferred tax

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production, marketing and distribution of glass and glass products, the development of glass production technology, and the service of designing and installation of pharmaceutical glass production lines. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	**2,581,080**	2,556,418
– Revenue from service contracts	**36,645**	–
	2,617,725	2,556,418

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 4(b)(i) and 4(b)(ii) respectively.

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2018 (2017: Nil). Details of concentrations of credit risk arising from customers are set out in Note 34(a).

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR7.2 million. This amount represents revenue expected to be recognised in the future from designing and installation service contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

(b) Segment reporting

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

- Clear glass products: this segment produces, markets and distributes clear glass products.
- Painted glass products: this segment produces, markets and distributes painted glass products.
- Coated glass products: this segment produces, markets and distributes coated glass products.
- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.
- Design and installation service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines. This business is newly acquired in 2018. For details of acquisition, please refer to Note 29.

(i) Segment results

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

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Design and installation service		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Disaggregated by timing of revenue recognition												
– Point in time	**998,856**	1,107,106	**356,539**	361,594	**673,396**	597,720	**552,289**	489,998	**–**	–	**2,581,080**	2,556,418
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**36,645**	–	**36,645**	–
Revenue from external customers	**998,856**	1,107,106	**356,539**	361,594	**673,396**	597,720	**552,289**	489,998	**36,645**	–	**2,617,725**	2,556,418
Inter-segment revenue	**34,045**	58,305	**17,130**	1,476	**–**	–	**–**	–	**–**	–	**51,175**	59,781
Reportable segment revenue	**1,032,901**	1,165,411	**373,669**	363,070	**673,396**	597,720	**552,289**	489,998	**36,645**	–	**2,668,900**	2,616,199
Reportable segment gross profit	**124,323**	130,041	**51,426**	37,896	**125,016**	92,585	**89,842**	61,054	**19,488**	–	**410,095**	321,576

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The Mainland China and Hong Kong (place of domicile)	**1,992,394**	1,969,366	**3,904,170**	3,931,503
Middle East	**199,306**	163,373	**–**	–
Bangladesh	**55,363**	41,305	**–**	–
South Korea	**50,024**	119,782	**–**	–
Columbia	**32,012**	14,909	**–**	–
Tanzania	**27,106**	16,750	**886**	846
Philippines	**23,775**	7,437	**–**	–
Peru	**21,164**	4,926	**–**	–
Kenya	**19,539**	15,260	**–**	–
Ecuador	**19,291**	11,810	**–**	–
Chile	**18,609**	9,891	**–**	–
Other countries	**159,142**	181,609	**894,673**	495,148
	625,331	587,052	**895,559**	495,994
	2,617,725	2,556,418	**4,799,729**	4,427,497

5 OTHER INCOME

	2018 RMB'000	2017 RMB'000
Compensation for incurred losses from local government (Note)	**177,407**	80,000
Net gain on disposal of property, plant and equipment	**24,638**	10,932
Government grants	**6,664**	69,642
Net gain from sale of raw and scrap materials	**6,198**	3,643
Interest income on financial assets measured at amortised cost	**4,170**	4,782
Net gain on debt restructuring	**2,162**	5,749
Others	**9,610**	(1,846)
	230,849	172,902

Note: The amount represents compensation for the incurred losses of the Group by the local government authority during the year ended 31 December 2017 and 2018. The losses were incurred from the suspension of operation instructed by the local government. The local government is planning to conduct expropriation of the land use rights of a subsidiary but the relocation agreement is still under negotiation.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2018 RMB'000	2017 RMB'000
Interest on bank advances and other borrowings (Note 21(b))	**170,219**	135,354
Finance charges on convertible bonds (Notes 21(b) and 24)	**11,079**	9,853
Finance charges on obligations under finance leases (Note 21(b))	**11,242**	11,002
Bank charges and other finance costs (Note 21(b))	**20,785**	36,732
Total borrowing costs	**213,325**	192,941
Less: amounts capitalised into property, plant and equipment* (Note 21(b))	**(51,731)**	(74,170)
Net borrowing costs	**161,594**	118,771
Changes in fair value on the derivative components of convertible bonds (Notes 21(b) and 24)	**(4,431)**	(5,031)
Net foreign exchange loss/(gain)	**3,642**	(7,524)
	160,805	106,216

* The borrowing costs have been capitalised at 7.57% per annum for the year ended 31 December 2018 (2017: 9.56% per annum).

(b) Staff costs:

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**234,394**	231,149
Contributions to defined contribution retirement plans	**32,696**	30,728
Equity-settled share-based payment expenses in respect of share option scheme (Note 26(a))	**592**	2,467
	267,682	264,344

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

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs: (continued)

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

The employees of the subsidiaries of the Group established in the Italy participated in staff leaving indemnity ("TFR"). The staff leaving indemnity (TFR) is a requirement of Italian law. The leaving indemnity is accrued by companies every month based on employees' annual salaries. It is paid to each employee when they leave the company in all cases.

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

(c) Other items:

	2018	2017
		(Note)
	RMB'000	RMB'000
Cost of inventories# (Note 18)	**2,190,887**	2,235,292
Auditors' remuneration – audit and other services	**7,380**	6,180
Depreciation and amortisation# (Notes 11, 13 and 14)	**247,154**	249,343
Impairment losses (reversed)/recognised on trade and other receivables and contract assets (Note 34(a))	**(2,260)**	9,789
Operating lease charges in respect of		
– land	**226**	268
– plant and buildings	**4,902**	5,181
– motor vehicles	**1,993**	2,551
Research and development costs (other than capitalised costs and related amortisation)	**836**	587

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

Cost of inventories includes RMB358.3 million (2017: RMB373.4 million) for the year ended 31 December 2018, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018 RMB'000	2017 RMB'000
Current taxation (Note 27(a))		
– Provision for the year	**69,004**	43,910
– (Over)/under-provision in respect of prior years	**(584)**	237
	68,420	44,147
Deferred taxation (Note 27(b))		
– Origination and reversal of temporary differences	**(28,054)**	(14,231)
– Write-down of deferred tax assets	**8,694**	9,948
	(19,360)	(4,283)
	49,060	39,864

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

	2018 RMB'000	2017 RMB'000
Profit before taxation	**153,134**	100,335
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (viii), (ix), and (x))	**40,459**	28,325
Tax effect of non-deductible expenses	**7,635**	8,705
Tax effect of unused tax losses and temporary differences not recognised (Note 27(c))	**3,361**	2,310
Tax concessions (Notes (v), (vi) and (vii))	**(8,550)**	(6,387)
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised (Note (xi))	**(1,955)**	(3,274)
Tax effect of write-down of deferred tax assets (Note (xi))	**8,694**	9,948
(Over)/under-provision in respect of prior years	**(584)**	237
Income tax	**49,060**	39,864

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

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

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2017: 16.5%).

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

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2017: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2017: 30%).

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

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

(vii) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from 2016, in which year the approval is obtained (2017: 15%).

(viii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9%.

(ix) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20%.

(x) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25%.

(xi) The Group recognised and used previously unrecognised deferred tax assets of RMB0.1 million (2017: RMB3.3 million) regarding tax losses and the Group wrote down previously recognised deferred tax assets of RMB8.7 million (2017: RMB9.9 million) regarding tax losses, as the utilisation of these unused tax losses have changed due to the changes of actual operating results during the year ended 31 December 2018 and changes in estimates of future operating results of certain subsidiaries of the Group.

8 DIRECTORS' EMOLUMENTS

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

	2018					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive director						
Mr. Cui Xiangdong	–	818	125	943	98	1,041
Non-executive directors						
Mr. Peng Shou	1	–	–	1	–	1
Mr. Zhao John Huan	–	–	–	–	–	–
Mr. Zhou Cheng	1	67	–	68	–	68
Mr. Zhang Jinshu (appointed on 28 August 2018)	1	–	–	1	–	1
Mr. Tang Liwei (resigned on 2 January 2018)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Zhang Baiheng	154	–	–	154	–	154
Mr. Zhao Lihua	154	–	–	154	–	154
Mr. Chen Huachen	154	–	–	154	–	154
	465	885	125	1,475	98	1,573

	2017					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000 (Note (i))	Total RMB'000
Executive director						
Mr. Cui Xiangdong	–	818	122	940	409	1,349
Non-executive directors						
Mr. Peng Shou	1	–	–	1	–	1
Mr. Zhao John Huan	–	–	–	–	–	–
Mr. Zhou Cheng	1	68	–	69	–	69
Mr. Tang Liwei (appointed on 28 March 2017)	1	–	–	1	–	1
Mr. Guo Wen (resigned on 28 March 2017)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Zhang Baiheng	156	–	–	156	–	156
Mr. Zhao Lihua	156	–	–	156	–	156
Mr. Chen Huachen	156	–	–	156	–	156
	471	886	122	1,479	409	1,888

Note:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(t)(ii). The details of these benefits in kind, including the principal terms and number of share options granted are disclosed under the section "Share option scheme" in the Report of the Directors and Note 26(a).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2017: four) individuals is as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,129**	2,129
Share-based payments	**155**	635
Retirement scheme contributions	**375**	343
	2,659	3,107

The emoluments of all the 4 employees who are not directors and who are amongst the five highest paid individuals of the Group are within HK$1.0 million for the year ended 31 December 2018 and 2017.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 is based on the profit attributable to ordinary equity shareholders of the Company of RMB93,488,000 (2017: RMB64,965,000) and the weighted average of 1,714,621,000 ordinary shares (2017: 1,808,969,000 ordinary shares) in issue during the year ended 31 December 2018, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**1,810,147**	1,810,147
Effect of shares purchased under a share award scheme (Notes 26(b) and 28(c)(iii))	**(95,526)**	(1,178)
Weighted average number of ordinary shares at 31 December	**1,714,621**	1,808,969

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the years ended 31 December 2018 and 2017. The Group's convertible bonds (see Note 24) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the years ended 31 December 2018 and 2017.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2017	1,597,239	3,018,332	28,973	1,083,013	5,727,557
Additions	32,882	40,090	2,348	540,088	615,408
Transfer in/(out)	13,795	98,969	–	(117,734)	(4,970)
Reclassified from assets held-for-sale	–	–	–	22,829	22,829
Disposals	(1,067)	(13,292)	(3,918)	–	(18,277)
Exchange adjustment	–	–	–	(4,731)	(4,731)
At 31 December 2017	1,642,849	3,144,099	27,403	1,523,465	6,337,816
Accumulated depreciation and impairment losses:					
At 1 January 2017	423,591	1,475,086	18,609	36,474	1,953,760
Charge for the year	45,821	194,616	2,361	–	242,798
Transfer out	–	(4,970)	–	–	(4,970)
Written back on disposals	(605)	(9,204)	(3,094)	–	(12,903)
At 31 December 2017	468,807	1,655,528	17,876	36,474	2,178,685
Net book value:					
At 31 December 2017	1,174,042	1,488,571	9,527	1,486,991	4,159,131
Cost:					
At 1 January 2018	1,642,849	3,144,099	27,403	1,523,465	6,337,816
Additions	15,187	27,904	888	364,672	408,651
Additions through acquisition of business (Note 29)	–	1,390	–	–	1,390
Transfer in/(out)	144,965	243,526	155	(544,434)	(155,788)
Disposals	(799)	(58,020)	(1,154)	(19,606)	(79,579)
Exchange adjustment	–	(34)	–	4,160	4,126
At 31 December 2018	1,802,202	3,358,865	27,292	1,328,257	6,516,616
Accumulated depreciation and impairment losses:					
At 1 January 2018	468,807	1,655,528	17,876	36,474	2,178,685
Charge for the year	45,638	188,553	2,225	–	236,416
Transfer out	–	(155,788)	–	–	(155,788)
Written back on disposals	(5)	(37,884)	(635)	–	(38,524)
At 31 December 2018	514,440	1,650,409	19,466	36,474	2,220,789
Net book value:					
At 31 December 2018	1,287,762	1,708,456	7,826	1,291,783	4,295,827

At 31 December 2018, property certificates of certain properties with an aggregate net book value of RMB575.8 million (31 December 2017: RMB452.5 million) are yet to be obtained.

(Expressed in RMB unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

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

The Group leases machinery and equipment under finance leases expiring from 5 to 7 years. These leases are arrangements that are not in the legal form of a lease, but are accounted for as such based on their terms and conditions (see Note 3(a)). At the end of arrangements, the Group has the right to purchase the leased machinery and equipment at nil consideration. None of the leases includes contingent rentals.

At 31 December 2018, the net book value of machinery and equipment held under finance leases of the Group was RMB68.2 million (2017: RMB88.0 million).

12 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Beijing Qinchang Glass Company Limited* 北京秦昌玻璃有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	Production, marketing and distribution of glass and glass products
China Glass Investment Limited* 中玻投資有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Investment holding
CNG Glass (Nigeria) FZE	The Federal Republic of Nigeria	Registered capital of United States dollar ("USD") 38,500,000 and paid-up capital of USD28,085,320	100%	–	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* 東台中玻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Production, marketing and distribution of glass and glass products
Jiangsu SHD New Materials Company Limited* 江蘇蘇華達新材料有限公司	The PRC	Registered and paid-up capital of RMB136,000,000	100%	–	Production, marketing and distribution of glass and glass products

(Expressed in RMB unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
JV Investments Limited	The Cayman Islands	Issued and paid-up capital of USD90,313	–	100%	Investment holding
Linyi CNG New Materials Technology Company Limited* 中玻(臨沂)新材料科技有限公司	The PRC	Registered and paid-up capital of RMB206,800,000	74.70%	–	Production, marketing and distribution of glass and glass products
Nanjing Yuanhong Special Glass Company Limited* 南京遠鴻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB800,000	73.58%	–	Production, marketing and distribution of glass and glass products
Olivotto Glass Technologies S.p.A ("OGT")	The Italy	Registered and paid-up capital of EUR1,408,000	100%	100%	Design and installation of production lines of pharmaceutical glass products
Shaanxi CNG New Technology Limited* 中玻(陝西)新技術有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	99.12%	–	Production, marketing and distribution of glass and glass products
Suqian CNG Electronic Glass Company Limited* 宿遷中玻電子玻璃有限公司	The PRC	Registered capital of RMB600,000,000 and paid-up capital of RMB401,813,823	100%	–	Production, marketing and distribution of electronic glass and electronic glass products
Suqian CNG New Materials Company Limited* 宿遷中玻新材料有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	Production, marketing and distribution of glass and glass products
Weihai China Glass Solar Company Limited* 威海中玻光電有限公司	The PRC	Registered and paid-up capital of USD14,920,000	61.03%	–	Production, marketing and distribution of photovoltaic battery module products
Weihai CNG Coated Glass Company Limited* ("Weihai CNG") 威海中玻鍍膜玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB107,700,000	91.09%	–	Production, marketing and distribution of glass and glass products
Weihai CNG New Technology Glass Limited* ("New Technology") 威海中玻新技術玻璃有限公司	The PRC	Registered and paid-up capital of USD12,000,000	91.95%	–	Production, marketing and distribution of glass and glass products
Wuhai CNG Special Glass Company Limited* ("Wuhai CNG") 烏海中玻特種玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	94.98%	–	Production, marketing and distribution of glass and glass products

12 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Xianyang CNG Coated Glass Limited* 中玻(咸陽)鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB90,000,000	88.33%	–	Production, marketing and distribution of glass and glass products
Zhongbo Technology Company Limited* 中玻科技有限公司	The PRC	Registered and paid-up capital of RMB194,860,000	85.71%	–	Production, marketing and distribution of glass and glass products

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

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

	2018 RMB'000	2017 RMB'000
Revenue	**1,527,858**	1,442,816
Profit/(loss) for the year	**51,874**	(35,630)
Attributable to NCI	**6,650**	(7,933)
Reduction of paid-up capital of a subsidiary	**(15,087)**	–
Non-current assets	**2,077,640**	2,172,150
Current assets	**2,190,051**	2,274,923
Current liabilities	**(2,766,255)**	(3,019,731)
Non-current liabilities	**(389,044)**	(268,261)
Net assets	**1,112,392**	1,159,081
Carrying amount of NCI	**148,585**	157,022

13 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2017	334,954
Additions	8,813
Exchange adjustment	(771)
At 31 December 2017	342,996
Additions	3,785
Disposal	(2,400)
Exchange adjustment	646
At 31 December 2018	345,027
Accumulated amortisation:	
At 1 January 2017	67,384
Charge for the year	6,545
Capitalised into construction in progress	2,055
Exchange adjustment	(96)
At 31 December 2017	75,888
Charge for the year	7,708
Capitalised into construction in progress	1,027
Exchange adjustment	103
At 31 December 2018	84,726
Net book value:	
At 31 December 2018	260,301
At 31 December 2017	267,108

Lease prepayments represented land use right premiums paid by the Group for land situated in the PRC and Nigeria. At 31 December 2018, land use right certificates of certain land use rights with an aggregate carrying value of RMB7.7 million (31 December 2017: RMB6.2 million) are yet to be obtained.

14 INTANGIBLE ASSETS

	Non-competition agreement RMB'000	Technologies RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:				
At 1 January 2017, 31 December 2017 and 1 January 2018	–	145,017	–	145,017
Additions	–	3,969	–	3,969
Additions through acquisition of business (Note 29)	79,996	46,817	2,589	129,402
Exchange adjustment	(671)	(393)	(22)	(1,086)
At 31 December 2018	79,325	195,410	2,567	277,302
Accumulated amortisation and impairment losses:				
At 1 January 2017, 31 December 2017 and 1 January 2018	–	145,017	–	145,017
Charge for the year	2,656	331	43	3,030
Exchange adjustment	(12)	(1)	–	(13)
At 31 December 2018	2,644	145,347	43	148,034
Net book value:				
At 31 December 2018	76,681	50,063	2,524	129,268
At 31 December 2017	–	–	–	–

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

15 GOODWILL

	RMB'000
Cost:	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Additions through acquisition of business (Note 29)	108,850
Exchange adjustment	(914)
At 31 December 2018	107,936
Accumulated impairment losses:	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	–
Carrying amount:	
At 31 December 2018	107,936
At 31 December 2017	–

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	2018 **RMB'000**
Design and installation service	**107,936**

Design and installation service

On 30 October 2018, the Group acquired the 100% equity interests of OGT for a cash consideration of EUR21,445,000 (approximately RMB169,710,000). The excess of the cost of the purchase over the net fair value of the identifiable net assets of the OGT of EUR13,755,000 (approximately RMB108,850,000) was recorded as goodwill and allocated to the OGT's business of designing and installation pharmaceutical glass production lines (the "design and installation service CGU"). Please see Note 29 for details of acquisition of business.

The recoverable amount of the design and installation service CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual growth rates around 24% during the first two year and around 9% during the next two years, which are based on OGT's historical experience and Group's expectations of future changes in the Chinese and overseas market with this business and adjusted for other factors that are specific to the design and installation service CGU. Cash flows beyond the four-year period are extrapolated using a 1.10% long-term growth rate, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 16.17%. The discount rates used are pre-tax and reflect specific risks relating to the design and installation service CGU.

16 INTEREST IN AN ASSOCIATE

	2018	2017
	RMB'000	RMB'000
Share of net assets	**–**	412

On 28 December 2018, a subsidiary of the Group, namely Weihai China Glass Solar Co., Ltd. ("Weihai Solar"), enter into an equity transfer agreement with a third party, pursuant to which Weihai Solar agree to transfer all its equity on an associate, namely Weihai Lvjian New Energy Technology Co., Ltd., to the third party with a cash consideration of RMB600,000.

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

17 INTEREST IN JOINT VENTURES

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

Name of joint venture	Place of establishment/ incorporation and business	Particulars of registered and paid-up capital	Effective percentage of equity attributable to the Company: Indirect	Effective percentage of equity attributable to the Company: Direct	Principal activities
GIGA&CNG Glass Company Limited	Tanzania	Registered and paid-up capital of HKD2,000,000	50.00%	–	Marketing and distribution of glass and glass products
Belt and Road Glass Management Limited	The Cayman Islands	Registered and paid-up capital of USD1,800,000	45.00%	–	Investment holding

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

18 INVENTORIES

	2018 RMB'000	2017 RMB'000
Inventories		
– Raw materials	**170,962**	112,679
– Work in progress and finished goods	**288,718**	247,942
– Racks, spare parts and consumables	**42,347**	36,678
	502,027	397,299
Less: write-down of inventories	**(9,734)**	(10,148)
	492,293	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:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**2,190,887**	2,235,292
Reversal of write-down of inventories	**(414)**	(450)
	2,190,473	2,234,842

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

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2018 RMB'000
Contract assets	
Arising from performance under service contracts	**2,350**
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables" (Note 20)	**27,164**

19 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(a) Contract assets (continued)

Typical payment terms which impact on the amount of contract assets recognised arising from service contracts are as follows:

The Group's service contracts include payment schedules which require stage payments over the period of rendering service once milestones are reached, these payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a 1 to 2 years retention period, this amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing retention period.

All contract assets are expected to be recovered within one year.

(b) Contract liabilities

	31 December 2018 RMB'000
Contract liabilities	
Service contracts	
– Billings in advance of performance	**5,344**

All of the contract liabilities are expected to be recognised as revenue within one year.

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

When the Group receives a deposit before rendering services commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	**–**
Business acquisition (Note 29)	**16,144**
Decrease in contract liabilities as a result of recognising revenue after business acquisition that was included in the contract liabilities	**(16,008)**
Increase in contract liabilities as a result of billing in advance of rendering services after business acquisition	**5,365**
Exchange adjustment	**(157)**
Balance at 31 December	**5,344**

20 TRADE AND OTHER RECEIVABLES

	31 December 2018 RMB'000	1 January 2018 (Note (ii)) RMB'000	31 December 2017 (Note (ii)) RMB'000
Trade receivables from (Note (a)):			
– Third parties	**191,528**	152,253	152,253
– Affiliates of non-controlling equity holders of subsidiaries	**15,667**	15,773	15,773
– A joint venture	**1,643**	–	–
Bills receivables	**158,152**	166,502	166,502
	366,990	334,528	334,528
Less: loss allowance (Note 34(a))	**(98,425)**	(92,694)	(83,676)
	268,565	241,834	250,852
Amounts due from related companies:			
– Equity shareholders of the Company and their fellow subsidiaries (Note (i))	**815**	2,965	2,965
– Non-controlling equity holders of a subsidiary (Note (i))	**150**	15,002	15,002
– A joint venture (Note (i))	**883**	–	–
	1,848	17,967	17,967
Other debtors:			
– Advances to third parties	**157,439**	158,221	158,221
– Receivable for disposal of land use rights	**1,133**	1,133	1,133
– Receivable for disposal of property, plant and equipment	**7,430**	7,920	7,920
– Receivable for relocation of production plants	**14,247**	30,451	30,451
– Receivable for government grants and compensation (Note (iii))	**199,407**	42,000	42,000
– Others	**49,113**	40,055	40,055
	428,769	279,780	279,780
Less: loss allowance (Note 34(a))	**(57,243)**	(65,243)	(55,437)
	371,526	214,537	224,343
Financial assets measured at amortised cost	**641,939**	474,338	493,162

20 TRADE AND OTHER RECEIVABLES (continued)

	31 December 2018 RMB'000	1 January 2018 (Note (ii)) RMB'000	31 December 2017 (Note (ii)) RMB'000
Prepayments and deposits:			
– Prepayments for the purchase of inventories	**76,970**	75,738	75,738
– Prepayments for the purchase of property, plant and equipment and land use rights	**28,624**	19,764	19,764
– Value added tax refundable	**56,072**	58,320	58,320
	161,666	153,822	153,822
	803,605	628,160	646,984

Notes:

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

(ii) Under the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade and other receivables (see Note 2(c)(i)).

(iii) The amount mainly represents the remaining receivables of the compensation for the incurred losses from the local government authority. The local government committed to pay off by 31 December 2019.

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

(a) Ageing analysis

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**73,189**	105,510
More than 1 month but less than 3 months	**23,770**	79,019
More than 3 months but less than 6 months	**101,588**	11,306
More than 6 months but less than 1 year	**24,082**	3,709
Over 1 year	**45,936**	51,308
	268,565	250,852

Further details on the Group's credit policy are set out in Note 34(a).

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2018 **RMB'000**	2017 RMB'000
Cash at bank and on hand	**570,832**	541,514
Time deposits with banks	**36,000**	20,000
Cash and cash equivalents in the consolidated statement of financial position	**606,832**	561,514
Less: time deposits with original maturity over 3 months	**(36,000)**	(20,000)
Cash and cash equivalents in the consolidated cash flow statement	**570,832**	541,514

At 31 December 2018, cash and cash equivalents of RMB157.3 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.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Bank and other loans RMB'000 (Note 23)	Convertible bonds RMB'000 (Note 24)	Finance leases RMB'000 (Note 25)	Interest payables RMB'000 (Note 22)	Total RMB'000
At 1 January 2018	2,352,258	58,311	105,284	9,025	2,524,878
Changes from financing cash flows:					
Proceeds from bank and other loans	1,867,913	–	–	–	1,867,913
Repayment of bank and other loans	(1,485,994)	–	–	–	(1,485,994)
Capital element of finance lease rentals paid	–	–	(26,959)	–	(26,959)
Interest element of finance lease rentals paid	–	–	(11,242)	–	(11,242)
Other borrowing costs paid	–	(5,576)	–	(181,049)	(186,625)
Total changes from financing cash flows	381,919	(5,576)	(38,201)	(181,049)	157,093
Exchange adjustments	14,783	3,498	–	–	18,281
Changes in fair value	–	(4,431)	–	–	(4,431)
Other changes:					
Additions through acquisition of business (Note 29)	45,423	–	–	–	45,423
New finance leases	–	–	27,940	–	27,940
Derecognition of finance leases due to the disposal of property plant and equipment	–	–	(54,280)	–	(54,280)
Finance charges on obligations under finance leases (Note 6(a))	–	–	11,242	–	11,242
Finance charges on convertible bonds (Note 6(a))	–	11,079	–	–	11,079
Interest expenses and other finance costs (Note 6(a))	–	–	–	139,273	139,273
Capitalised borrowing costs (Note 6(a))	–	–	–	51,731	51,731
Total other changes	45,423	11,079	(15,098)	191,004	232,408
At 31 December 2018	2,794,383	62,881	51,985	18,980	2,928,229

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Bank and other loans RMB'000 (Note 23)	Convertible bonds RMB'000 (Note 24)	Finance leases RMB'000 (Note 25)	Interest payables RMB'000 (Note 22)	Total RMB'000
At 1 January 2017	1,513,361	62,318	116,142	4,954	1,696,775
Changes from financing cash flows:					
Proceeds from bank and other loans	2,703,488	–	–	–	2,703,488
Repayment of bank and other loans	(1,859,418)	–	–	–	(1,859,418)
Capital element of finance lease rentals paid	–	–	(19,874)	–	(19,874)
Interest element of finance lease rentals paid	–	–	(1,986)	–	(1,986)
Other borrowing costs paid	–	(4,678)	–	(168,015)	(172,693)
Total changes from financing cash flows	844,070	(4,678)	(21,860)	(168,015)	649,517
Exchange adjustments	(5,173)	(4,151)	–	–	(9,324)
Changes in fair value	–	(5,031)	–	–	(5,031)
Other changes:					
Finance charges on obligations under finance leases (Note 6(a))	–	–	11,002	–	11,002
Finance charges on convertible bonds (Note 6(a))	–	9,853	–	–	9,853
Interest expenses and other finance costs (Note 6(a))	–	–	–	97,916	97,916
Capitalised borrowing costs (Note 6(a))	–	–	–	74,170	74,170
Total other changes	–	9,853	11,002	172,086	192,941
At 31 December 2017	2,352,258	58,311	105,284	9,025	2,524,878

22 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables to:		
– Third parties	**468,993**	469,148
– An affiliate of an equity shareholder of the Company	**–**	87
– Affiliates of non-controlling equity holders of subsidiaries	**2,108**	2,708
Bills payables	**313,511**	253,887
	784,612	725,830
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties (Note (i))	**41,615**	74,529
– Companies under common significant influence (Note (i))	**64**	64
	41,679	74,593
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**478,299**	323,026
– Payables for staff related costs	**82,504**	90,172
– Payables for acquisitions of non-controlling interests in subsidiaries	**4,359**	4,359
– Payables for miscellaneous taxes	**47,127**	79,507
– Payables for transportation expenses	**8,392**	8,727
– Advances from third parties	**31,545**	17,176
– Interest payables	**18,980**	9,025
– Others	**47,091**	51,918
	718,297	583,910
Financial liabilities measured at amortised cost	**1,544,588**	1,384,333
Provision for an outstanding litigation (Note (ii))	**37,407**	–
Contract liabilities:		
– Advances received from customers for sales of goods (Note (iii))	**72,641**	75,852
	1,654,636	1,460,185

Notes:

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

(ii) During the year ended 31 December 2018, a subsidiary of the Group was sued by a third party supplier for compensation for its loss due to suspending operation of a production line. Up to the date of this report, the director of the Company are of the opinion that there is significant uncertainty regarding the result and the estimated exposure arising from the litigation would be RMB37.4 million. The provision has been recognised as "administrative expenses" in the consolidated statement of profit or loss for the year ended 31 December 2018.

(iii) The Group normally requires its customers to prepay a portion of the total consideration before delivery. The contract liabilities balance for sales of goods at 1 January 2018 has been recognised as revenue during the year ended 31 December 2018. The balance at 31 December 2018 is expected to be recognised as revenue within one year.

22 TRADE AND OTHER PAYABLES (continued)

All of the trade and other payables are expected to be settled 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:

	2018 RMB'000	2017 RMB'000
Due within 1 month or on demand	**427,931**	443,670
Due after 1 month but within 6 months	**356,681**	282,160
	784,612	725,830

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

23 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	2018 RMB'000	2017 RMB'000
Bank loans	**1,275,175**	1,294,309
Loans from third parties	**36,811**	95,797
	1,311,986	1,390,106
Add: current portion of long-term bank and other loans (Note (b))	**753,414**	297,350
	2,065,400	1,687,456

23 BANK AND OTHER LOANS (continued)

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

At 31 December 2018, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2018 RMB'000	2017 RMB'000
Bank loans:		
– Pledged by bank bills	**245,615**	235,957
– Secured by the Group's property, plant and equipment and land use rights	**342,900**	518,000
– Guaranteed by Triumph Group	**322,903**	–
– Secured by the Group's land use rights 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	**283,757**	520,352
	1,275,175	1,294,309
Loans from third parties:		
– Pledged by bank bills	**–**	50,000
– Unguaranteed and unsecured	**36,811**	45,797
	36,811	95,797
	1,311,986	1,390,106

At 31 December 2018, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's short-term bank loans is RMB661.2 million (31 December 2017: RMB732.9 million).

At 31 December 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)

23 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans

	2018 RMB'000	2017 RMB'000
Bank loans	**347,062**	7,500
Loans from third parties	**1,135,335**	954,652
	1,482,397	962,152
Less: current portion of long-term bank and other loans (Note (a))	**(753,414)**	(297,350)
	728,983	664,802

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

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**753,414**	297,350
After 1 year but within 2 years	**577,111**	505,384
After 2 years but within 5 years	**151,872**	159,418
	1,482,397	962,152

23 BANK AND OTHER LOANS (continued)

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

At 31 December 2018, the Group's long-term bank and other loans are secured as follows:

	2018 RMB'000	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 Triumph Group	178,443	–
– Guaranteed by Triumph Group	168,619	–
	347,062	7,500
Loans from third parties:		
– Secured by the Group's property, plant and equipment and land use rights	16,587	28,349
– Secured by the Group's property, plant and equipment and guaranteed by Triumph Group (Note (i))	786,158	556,564
– Secured by the Group's property, plant and equipment and guaranteed by a director of the Company	32,280	69,128
– Guaranteed by Triumph Group	300,000	300,000
– Unguaranteed and unsecured	310	611
	1,135,335	954,652
	1,482,397	962,152

Note:

(i) During the year ended 31 December 2018, the Group enters into a series of finance lease agreements pursuant to which the Group sells certain machineries to the lessors and lease them back from the lessors over a three years lease period simultaneously. After the lease period, the Group has a right to purchase those machineries back from lessors with a minimum nominal value. The risk and awards incident to owning those machineries are not substantially changed before and after the finance lease agreement, and the substance of those finance lease agreements is to obtain loans from the lessors secured by those machineries. As a result, the Group recognises the consideration from sales of machineries as secured loans and does not derecognise those machineries from its consolidated financial statements.

At 31 December 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 RMB1,322.6 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.

23 BANK AND OTHER LOANS (continued)

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

At 31 December 2018, the Group's banking facilities amounted to RMB910.0 million (31 December 2017: RMB604.5 million) were utilised to the extent of RMB744.3 million (31 December 2017: RMB421.0 million).

(c) Certain of the Group's bank and other loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 34(b).

24 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 1 January 2017	39,851	22,467	62,318
Accrued finance charges for the year (Note 6(a))	9,853	–	9,853
Interest paid	(4,678)	–	(4,678)
Fair value changes on the derivative components (Note 6(a))	–	(5,031)	(5,031)
Exchange adjustments	(2,849)	(1,302)	(4,151)
At 31 December 2017 and 1 January 2018	42,177	16,134	58,311
Accrued finance charges for the year (Note 6(a))	11,079	–	11,079
Interest paid	(5,576)	–	(5,576)
Fair value changes on the derivative components (Note 6(a))	–	(4,431)	(4,431)
Exchange adjustments	2,824	674	3,498
At 31 December 2018	50,504	12,377	62,881

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.

25 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2018, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**22,262**	**24,385**	25,092	27,627
After 1 year but within 2 years	**20,397**	**24,486**	28,211	33,824
After 2 years but within 5 years	**9,326**	**12,215**	46,008	63,880
After 5 years	**–**	**–**	5,973	10,299
	29,723	**36,701**	80,192	108,003
	51,985	**61,086**	105,284	135,630
Less: total future interest expenses		**(9,101)**		(30,346)
Present value of finance lease obligations		**51,985**		105,284

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 30 May 2005 whereby the directors of the Company are authorised, at their discretion, to invite (i) any executive director or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity, to take up share options at HK$1.00 as consideration to subscribe for shares in the Company.

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

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

The Share Option Scheme was expired on 22 June 2015, and a new share option scheme (the "New Share Option Scheme") has been approved by a special general meeting of shareholders of the Company on 19 February 2016. No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the years ended 31 December 2018 and 2017.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

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

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

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

	2018		2017	
	Weighted average exercise price	**number of options '000**	Weighted average exercise price	number of options '000
Outstanding at the beginning of the year	**HK$1.25**	**32,350**	HK$1.25	33,010
Forfeited during the year	**HK$1.25**	**(860)**	HK$1.25	(660)
Outstanding at the end of the year	**HK$1.25**	**31,490**	HK$1.25	32,350
Exercisable at the end of the year	**HK$1.25**	**31,490**	HK$1.25	22,645

The share options outstanding at 31 December 2018 had an exercise price of HK$1.25 (31 December 2017: HK$1.25) and a weighted average remaining contractual life of 3.36 years (31 December 2017: 4.36 years).

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Share award scheme

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

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

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

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

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 1 January 2018		86,000	47,888
Shares purchased during the year	0.633	29,620	16,365
At 31 December 2018		115,620	64,253

During year 2018, 29,620,000 ordinary shares (2017: 86,000,000 ordinary shares) were purchased for the Share Award Scheme with an average purchase price of HK$0.633 per share (equivalent to approximately RMB0.553 per share) (2017: HK$0.663, equivalent to approximately RMB0.555 per share). No shares have been awarded to any selected employee as at the date of these financial statements.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2018 **RMB'000**	2017 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**70,794**	54,691
Additions through acquisition of business (Note 29)	**5,831**	–
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**69,004**	43,910
(Over)/under-provision in respect of prior years (Note 7(a))	**(584)**	237
Income tax paid	**(43,679)**	(28,044)
Balance of income tax payable (net of prepaid income tax) at 31 December	**101,366**	70,794
Represented by:		
Income tax payable	**116,122**	94,602
Prepaid income tax	**(14,756)**	(23,808)
	101,366	70,794

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

(b) Deferred tax assets and liabilities recognised:

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses	Write-down of inventories	Loss allowance (Note)	Depreciation expenses in excess of related tax allowances, amortisation of government grants, and fair value adjustment of investments	Impairment losses on property, plant and equipment and intangible assets	Total	Fair value adjustments on intangible assets, property, plant and equipment, land use rights, equity securities, finance lease, interest capitalisation and related depreciation (Note)	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 (Note 7(a))	(6,936)	(115)	767	11,797	–	5,513	(1,230)	4,283
At 31 December 2017	153,711	1,032	23,042	39,565	6,673	224,023	(34,948)	189,075
Impact on initial application of HKFRS 9 (Note 2(c)(i))	–	–	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**
Additions through acquisition of business (Note 29)	**3,577**	**–**	**–**	**4,622**	**–**	**8,199**	**(32,143)**	**(23,944)**
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	**(19,183)**	**(96)**	**(735)**	**35,336**	**–**	**15,322**	**4,038**	**19,360**
Credited to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**70**	**70**
Exchange adjustment	**(31)**	**–**	**(2)**	**(46)**	**–**	**(79)**	**279**	**200**
At 31 December 2018	**138,074**	**936**	**27,062**	**79,477**	**6,673**	**252,222**	**(63,007)**	**189,215**

Note: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model and deferred tax liabilities on the fair value adjustment on equity securities (see Note 2(c)(i)).

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(v), the Group has not recognised deferred tax assets in respect of unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB437.8 million (31 December 2017: RMB454.5 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB39.3 million which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2018 will expire on or before 31 December 2023.

(d) Deferred tax liabilities not recognised

At 31 December 2018, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB862.0 million (31 December 2017: RMB755.1 million). Deferred tax liabilities of RMB79.9 million (31 December 2017: RMB75.5 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 28(c))	Share premium RMB'000 (Note 28(d)(i))	Shares held under share award scheme RMB'000 (Note 28(d)(ii))	Capital reserve RMB'000 (Note 28(d)(iii))	Exchange reserve RMB'000 (Note 28(d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	84,867	2,081,912	–	30,139	33,064	(133,673)	2,096,309
Changes in equity for 2017:							
Loss for the year	–	–	–	–	–	(58,954)	(58,954)
Other comprehensive income	–	–	–	–	(137,297)	–	(137,297)
Total comprehensive income for the year	–	–	–	–	(137,297)	(58,954)	(196,251)
Equity settled share-based transactions (Note 26(a))	–	–	–	2,467	–	–	2,467
Shares purchased under the share award scheme (Note 26(b))	–	–	(47,888)	–	–	–	(47,888)
	–	–	(47,888)	2,467	–	–	(45,421)
At 31 December 2017	84,867	2,081,912	(47,888)	32,606	(104,233)	(192,627)	1,854,637
At 1 January 2018	84,867	2,081,912	(47,888)	32,606	(104,233)	(192,627)	1,854,637
Changes in equity for 2018:							
Loss for the year	–	–	–	–	–	(33,553)	(33,553)
Other comprehensive income	–	–	–	–	89,302	–	89,302
Total comprehensive income for the year	–	–	–	–	89,302	(33,553)	55,749
Equity settled share-based transactions (Note 26(a))	–	–	–	592	–	–	592
Shares purchased under the share award scheme (Note 26(b))	–	–	(16,365)	–	–	–	(16,365)
	–	–	(16,365)	592	–	–	(15,773)
At 31 December 2018	84,867	2,081,912	(64,253)	33,198	(14,931)	(226,180)	1,894,613

Note: The Group, including the Company, has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. There has been no impact on the Company's individual components of equity.

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

(i) The directors of the Company do not propose final dividends after 31 December 2018 (2017: HK$Nil).

(ii) No final dividend in respect of the previous financial year has been approved during the year (2017: HK$Nil).

(c) Share capital

(i) *Authorised and issued share capital*

	2018		2017	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At 1 January and 31 December, at HK$0.05 each	**3,600,000,000**	**180,000**	3,600,000,000	180,000

	2018		2017	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,810,147,058**	**84,867**	1,810,147,058	84,867

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

Exercise period	Exercise price	2018 Number	2017 Number
13 May 2016 to 12 May 2022	HK$1.25	**12,596,000**	12,940,000
13 May 2017 to 12 May 2022	HK$1.25	**9,447,000**	9,705,000
13 May 2018 to 12 May 2022	HK$1.25	**9,447,000**	9,705,000
		31,490,000	32,350,000

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 26(a) to these financial statements.

(iii) At 31 December 2018, 115,620,000 ordinary shares are held by the Company under the Share Award Scheme (31 December 2017: 86,000,000) (see Note 26(b)).

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Shares held under share award scheme

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

(iii) Capital reserve

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

(iv) Statutory reserves

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

(v) Exchange reserve

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

(vi) 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 HKFRS 9 that are held at the end of the reporting period.

(e) Distributable reserves

At 31 December 2018, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval) available for distribution to equity shareholders of the Company was RMB2,081.9 million (31 December 2017: RMB2,081.9 million). The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

(f) Capital management

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

28 CAPITAL, RESERVES AND DIVIDENDS (continued)

(f) Capital management (continued)

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

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

During 2018, the Group's strategy was to manage the adjusted net debt-to-capital ratio not to significantly differ from that of the 2017. However, due to the acquisition of business (see Note 29) and capital expenditure in expansion and improvement of production lines, the adjusted net debt-to-capital ratio increased 13%. The directors of the Company will continue to monitor and improve the Group's capital structure. The Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. The Group believe that its new production lines and new acquired business can bring more operating cash flows to the Group and that will also improve adjusted net debt-to-capital ratio.

The adjusted net debt-to-capital ratio at 31 December 2018 and 2017 was as follows:

	2018 RMB'000	2017 RMB'000
Current liabilities:		
Trade and other payables	**1,654,636**	1,460,185
Obligations under finance leases	**22,262**	25,092
Bank and other loans	**2,065,400**	1,687,456
	3,742,298	3,172,733
Non-current liabilities:		
Bank and other loans	**728,983**	664,802
Convertible bonds	**62,881**	58,311
Obligations under finance leases	**29,723**	80,192
Other non-current liabilities	**4,421**	2,930
	826,008	806,235
Total debt	**4,568,306**	3,978,968
Less: cash and cash equivalents	**(606,832)**	(561,514)
Adjusted net debt	**3,961,474**	3,417,454
Total equity	**2,221,931**	2,164,450
Adjusted net debt-to-capital ratio	**178%**	158%

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

29 ACQUISITION OF BUSINESS

On 27 September 2018, the Company entered into an acquisition agreement with Star Capital SGR S.p.A., Industries S.R.L. and Mr. Gazzaniga (collectively referred to as the "Vendors"), independent third parties, pursuant to which the Company agreed to acquire 100% interests in OGT from the Vendors with a cash consideration of EUR21,445,000.

Upon completion of the above acquisition on 30 October 2018, the Company paid cash consideration, acquired 100% equity interests in OGT and recorded a goodwill of EUR13,755,000 calculated as below:

	EUR'000
Total cash consideration (Note (i))	21,445
Less: fair value of identifiable net assets acquired	(7,690)
Goodwill (Note 15)	13,755

Notes:

(i) An amount of EUR1.5 million of the total cash consideration was paid to an escrow agent in accordance with an escrow agreement entered into by the Company and the Vendors, which is the maximum aggregate liability that the Vendors should be responsible in respect of the warranties agreed in the acquisition agreement ("Warranties"). The Company could asked the Vendors for indemnification in respect of any actual or alleged breach of the Warranties in 12 months after the acquisition was completed ("Warranty Period"). After the Warranty Period, the remaining amount will be paid to the Vendors by the escrow agent. However, the Vendors' liability shall not be subject to any time limitation in the event of fraud and gross negligence.

As at date of these financial statements, the Company has sent legal notice to the Vendors and claimed for compensation for a series of breaches of the Warranties not exceeded EUR1.5 million. And the Company has not received the Vendors' response by the date of this report. The amounts of the compensation to be officially agreed by Vendors will be refunded from the escrow agent to the Group.

29 ACQUISITION OF BUSINESS (continued)

(ii) Fair value of identifiable assets and liabilities acquired

	Pre-acquisition carrying amounts EUR'000	Fair value adjustments EUR'000	Recognised values on acquisition EUR'000
Property, plant and equipment (Note 11)	176	–	176
Intangible assets (Note 14)	871	15,480	16,351
Deferred tax assets (Note 27(b))	1,036	–	1,036
Trade and other receivables	4,522	–	4,522
Contract assets	817	–	817
Inventories	2,793	–	2,793
Cash and cash equivalents	57	–	57
Trade and other payables	(5,168)	–	(5,168)
Contract liabilities	(2,040)	–	(2,040)
Bank loans	(5,740)	–	(5,740)
Income tax payable (Note 27(a))	(737)	–	(737)
Other non-current liabilities	(316)	–	(316)
Deferred tax liabilities (Note 27(b))	(346)	(3,715)	(4,061)
Total identifiable net assets	(4,075)	11,765	
Fair value of identifiable net assets acquired			7,690

Pre-acquisition carrying amounts of the acquirees' assets and liabilities were determined based on applicable HKFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of identifiable assets and liabilities, the directors of the Company have referenced the fair value adjustments to valuation report issued by Baker Tilly International, an independent professional valuer.

From the date of the above acquisition to 31 December 2018, the above acquisition contributed revenue of EUR4.7 million (equivalent to RMB36.6 million) and net profit of EUR0.6 million (equivalent to RMB4.7 million) to the Group for the year ended 31 December 2018. Had the above acquisition been completed on 1 January 2018, the directors of the Company estimated the consolidated revenue and consolidated net profit for the year ended 31 December 2018 would have been RMB2,705.6 million and RMB94.7 million, respectively.

(iii) Net cash outflow arising on acquisition

	EUR'000
Cash consideration paid	21,445
Less: cash and cash equivalents acquired	(57)
Total net cash outflow	21,388

The goodwill is attributable mainly to the benefit of skills and technical talents of the acquired businesses' workforce and the synergies expected to be achieved from integrating the entities into the Group's existing businesses. OGT is one of the leaders around the global market who owns glass tubing technology that is critical to install pharmaceutical glass production lines, and also one of the leading companies in the industry that is capable of providing a full range of design and installation service for the entire hollow glass production lines. Considering the exuberant demand of pharmaceutical related industry in mainland China, the Company made the decision of acquiring OGT to introduce the technology and experiences into Chinese market and fill the domestic vacancy, as well as expand the existing industry chain and optimise the industry exposure, with a view to maximize the return to the equity shareholders of the Company in the long run.

30 REDUCTION OF PAID-UP CAPITAL OF A SUBSIDIARY OF THE GROUP

During the year ended 31 December 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.

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

The Group entered into a series of equity transfer agreements to acquire 17.0% equity interests in a subsidiary, namely Baoji China Glass Mining Company Limited ("Baoji Mining") from certain non-controlling equity holders of Baoji Mining at a consideration of RMB0.6 million.

Upon completion of the above acquisition, the Group's effective interest in Baoji Mining increased from 83.0% to 100%. Consequently, the Group recognised a decrease in non-controlling interests of RMB0.5 million.

32 MATERIAL RELATED PARTY TRANSACTIONS

At 31 December 2018, the directors of the Company consider that the Company did not have immediate and ultimate holding company.

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

(a) Transactions with Triumph Group and its related parties

	2018 RMB'000	2017 RMB'000
Purchase of property, plant and equipment	**637**	296
Construction service expenses	**11,318**	175,872
Sale of property, plant and equipment	**–**	1,326
Guarantees received for the Group's loans	**899,560**	856,564

(b) Transactions with a joint venture of the Group

	Note	**2018 RMB'000**	2017 RMB'000
Sale of glass products		**9,259**	–
Net increase in non-interest bearing advances granted to related parties	(i)	**1,255**	–

Note:

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

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with a director of the Company

	2018 RMB'000	2017 RMB'000
Guarantees received for the Group's loans	**60,000**	69,128

(d) Transactions with companies under common significant influence

	2018 RMB'000	2017 RMB'000
Sale of glass products	**–**	1,757

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

	2018 RMB'000	2017 RMB'000
Sale of glass and glass products to related parties	**–**	194

(f) Key management personnel remuneration

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

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**4,076**	4,472
Contributions to defined contribution retirement plans	**665**	693
Equity compensation benefits under share option scheme (see Note 26(a))	**261**	1,079
	5,002	6,244

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

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

For the year ended 31 December 2018, the related party transactions in respect of receiving construction services and guarantees for the Group's loans from Triumph Group and its related parties above constitute connected transactions as defined in Chapter 14A of the Listing Rules. These transactions are disclosed in the "Report of the Board of Directors" as required by Chapter 14A of the Listing Rules.

33 COMMITMENTS

(a) Capital commitments

At 31 December 2018, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**60,807**	236,657
– Authorised but not contracted for	**1,012,219**	792,426
	1,073,026	1,029,083

At 31 December 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 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**7,913**	7,097
After 1 year but within 5 years	**2,823**	7,914
After 5 years	**2,990**	2,477
	13,726	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.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

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

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 December 2018, 4.3% (31 December 2017: 5.2%) and 11.2% (31 December 2017: 11.5%) of the total trade and bills receivables and contract assets were due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0%	19,988	–
Less than 1 year past due	3%	48,771	(1,234)
More than 1 year past due	68%	142,429	(97,191)
		211,188	(98,425)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The movements in the loss allowance account in respect of trade and other receivables during the year are as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December under HKAS39	**139,113**	129,324
Impact on initial application of HKFRS9 (Note 2(c)(i))	**18,824**	–
Adjusted balance at 1 January	**157,937**	129,324
Loss allowance (reversed)/recognised	**(2,260)**	9,789
Exchange adjustment	**(9)**	–
Balance at 31 December	**155,668**	139,113

The following significant changes in the gross carrying amounts of trade and other receivables contributed to the increase in the loss allowance during 2018:

– reversal of loss allowance for other receivables of RMB7.5 million;

– origination of new trade receivables net of those trade and other receivables settled resulted in an increase in loss allowance of RMB1.2 million; and

– increase in days past due over 1 year resulted in an increase in loss allowance of RMB4.0 million.

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

(a) Credit risk (continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(n)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of RMB139.1 million were determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

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

	2017 RMB'000
Not past due	174,969
Less than 1 month past due	14,193
More than 1 month but less than 3 months past due	3,669
More than 3 months but less than 6 months past due	3,004
More than 6 months past due	55,017
	75,883
	250,852

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 20.

(b) Liquidity risk

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

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

(b) Liquidity risk (continued)

As at the date of these financial statements, the Group has financed new bank and other loans of RMB90.0 million, refinanced certain of its short-term loans of RMB80.5 million, and taking into account of unutilised banking facilities of RMB509.0 million, the Group is currently under negotiation with several financial institutions in the raising of new bank loans that if successfully obtained, would be sufficient to cover most of the Group's short-term liquidity needs. In addition to the above, based on a cash flow forecast of the Group for the year ending 31 December 2020 prepared by the management, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term.

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

	2018 Contractual undiscounted cash outflow							
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables measured at amortised cost	**1,267,117**	**208,187**	**69,284**	**–**	**–**	**–**	**1,544,588**	**1,544,588**
Bank and other loans	**476,420**	**761,340**	**614,551**	**239,626**	**545,851**	**242,826**	**2,880,614**	**2,794,383**
Obligations under finance leases	**6,096**	**6,096**	**6,096**	**6,097**	**24,486**	**12,215**	**61,086**	**51,985**
Other non-current liabilities	**–**	**–**	**–**	**–**	**3,181**	**2,091**	**5,272**	**4,421**
Liability component of convertible bonds	**–**	**2,450**	**–**	**2,450**	**4,901**	**65,131**	**74,932**	**50,504**
	1,749,633	**978,073**	**689,931**	**248,173**	**578,419**	**322,263**	**4,566,492**	**4,445,881**

	2017 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables measured at amortised cost	1,241,173	143,160	–	–	–	–	–	1,384,333	1,384,333
Bank and other loans	534,356	425,666	643,641	184,496	561,607	181,626	–	2,531,392	2,352,258
Obligations under finance leases	6,882	6,882	6,932	6,931	33,824	63,880	10,299	135,630	105,284
Other non-current liabilities	–	–	–	–	629	2,004	1,438	4,071	2,930
Liability component of convertible bonds	–	2,450	–	2,450	4,901	70,032	–	79,833	42,177
	1,782,411	578,158	650,573	193,877	600,961	317,542	11,737	4,135,259	3,886,982

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

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

	2018		2017	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Obligations under finance leases	**9.51%**	**51,985**	9.51%	105,284
Bank and other loans	**5.78%**	**1,432,763**	6.12%	1,658,894
Liability component of convertible bonds	**26.87%**	**50,504**	26.87%	42,177
Other non-current liabilities	**7.70%**	**4,421**	7.70%	2,930
		1,539,673		1,809,285
Variable rate borrowings:				
Bank and other loans	**8.55%**	**1,361,620**	8.59%	693,364
Total borrowings		**2,901,293**		2,502,649
Fixed rate borrowings as a percentage of total borrowings		**53%**		72%

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and the Group's retained profits by approximately RMB10.8 million (31 December 2017: decreased/increased the Group's profit after tax and the Group's retained profits by approximately RMB5.2 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of the reporting period. The impact on the Group's results after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2017.

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

(d) Currency risk

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

(i) Recognised assets and liabilities

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

(ii) Exposure to currency risk

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

	2018 Exposure to foreign currencies				
	USD RMB'000	**RMB RMB'000**	**HK$ RMB'000**	**NGN RMB'000**	**Euros RMB'000**
Trade and other receivables	**15,798**	**–**	**–**	**–**	**–**
Cash and cash equivalents	**8,610**	**1,254**	**18**	**1,489**	**1**
Trade and other payables	**(60,544)**	**(4,359)**	**(14,405)**	**(22,901)**	**–**
Gross exposure arising from recognised assets and liabilities	**(36,136)**	**(3,105)**	**(14,387)**	**(21,412)**	**1**

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

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

(d) Currency risk (continued)

(iii) Sensitivity analysis

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

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and in retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and in retained profits RMB'000
USD	**10%**	**(3,046)**	10%	(5,778)
	(10%)	**3,046**	(10%)	5,778
RMB	**10%**	**(310)**	10%	2,022
	(10%)	**310**	(10%)	(2,022)
HK$	**10%**	**(1,126)**	10%	(2,645)
	(10%)	**1,126**	(10%)	2,645
NGN	**10%**	**(2,141)**	10%	(728)
	(10%)	**2,141**	(10%)	728

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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 31 December 2018 categorised into		
	Fair value at 31 December 2018 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial asset:				
Equity securities (Note)	**2,923**	**–**	**–**	**2,923**
Liabilities:				
Derivative component of the convertible bonds (Note 24)	**12,377**	**–**	**12,377**	**–**

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	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				
Liabilities:				
Derivative component of the convertible bonds (Note 24)	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 2(c)(i)).

Valuation techniques and inputs used in Level 2 fair value measurements

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

	Derivative components of the Convertible Bonds	
Dates of valuation	**31/12/2018**	**31/12/2017**
Share price (HK$)	0.57	0.90
Exercise price (HK$)	1.28	1.28
Expected volatility (Note (aa))	44.34%	59.09%
Dividend yield (Note (aa))	0.35%	0.35%
Maturity period	2.09 years	3.09 years
Conversion period	2.07 years	3.07 years
Discount rate (Note (aa))	15.18% – 15.29%	12.27% – 12.83%

Note:

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

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

(e) Fair value measurement (continued)

(ii) 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 31 December 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 RMB169,073.

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 2(c)(i))	1,211
Adjusted balance at 1 January 2018	3,202
Net unrealised loss recognised in other comprehensive income during the period	(279)
At 31 December 2018 under HKFRS 9	2,923

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.

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

(e) Fair value measurement (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values at 31 December 2018 and 2017 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2018		2017	
	Carrying amount at 31 December RMB'000	**Fair value measurements at 31 December categorised into Level 3 RMB'000**	Carrying amount at 31 December RMB'000	Fair value measurements at 31 December categorised into Level 3 RMB'000
Asset				
Available-for-sale investments	**–**	**–**	1,991	3,202
Liabilities				
Long-term bank and other loans	**728,983**	**723,018**	664,802	667,121
Liability component of convertible bonds	**50,504**	**58,822**	42,177	56,272

Valuation techniques and inputs used in Level 3 fair value measurements

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

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

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount long-term bank and other loans. The Group used the risk free interest rate with reference to the Hong Kong Sovereign Zero Coupon Yields as of the 31 December 2018 plus the Corporate Bond Liquidity Yield Spread and the BofA Merrill Lynch Option-Adjusted Spread with similar credit ratings to discount the liability component of the convertible bonds as of 31 December 2018. The interest rates used are as follows:

	2018	2017
Long-term bank and other loans	**5.80%**	6.17%
Liability component of convertible bonds	**15.18% – 15.29%**	12.27% – 12.83%

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**234**	231
Investments in subsidiaries		**1,120,818**	909,293
Loans to subsidiaries		**44,330**	55,829
		1,165,382	965,353
Current assets			
Other receivables		**1,323,999**	1,316,976
Cash and cash equivalents		**65,729**	4,709
		1,389,728	1,321,685
Current liabilities			
Other payables		**99,283**	59,541
Bank and other loans		**329,714**	314,549
		428,997	374,090
Net current assets		**960,731**	947,595
Total asset less current liabilities		**2,126,113**	1,912,948
Non-current liabilities			
Bank and other loans		**168,619**	–
Convertible bonds		**62,881**	58,311
		231,500	58,311
NET ASSETS		**1,894,613**	1,854,637
CAPITAL AND RESERVES	28		
Share capital		**84,867**	84,867
Reserves		**1,809,746**	1,769,770
TOTAL EQUITY		**1,894,613**	1,854,637

Approved and authorised for issue by the board of directors on 27 March 2019.

Peng Shou
Chairman

Cui Xiangdong
Director

(Expressed in RMB unless otherwise indicated)

36 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 2(c).

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTER-PRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HKFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015–2017 cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements, the impact is not material. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

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

37 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTER-PRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16, Leases (continued)

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in Note 33(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB5.8 million for properties and other assets, with 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, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB4.2 million, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.