CNG 中玻

CHINA GLASS HOLDINGS LIMITED
中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 3300

Interim Report 2019

*For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors

Mr. Peng Shou *(Chairman)*
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Zhao John Huan
Mr. Zhang Jinshu

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

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS

As to Hong Kong Law
Norton Rose Fulbright Hong Kong

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

As to Bermuda Law
Appleby

PRINCIPAL BANKERS

Bank of Communications
Bank of Hankou
Bank of Shanghai
China Construction Bank
China Development Bank
Hua Xia Bank
Industrial and Commercial Bank of China
Luso International Bank Ltd.
Shanghai Pudong Development Bank Co., Ltd.
The Export-Import Bank of China

AUDITORS

KPMG
Certified Public Accountants

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Limited

STOCK CODE

The Stock Exchange of Hong Kong Limited: 3300

WEBSITE

www.chinaglassholdings.com

Management Discussion and Analysis

MARKET REVIEW

After the general recovery in 2017 and the differentiation in the development momentum of 2018, the global economy as a whole showed a slowdown during the first half of 2019 with major economies showing a weak development momentum. In China, it is highly possible that its macro economy will first slow down and then stabilize with growth rates ranging from 6.2% to 6.3% being the new norm. In order to maintain the reasonable operation of its national economy, China will focus on the investment in infrastructure and property market during macro regulation and control.

During the first half of 2019, the flat glass industry continued its supply-side structural reform, and the industry's economy was operating smoothly, but the overcapacity issue still existed. Due to the shrinking of the supply side caused by environmental policies and cold repair, and the demand side remained stable, the prices of glass has stabilized since the second quarter of the year.

BUSINESS REVIEW

China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") currently have 13 float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 30 June 2019, the Group had 9 float glass production lines in operation, while those production lines not in operation were temporarily halted for technical upgrades due to cold repair and relocation. The Group also had 1 offline low-emission coated ("Low-E") glass production line, 1 amorphous silicon thin-film battery production line, and a company specialized in pharmaceutical glass production line technologies and services. A float glass production line with capacity of 500 tonnes per day in Nigeria is currently under construction.

RAW MATERIAL AND FUEL PRICES AND PRODUCTION COSTS

During the first half of 2019, the market prices of soda ash in the PRC first decreased and then increased, and followed by another drop. With the increase in production capacity, the average prices of soda ash were slightly lower as compared to the same period of last year.

In terms of fuel, the prices in the imported petroleum coke market showed a trend of slight decline due to the effects of increased import volume and decreased prices of domestic refineries. As for natural gas, the supply was tight causing its prices to increase as compared to the same period of last year. And as for fuel oil, its prices declined as compared to the same period of last year due to the effects of demand.

In terms of mineral raw materials, prices for materials such as silica sand, limestone and dolomite not only had increased due to the effects of environmental policies, such materials also experienced a tight supply.

PRODUCTION, SALES AND SELLING PRICE

In the first half of 2019, the Group sold 12.2 million weight cases of major float glass products, and the integrated average selling price of the Group's products was approximately RMB75 per weight case, representing a decrease of 4% as compared to the same period of last year.

In the first half of 2019, the Group recorded a revenue of approximately RMB971 million, representing a decrease of 19% as compared to the same period of last year, as well as a net profit of approximately RMB50.14 million. The decrease in revenue in the first half of the year was mainly attributable to the decrease in the selling price and sales volume of glass products.

MAJOR WORKS IN THE FIRST HALF OF 2019

1. Deepening and implementing the Company's mid- and long- term development strategies

In terms of "organic growth", as per market demand, we accelerate the upgrading and transformation of production lines, enhance product quality and added value, and meet clients' demand for quality deeply processed products; in terms of "M&A and restructuring", as per strategic deployment of the Group, we improve product structure, implement production capacity replacement, confirm work plan on new projects like pharmaceutical glass; in terms of "Go Out", we actively organize the installation and commissioning of the Nigeria project before operation and also promote the construction progress of Kazakhstan project in line with the Belt and Road Integration Fund.

2. Improving information system to promote the fully upgrading of corporate management

As the establishment of "Four Standards and One System" management systems, we implement the launch and operation of business module systems such as financial management, supply chain management, quality management, and sales, in order to deepen the construction of the industry extension module of the Group, enhance work efficiency, and further reduce management costs.

3. Optimizing organization and management structure and deepening the management control system of the group

In order to fulfill its strategical plans and objectives, the Group established a management control consulting team to conduct research on the status of its management control system, design organization and management structure, determine management control model, optimize organizations and institutions, clarify position, powers and responsibilities of the headquarters, improve performance appraisal and incentive mechanism in order to guarantee the realization of its strategic objectives.

4. Marketing

The Group opens 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 participates in the industry price coordination meeting and responds to the industry call; develops new customers, explores new channels, achieves differentiated sales, and improves the sales volume of high-end products.

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

By relying on its open internal and external technology platform, the Group will further promote the differentiation of featured products and facilitate the new and old production capacity transformation. In Dongtai Base, the key R&D tests on the online Low-E products with a radiation rate of ≤0.15 made breakthroughs; In Weihai Base, sales of deeply processed products increased significantly as compared to the same period of last year; and in Wuhai Base, it is expected that new products like zero self-destructing glass, ultra-hard glass, and single sheet fireproof glass will be launched when they are ready.

THE GLASS MARKET OUTLOOK

During the second half of 2019, it is expected that China's economy will continue be picking up slowly, and the industrial structure adjustment will further intensify. Due to the effects of strengthening in environmental governance, the increase in cold repair production lines and the approach of glass industrial peak season, the price of glass is expected to maintain steady growth with an improving supply and demand relationship, which may possibly improve the margin of the glass industry.

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

During the second half of 2019, it is expected that the domestic soda ash price may slightly increase in the third quarter as affected by a decrease in operating rate. In the fourth quarter, the soda ash price may gradually fall back as the soda ash production capacity gradually recovers. The general price levels during the second half of 2019 might be lower as compared to the same period of last year.

In terms of fuel, it is expected that the coal tar processing companies will be affected by environmental policies, resulting in reducing production and rising prices and the prices of the natural gas may further increase driven by the increasing demand. The price of imported petroleum coke is expected to rise slightly due to the effects of environmental policies.

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

WORK PLANS FOR THE SECOND HALF OF 2019

1. In accordance with the requirements of “Informatization & Industrialization”, the Group will expedite the progress of the establishment and upgrade of production lines, realize the transformation of new and old kinetic energy conversion, and enhance the product quality and profitability. In terms of management, the Group will further deepen the “Four Standards and One System”, and support the establishment of the organization management structure and control system in line with the mid-term strategic objectives of the Group. 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 “Created in China 2025”.

2. On the basis of traditional main business of high-quality float glass, the Group will actively expand the production and processing of new businesses such as pharmaceutical glass, automobile glass and special glass, optimize the product structure, extend its reach to the downstream glass industry, and realize the transformation of products to high-end, precision and advanced products according to the requirements of marketization and internationalization.

3. In terms of marketing and service, the Group will have an in-depth market survey to understand customers’ demands and adjust the product structure accordingly, 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 for the consumers.

4. As for expansion of overseas business, the Group will make full preparations for the commencement of production in the second half of the year in Nigeria; proactively cooperate with “the Belt and Road Integration Fund of Glass Industry” to stably promote the construction progress of the project in Kazakhstan; introduce the Italian pharmaceutical glass technology to the China market, and give play to the advanced technology and service in terms of pharmaceutical glass products.

FINANCIAL REVIEW

Revenue

For the first six months of 2019, the revenue of the Group from its principal business decreased by approximately 19% to approximately RMB971 million as compared to approximately RMB1,193 million in the first six months of 2018. The decrease in revenue was mainly due to the combined effects of the decrease in average unit selling price of 4% and the decrease of sales volume of 21%.

Cost of sales

The Group's cost of sales decreased by approximately 8% from approximately RMB975 million for the first six months of 2018 to approximately RMB895 million for the first six months of 2019. The decrease in cost of sales was mainly attributable to the combined effects of the decreases in sales volume and the increase in costs of raw and fuel materials.

Gross profit

The Group's gross profit decreased by approximately 65% from approximately RMB219 million for the first six months of 2018 to approximately RMB76 million for the first six months of 2019. The decrease in gross profit was mainly attributable to the combined effects of the decrease in market prices of glass products and sales volume.

Other income

The Group's other income increased from approximately RMB28 million for the first six months of 2018 to approximately RMB206 million for the first six months of 2019. Other income was mainly net gain on relocation of production plants for the six months ended 30 June 2019.

Administrative expenses

For the first six months of 2019, the administrative expenses of the Group increased by 38% to RMB123 million as compared to RMB89 million for the first six months of 2018. The increase in administrative expenses was mainly attributable to the increase in employee benefits and salaries of certain subsidiaries and classification from costs to expenses of labor costs for cold repair of the production lines.

Finance costs

For the first six months of 2019, the finance costs of the Group increased by approximately 32% to approximately RMB86 million as compared to approximately RMB65 million in the first six months of 2018. The increase in finance costs was mainly due to the increase of the average balance of borrowings as the Group actively expanded the financing channels.

Income tax

The Group's income tax turn into net income for the first six months of 2019 with an amount of RMB10.1 million, which is mainly due to the defer taxation credited to the consolidated profit larger than the current taxation charged to the consolidated profit for the period. The defer taxation is mainly resulting from the unused tax losses, and the current taxation has been downward adjusted by non-taxable compensation for the relocation of production plants. Further details of income tax are disclosed in Note 6.

Profit for the period

The Group's profit for the first six months of 2019 amounted to approximately RMB50 million, which was basically unchanged as compared to approximately RMB50 million for the first six months of 2018.

Profit attributable to equity shareholders for the period

The Group's profit attributable to equity shareholders of the Company for the first six months of 2019 amounted to approximately RMB58 million, representing an increase of approximately RMB12 million as compared to a profit attributable to equity shareholders of approximately RMB46 million for the first six months of 2018.

Current assets

The Group's current assets increased by approximately 19% from approximately RMB1,920 million as at 31 December 2018 to approximately RMB2,293 million as at 30 June 2019. The increase in current assets was mainly due to the combined effects of increase in cash collected and increase in receivables both related to government compensation for relocation, and the increase of inventory.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 11% from approximately RMB889 million as at 31 December 2018 to approximately RMB793 million as at 30 June 2019. The decrease in non-current liabilities was mainly due to the loans due within one year being reclassified to current liabilities.

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

As at 30 June 2019, the Group's cash on hand and in bank amounted to approximately RMB730 million (31 December 2018: RMB607 million), of which 97% (31 December 2018: 75%) were denominated in Renminbi ("RMB"), 2% (31 December 2018: 24%) in United States Dollars ("USD") and 1% (31 December 2018: 1%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB3.132 billion (31 December 2018: RMB2.794 billion), of which 79% (31 December 2018: 74%) were denominated in RMB and 15% (31 December 2018: 18%) were denominated in USD.

As at 30 June 2019, the gearing ratio (total interest-bearing debts divided by total assets) was 0.45 (31 December 2018: 0.42). As at 30 June 2019, the Group's current ratio (current assets divided by current liabilities) was 0.54 (31 December 2018: 0.50). The Group recorded net current liabilities amounted to approximately RMB1,964 million as at 30 June 2019 (31 December 2018: RMB1,944 million). As at 30 June 2019, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.69 (31 December 2018: 0.68).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB would be closely associated with the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the six months ended 30 June 2019, the Group did not purchase any derivatives for hedging purposes.

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

The Group did not have any material investments or acquisition of capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments during the six months ended 30 June 2019.

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

Other Information

The board (the "Board") of directors (the "Directors" and each a "Director") of China Glass Holdings Limited (the "Company") is pleased to present the interim report together with the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

As at 30 June 2019, 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 ordinary shares of par value HKD0.05 each in the issued share capital of the Company (the "Shares" and each a "Share"), share options to subscribe for 4,800,000 Shares under the Old Share Option Scheme (as defined herein below), and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the Share Award Scheme (as defined herein below).

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

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

(5) As at 30 June 2019, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 30 June 2019, the interests and/or short positions of the shareholders of the Company (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%

Name of Shareholders	Capacity	Total Number of Ordinary Shares [(1)]	Approximate Percentage of Shareholding [(10)]
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 30 June 2019, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at 30 June 2019, 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 17(b)(i) to the Unaudited Interim Financial Report.

The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme. During the six months ended 30 June 2019, save for a total of 1,100,000 share options that have lapsed during this period, no share options were exercised, cancelled or lapsed under the Old Share Option Scheme.

Particulars of outstanding options granted under the Old Share Option Scheme at the beginning and at the end of the six months ended 30 June 2019 are as follows:

					No. of Shares			
Participant	Date of grant[1]	Exercise price per Share[2]	Exercise period from	Exercise period until	Held as at 1/1/2019	Granted/ Exercised/ (Cancelled)/ (Lapsed) during the six months ended 30/6/2019	Held as at 30/6/2019	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	10,676,000	(440,000) [3]	10,236,000	0.57%
	13/5/2015	1.25	13/5/2017	12/5/2022	8,007,000	(330,000) [3]	7,677,000	0.42%
	13/5/2015	1.25	13/5/2018	12/5/2022	8,007,000	(330,000) [3]	7,677,000	0.42%
Total					31,490,000	(1,100,000)	30,390,000	

Notes:

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

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

(3) Options lapsed during the six months ended 30 June 2019.

B. The New Share Option Scheme

The Company adopted the new share option scheme (the "New Share Option Scheme") at its special general meeting held on 19 February 2016. During the six months ended 30 June 2019, no share 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 six months ended 30 June 2019, no shares were awarded or vested to directors and employees of the Group under the Share Award Scheme. Further details of the awards granted under the Share Award Scheme are set out in Note 17(b)(ii) to the Unaudited Interim Financial Report.

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

During the six months ended 30 June 2019, 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 six month ended 30 June 2019 and up to the date of this report.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2019, the Group employed approximately a total of 3,442 employees in the People's Republic of China (the "PRC"), Hong Kong and Europe (31 December 2018: about 3,604 employees). The decrease in staff number of the Group as at 30 June 2019 as compared to 31 December 2018 was mainly attributable to continuously higher workplace efficiency of the Group and reduced headcount as production lines of several production bases were moved and halted. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Company has conditionally adopted the share option schemes for the Qualified Participants and the Share Award Scheme for certain employees.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contribution to the above schemes were forfeited for the six months ended 30 June 2019.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2018 Annual Report of the Company are set out below:

Mr. Zhao John Huan was appointed as a non-executive director of ENN Ecological Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange) on 26 July 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in compliance with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhao Lihua and Mr. Zhang Baiheng as members, has reviewed, together with the participation of the Company's management and the external auditors, KPMG, the accounting principles and practices adopted by the Group, and has discussed auditing, risk management and internal control, and financial reporting matters, including the review of the interim report of the Group for the six months ended 30 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Board believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth, strengthening the confidence of Shareholders and investors, and enhancing Shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all Shareholders.

Throughout the six months ended 30 June 2019, the Company applied the principles and complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2019.

INVESTOR RELATIONS AND COMMUNICATIONS

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

By Order of the Board
Peng Shou
Chairman

Hong Kong, 27 August 2019

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 60 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

27 August 2019

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi ("RMB"))

	Notes	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Revenue	4	**970,572**	1,193,487
Cost of sales		**(894,715)**	(974,584)
Gross profit	4	**75,857**	218,903
Other income	5	**205,577**	27,948
Distribution costs		**(32,388)**	(32,163)
Administrative expenses		**(122,879)**	(89,166)
Profit from operations		**126,167**	125,522
Finance costs	6(a)	**(85,677)**	(65,152)
Share of profits less losses of joint ventures		**(407)**	–
Share of profits of an associate		**–**	13
Profit before taxation	6	**40,083**	60,383
Income tax	7	**10,060**	(10,267)
Profit for the period		**50,143**	50,116
Attributable to:			
Equity shareholders of the Company		**57,991**	46,191
Non-controlling interests		**(7,848)**	3,925
Profit for the period		**50,143**	50,116
Earnings per share (RMB cent)	8		
Basic		**3.42**	2.68
Diluted		**3.42**	2.64

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

The notes on pages 27 to 60 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2019	2018 (Note)
	RMB'000	RMB'000
Profit for the period	**50,143**	50,116
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(4,511)**	528
Total comprehensive income for the period	**45,632**	50,644
Attributable to:		
Equity shareholders of the Company	**53,480**	46,719
Non-controlling interests	**(7,848)**	3,925
Total comprehensive income for the period	**45,632**	50,644

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

The notes on pages 27 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2019
(Expressed in RMB)

	Notes	(unaudited) At 30 June 2019 RMB'000	(audited) At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	9	**4,194,512**	4,295,827
Right-of-use assets	3	**312,366**	–
Lease prepayments	3	**–**	260,301
Intangible assets		**117,915**	129,268
Goodwill		**107,520**	107,936
Interest in joint ventures		**6,639**	6,397
Equity securities		**3,248**	2,923
Deferred tax assets	16	**281,442**	252,222
		5,023,642	5,054,874
Current assets			
Inventories	10	**599,889**	492,293
Contract assets		**27,985**	2,350
Trade and other receivables	11	**921,720**	803,605
Prepaid income tax		**13,632**	14,756
Cash on hand and in bank	12	**729,850**	606,832
		2,293,076	1,919,836
Current liabilities			
Trade and other payables	13	**1,505,577**	1,581,995
Contract liabilities		**97,590**	77,985
Bank and other loans	14(a)	**2,468,682**	2,065,400
Lease liabilities	3(d)	**27,994**	22,262
Convertible bonds	15	**34,803**	–
Income tax payable		**122,431**	116,122
		4,257,077	3,863,764
Net current liabilities		**(1,964,001)**	(1,943,928)
Total assets less current liabilities		**3,059,641**	3,110,946

The notes on pages 27 to 60 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

at 30 June 2019
(Expressed in RMB)

	Notes	(unaudited) At 30 June 2019 RMB'000	(audited) At 31 December 2018 (Note) RMB'000
Non-current liabilities			
Bank and other loans	14(b)	**663,170**	728,983
Convertible bonds	15	**27,796**	62,881
Lease liabilities	3(d)	**39,409**	29,723
Deferred tax liabilities	16	**58,485**	63,007
Other non-current liabilities		**4,718**	4,421
		793,578	889,015
NET ASSETS		**2,266,063**	2,221,931
CAPITAL AND RESERVES	17		
Share capital		**84,867**	84,867
Reserves		**2,005,828**	1,952,348
Total equity attributable to equity shareholders of the Company		**2,090,695**	2,037,215
Non-controlling interests		**175,368**	184,716
TOTAL EQUITY		**2,266,063**	2,221,931

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

The notes on pages 27 to 60 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

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

	Attributable to equity shareholders of the Company											
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2018	84,867	2,081,912	(47,888)	33,198	40,785	(447,409)	(15,351)	856	277,895	2,008,865	178,575	2,187,440
Changes in equity for the six months ended 31 December 2018												
Profit for the period	–	–	–	–	–	–	–	–	47,297	47,297	6,661	53,958
Other comprehensive income	–	–	–	–	–	–	(2,253)	(199)	–	(2,452)	(10)	(2,462)
Total comprehensive income	–	–	–	–	–	–	(2,253)	(199)	47,297	44,845	6,651	51,496
Shares purchased under the share award scheme	–	–	(16,365)	–	–	–	–	–	–	(16,365)	–	(16,365)
Acquisition of non-controlling interests ("NCI") of a subsidiary	–	–	–	–	–	(130)	–	–	–	(130)	(510)	(640)
	–	–	(16,365)	–	–	(130)	–	–	–	(16,495)	(510)	(17,005)
Balance at 31 December 2018 (Note)	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

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

The notes on pages 27 to 60 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	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
Changes in equity for the six months ended 30 June 2019												
Profit for the period	–	–	–	–	–	–	–	–	57,991	57,991	(7,848)	50,143
Other comprehensive income	–	–	–	–	–	–	(4,511)	–	–	(4,511)	–	(4,511)
Total comprehensive income	–	–	–	–	–	–	(4,511)	–	57,991	53,480	(7,848)	45,632
Distributions by a subsidiary to NCI	–	–	–	–	–	–	–	–	–	–	(1,500)	(1,500)
Balance at 30 June 2019	84,867	2,081,912	(64,253)	33,198	40,785	(447,539)	(22,115)	657	383,183	2,090,695	175,368	2,266,063

The notes on pages 27 to 60 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2019 – unaudited
(Expressed in RMB)

	Notes	Six months ended 30 June 2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Cash (used in)/generated from operations		**(39,326)**	194,631
Income tax paid		**(16,153)**	(33,190)
Net cash (used in)/generated from operating activities		**(55,479)**	161,441
Investing activities			
Payment for the purchase of property, plant and equipment and land use rights		**(338,903)**	(98,198)
Proceeds/compensation from relocation of production plants		**300,000**	20,000
Other cash flows arising from investing activities		**42,075**	34,489
Net cash generated from/(used in) investing activities		**3,172**	(43,709)
Financing activities			
Capital element of lease rentals paid		**(12,367)**	(13,764)
Interest element of lease rentals paid		**(3,670)**	(5,537)
Proceeds from new bank and other loans		**1,817,900**	919,755
Repayment of bank and other loans		**(1,480,915)**	(892,281)
Other cash flows used in financing activities		**(115,793)**	(98,753)
Net cash generated from/(used in) financing activities		**205,155**	(90,580)
Net increase in cash and cash equivalents		**152,848**	27,152
Cash and cash equivalents at 1 January	12	**570,832**	541,514
Effect of foreign exchange rates changes		**469**	1,298
Cash and cash equivalents at 30 June	12	**724,149**	569,964

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

The notes on pages 27 to 60 form part of this interim financial report.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in joint ventures. 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 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors (the "Directors") of the Company is included on page 19.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2019.

2 BASIS OF PREPARATION (continued)

As at 30 June 2019, the Group had net current liabilities of RMB1,964,001,000 (31 December 2018: RMB1,943,928,000). Notwithstanding the net current liabilities as at 30 June 2019, 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 30 June 2020 prepared by the management, which has taken into account unutilised bank facilities of RMB145.7 million, the Group's newly financed and refinanced bank and other loans of RMB848.2 million, and financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.[1] ("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.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. The reclassifications arising from the new initial application are therefore recognised in the opening balance on 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

3 CHANGES IN ACCOUNTING POLICIES (continued)

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 19(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture and other equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of machinery and vacant properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.17%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Notes 19(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	13,726
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(5,824)
	7,902
Less: total future interest expenses	(1,999)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	5,903
Add: finance lease liabilities recognised as at 31 December 2018	51,985
Total lease liabilities recognised at 1 January 2019	57,888

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Reclassification of right-of-use assets RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Property, plant and equipment	4,295,827	–	(69,595)	4,226,232
Right-of-use assets	–	5,903	329,896	335,799
Lease prepayments	260,301	–	(260,301)	–
Total non-current assets	**5,054,874**	**5,903**	**–**	**5,060,777**
Lease liabilities (current)	22,262	1,967	–	24,229
Current liabilities	**3,863,764**	**1,967**	**–**	**3,865,731**
Net current liabilities	**1,943,928**	**1,967**	**–**	**1,945,895**
Total assets less current liabilities	**3,110,946**	**3,936**	**–**	**3,114,882**
Lease liabilities (non-current)	29,723	3,936	–	33,659
Total non-current liabilities	**889,015**	**3,936**	**–**	**892,951**
Net assets	**2,221,931**	**–**	**–**	**2,221,931**

3 CHANGES IN ACCOUNTING POLICIES (continued)

(c) Transitional impact (continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Leasehold land held for own use	**222,209**	260,301
Plant, machinery and equipment	**87,797**	72,235
Other properties leased for own use	**2,360**	3,263
	312,366	335,799

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of property, plant and equipment, and therefore recognised the additions to right-of-use assets of RMB21.9 million.

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		**At 1 January 2019**	
	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	**27,994**	**30,970**	**24,229**	**26,475**
After 1 year but within 2 years	**21,570**	**25,422**	**21,940**	**26,225**
After 2 years but within 5 years	**14,583**	**18,685**	**10,179**	**13,298**
After 5 years	**3,256**	**4,934**	**1,540**	**2,991**
	39,409	**49,041**	**33,659**	**42,514**
	67,403	**80,011**	**57,888**	**68,989**
Less: total future interest expenses		**(12,608)**		**(11,101)**
Present value of lease liabilities		**67,403**		**57,888**

3 CHANGES IN ACCOUNTING POLICIES (continued)

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	Add back: HKFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (Note (i))	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported for 2018 under HKAS 17
	(A)	(B)	(C)	(D=A+B-C)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**126,167**	**2,132**	**(2,384)**	**125,915**	**125,522**
Finance costs	(85,677)	373	–	(85,304)	(65,152)
Profit before taxation	**40,083**	**2,505**	**(2,384)**	**40,204**	**60,383**
Profit for the period	**50,143**	**2,505**	**(2,384)**	**50,264**	**50,116**

3 CHANGES IN ACCOUNTING POLICIES (continued)

(e) Impact on the financial result, segment results and cash flows of the Group (continued)

The Group's administrative expenses and finance costs are not allocated to individual segments, therefore there is no significant impact of adoption of HKFRS 16 on the Group's segment results.

	2019			2018
	Amounts reported under HKFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under HKAS 17 (Notes (i)&(ii)) (B) RMB'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under HKAS 17 RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	(39,326)	(2,384)	(41,710)	194,631
Net cash (used in)/generated from operating activities	**(55,479)**	**(2,384)**	**(57,863)**	**161,441**
Capital element of lease rentals paid	(12,367)	2,011	(10,356)	(13,764)
Interest element of lease rentals paid	(3,670)	373	(3,297)	(5,537)
Net cash generated from/(used in) financing activities	**205,155**	**2,384**	**207,539**	**(90,580)**

Notes:

(i) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4 REVENUE AND SEGMENT REPORTING

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

- Clear glass products: this segment produces, markets and distributes clear glass products.
- Painted glass products: this segment produces, markets and distributes painted glass products.
- Coated glass products: this segment produces, markets and distributes coated glass products.
- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.
- Design and installation service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines. This business was acquired in October 2018.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	**910,303**	1,193,487
– Revenue from service contracts	**60,269**	–
	970,572	1,193,487
Disaggregated by geographical location of customers		
– Mainland China (place of domicile)	**759,071**	907,979
– Middle East	**66,097**	92,464
– Bangladesh	**18,358**	13,336
– South Korea	**13,433**	31,876
– Other countries	**113,613**	147,832
	211,501	285,508
	970,572	1,193,487

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Notes 4(b).

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 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	
	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000	**Six months ended 30 June 2019 RMB'000**	Six months ended 30 June 2018 RMB'000	**Six months ended 30 June 2019 RMB'000**	Six months ended 30 June 2018 RMB'000	**Six months ended 30 June 2019 RMB'000**	Six months ended 30 June 2018 RMB'000	**Six months ended 30 June 2019 RMB'000**	Six months ended 30 June 2018 RMB'000	**Six months ended 30 June 2019 RMB'000**	Six months ended 30 June 2018 RMB'000
Disaggregated by timing of revenue recognition												
– Point in time	**330,757**	476,744	**136,226**	159,284	**250,888**	302,965	**192,432**	254,494	**–**	–	**910,303**	1,193,487
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**60,269**	–	**60,269**	–
Revenue from external customers	**330,757**	476,744	**136,226**	159,284	**250,888**	302,965	**192,432**	254,494	**60,269**	–	**970,572**	1,193,487
Inter-segment revenue	**31,326**	33,759	**2,114**	488	**4,323**	–	**–**	–	**–**	–	**37,763**	34,247
Reportable segment revenue	**362,083**	510,503	**138,340**	159,772	**255,211**	302,965	**192,432**	254,494	**60,269**	–	**1,008,335**	1,227,734
Reportable segment gross profit	**6,867**	79,746	**5,164**	28,334	**32,688**	66,079	**25,343**	44,744	**5,795**	–	**75,857**	218,903

5 OTHER INCOME

	Six months ended 30 June	
	2019	2018
		(Note (i))
	RMB'000	RMB'000
Net gain on relocation of production plants (Note (ii))	**194,667**	–
Compensation for incurred losses from local government (Note (iii))	**–**	20,000
Net gain/(loss) on disposal of property, plant and equipment	**2,421**	(673)
Interest income	**1,561**	3,791
Government grants	**1,243**	397
Others	**5,685**	4,433
	205,577	27,948

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

(ii) The amount represents a gain arising from the expropriation of the land use rights of a subsidiary of the Group located in People's Republic of China (the "PRC") by the local government during the six months ended 30 June 2019 due to the change of the local city development plan, after netting off disposal losses of production plants and land use rights amounting to RMB218.8 million.

(iii) The amount for the six months ended 30 June 2018 represents compensation for the incurred losses in accordance with an agreement entered into between the Group and the local government in relation to the expropriation of the land use rights of a subsidiary of the Group by the respective local government.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2019	2018
		(Note (i))
	RMB'000	RMB'000
Interest on bank and other loans	**93,782**	74,851
Finance charges on convertible bonds (Note 15)	**6,223**	5,216
Interest on lease liabilities	**3,670**	5,539
Bank charges and other finance costs	**13,284**	14,511
Total borrowing costs	**116,959**	100,117
Less: amounts capitalised into property, plant and equipment (Note (ii))	**(23,928)**	(27,581)
Net borrowing costs	**93,031**	72,536
Changes in fair value on the derivative component of convertible bonds (Note 15)	**(4,061)**	(4,229)
Net foreign exchange gain	**(3,293)**	(3,155)
	85,677	65,152

6 PROFIT BEFORE TAXATION (continued)

(a) Finance costs (continued)

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

(ii) The borrowing costs have been capitalised at 7.88% per annum for the six months ended 30 June 2019 (7.99% per annum for the six months ended 30 June 2018).

(b) Other items

	Six months ended 30 June	
	2019	2018 (Note)
	RMB'000	RMB'000
Cost of inventories (Note 10)	**868,492**	974,584
Depreciation and amortisation charge		
– property, plant and equipment and intangible assets	**106,160**	128,393
– right-of-use assets	**10,264**	–
– lease prepayments	**–**	3,275
Impairment losses recognised/(reversed) on trade and other receivables and contract assets (Note 11(b))	**3,498**	(6,078)
Leases previously classified as operating leases under HKAS 17	**–**	2,739
Short-term leases and other leases with remaining lease term within one year	**2,332**	–
Research and development costs (other than capitalised costs and related amortisation)	**270**	373

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 3).

7 INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current taxation:		
– Provision for Corporate Income Tax on the estimated taxable profits for the period	**18,851**	32,923
– PRC Withholding Tax (Note (xi))	**4,750**	–
– (Over)/under-provision of Income Tax in respect of prior years	**(15)**	44
	23,586	32,967
Deferred taxation (Note 16)	**(33,646)**	(22,700)
	(10,060)	10,267

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit before taxation	**40,083**	60,383
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix))	**11,671**	16,688
Tax effect of non-taxable income (Note (x))	**(24,382)**	–
Tax effect of PRC Withholding Tax (Note (xi))	**4,750**	–
Tax effect of non-deductible expenses	**5,357**	2,809
Tax effect of unused tax losses and temporary differences not recognised	**5,715**	442
Tax concessions	**(3,130)**	(6,598)
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised	**(10,026)**	(3,496)
Tax effect of write-down of deferred tax assets	**–**	378
(Over)/under-provision in respect of prior years	**(15)**	44
Income tax	**(10,060)**	10,267

7 INCOME TAX (continued)

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

Notes:

(i) The Hong Kong Profits Tax rate for the six months ended 30 June 2019 is 16.5% (2018: 16.5%).

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

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2019 (2018: 25%).

(iv) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau that it is entitled to tax benefits applicable to entity under the Second Phase of the Western Region Development Plan of the PRC, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2019 (2018: 15%).

(v) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2019 (2018: 30%).

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

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

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

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

(x) In accordance with relevant enterprise income tax rules and regulations, the Directors of the Company are of the view that total losses/expenditures of RMB97.5 million which were not deducted from taxable profits in prior years were deductible under the circumstance of relocation for the purpose of government's expropriation, thus the corresponding compensation income is non-taxable income during the six months ended 30 June 2019.

(xi) Pursuant to the PRC Corporate Income Tax Law, non-resident which have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business in the PRC, are subject to PRC income tax at the rate of 10% on various types of passive income including dividends derived from sources in the PRC (the "PRC Withholding Tax"). The dividends distributed by subsidiaries of the Group established in the PRC to their immediate holding company in Hong Kong are subject to the PRC Withholding Tax.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB57,991,000 (six months ended 30 June 2018: RMB46,191,000) and the weighted average of 1,694,527,058 ordinary shares, taking into the effect of shares purchased under a share award scheme set out in Note 17(b)(ii) (six months ended 30 June 2018: 1,724,147,058 shares) in issue during the six months ended 30 June 2019.

(b) Diluted earnings per share

There is no dilutive potential ordinary shares for the six months ended 30 June 2019. The Group's convertible bonds (see Note 15) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the six months ended 30 June 2019.

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

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

	Six months ended 30 June 2018 RMB'000
Profit attributable to ordinary equity shareholders	46,191
After tax effect of effective interest on the liability component of convertible bonds	5,216
After tax effect of changes in fair value recognised on the derivative component of convertible bonds	(4,229)
Profit attributable to ordinary equity shareholders (diluted)	47,178

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

	Six months ended 30 June 2018 RMB'000
Weighted average number of ordinary shares at 30 June	1,724,147
Effect of conversion of convertible bonds	61,191
Weighted average number of ordinary shares (diluted) at 30 June	1,785,338

9 PROPERTY, PLANT AND EQUIPMENT

(a) Reclassification of right-of-use assets

As discussed in Note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019. Accordingly, the depreciated carrying amount of the finance leased assets which were previously included in property, plant and equipment is identified as and reclassified to right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 3.

(b) Additions and disposals of owned assets

During the six months ended 30 June 2019, the Group incurred capital expenditure on property, plant and equipment and construction in progress with a cost of RMB225.2 million (six months ended 30 June 2018: RMB101.8 million). Items of property, plant and equipment with a net book value of RMB163.5 million were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB11.3 million).

10 INVENTORIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Raw materials	**131,068**	170,962
Work in progress and finished goods	**440,593**	288,718
Racks, spare parts and consumables	**38,112**	42,347
	609,773	502,027
Less: write-down of inventories	**(9,884)**	(9,734)
	599,889	492,293

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold and used in service contracts	**868,342**	974,584
Write-down of inventories	**150**	–
	868,492	974,584

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

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables from (Note(a)):		
– Third parties	**200,782**	191,528
– Affiliates of non-controlling equity holders of subsidiaries	**15,667**	15,667
– A joint venture	**1,861**	1,643
Bills receivables	**169,029**	158,152
	387,339	366,990
Less: loss allowance (Note (b))	**(98,000)**	(98,425)
	289,339	268,565
Amounts due from related companies:		
– Equity shareholders of the Company and their fellow subsidiaries (Note (i))	**781**	815
– Non-controlling equity holders of a subsidiary (Note (i))	**150**	150
– A joint venture (Note (i))	**–**	883
	931	1,848
Other debtors (Note (ii))	**493,292**	428,769
Less: loss allowance (Note (b))	**(57,243)**	(57,243)
	436,049	371,526
	726,319	641,939
Prepayments and deposits	**195,401**	161,666
	921,720	803,605

Notes:

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

(ii) As at 30 June 2019, the amount of RMB258.1 million (31 December 2018: RMB157.4 million) is the remaining receivables of the compensation from the local government authority for relocation of production plants. The local government committed to pay off by 31 December 2019.

11 TRADE AND OTHER RECEIVABLES (continued)

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year. Cash before delivery is generally required for all new customers. Credit terms of three to six months from the date of billing 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.

(a) Ageing analysis

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	**86,344**	73,189
More than 1 month but less than 3 months	**88,252**	23,770
More than 3 months but less than 6 months	**37,146**	101,588
More than 6 months but less than 1 year	**20,359**	24,082
Over 1 year	**57,238**	45,936
	289,339	268,565

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

The movements in the loss allowance account in respect of trade and other receivables during the period/year are as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Balance at 1 January	**155,668**	157,937
Amounts written off	**(3,918)**	–
Loss allowance recognised/(reversed)	**3,498**	(2,260)
Exchange adjustment	**(5)**	(9)
Balance at 30 June/31 December	**155,243**	155,668

12 CASH ON HAND AND IN BANK

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash on hand and in bank	**724,149**	570,832
Time deposits with banks	**5,701**	36,000
Cash on hand and in bank in the consolidated statement of financial position	**729,850**	606,832
Less: time deposits with original maturity over 3 months	**(5,701)**	(36,000)
Cash and cash equivalents in the condensed consolidated cash flow statement	**724,149**	570,832

At 30 June 2019, cash in bank of RMB186.2 million (31 December 2018: RMB157.3 million) were pledged to secure bills which are to be matured within three months issued by the Group.

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

13 TRADE AND OTHER PAYABLES

	At 30 June 2019	At 31 December 2018 (Note (ii))
	RMB'000	RMB'000
Trade payables to:		
– Third parties	**492,364**	468,993
– An affiliate of an equity shareholder of the Company	**51**	–
– Affiliates of non-controlling equity holders of subsidiaries	**1,278**	2,108
Bills payables	**339,625**	313,511
	833,318	784,612
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties (Note (i))	**59,806**	41,615
– Companies under common significant influence (Note (i))	**11**	64
	59,817	41,679
Accrued charges and other payables	**575,035**	718,297
	1,468,170	1,544,588
Provision for a litigation	**37,407**	37,407
	1,505,577	1,581,995

Notes:

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

(ii) To group the contract liabilities presented in the statement of financial position, the "Advances received from customers for sales of goods" previously under "Trade and other payables" were reclassified to "Contract liabilities". Accordingly, certain comparative figures have been adjusted to conform to the presentation of this six months period.

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

13 TRADE AND OTHER PAYABLES (continued)

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Due within 1 month or on demand	**544,208**	427,931
Due after 1 month but within 6 months	**289,110**	356,681
	833,318	784,612

14 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans	**1,221,521**	1,275,175
Loans from third parties	**51,150**	36,811
	1,272,671	1,311,986
Add: current portion of long-term bank and other loans (Note (b))	**1,196,011**	753,414
	2,468,682	2,065,400

14 BANK AND OTHER LOANS (continued)

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

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans:		
– Pledged by bank bills	**268,980**	245,615
– Secured and/or guaranteed (Note)	**737,021**	745,803
– Unguaranteed and unsecured	**215,520**	283,757
	1,221,521	1,275,175
Loan from third parties:		
– Pledged by bank bills	**51,150**	–
– Unguaranteed and unsecured	**–**	36,811
	51,150	36,811
	1,272,671	1,311,986

Note: These loans are secured by the Group's property, plant and equipment, land use rights and inventories and/or guaranteed by Triumph Group or a director of the Company. The comparative figures have been adjusted to conform to the presentation of this six months period.

At 30 June 2019, the aggregate carrying value of the secured property, plant and equipment, land use rights for the Group's short-term bank loans is RMB765.5 million (31 December 2018: RMB661.2 million).

At 30 June 2019, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB67.3 million (31 December 2018: RMB67.3 million).

14 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans	**344,022**	347,062
Loans from third parties	**1,515,159**	1,135,335
	1,859,181	1,482,397
Less: current portion of long-term bank and other loans (Note (a))	**(1,196,011)**	(753,414)
	663,170	728,983

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year or on demand	**1,196,011**	753,414
After 1 year but within 2 years	**406,314**	577,111
After 2 years but within 5 years	**256,856**	151,872
	1,859,181	1,482,397

At 30 June 2019, the Group's long-term bank and other loans are secured as follow:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans:		
– Secured and/or guaranteed (Note)	**344,022**	347,062
Loans from third parties:		
– Secured and/or guaranteed (Note)	**1,514,849**	1,135,025
– Unguaranteed and unsecured	**310**	310
	1,515,159	1,135,335
	1,859,181	1,482,397

14 BANK AND OTHER LOANS (continued)

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

Note: These loans are secured by the Group's property, plant and equipment, land use rights and/or guaranteed by Triumph Group or a director of the Company. The comparative figures have been adjusted to conform to the presentation of this six months period.

At 30 June 2019, 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 RMB1,511.8 million (31 December 2018: RMB1,322.6 million).

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

At 30 June 2019, the Group's banking facilities amounted to RMB1,234.1 million (31 December 2018: RMB910.0 million) were utilised to the extent of RMB1,088.4 million (31 December 2018: RMB744.3 million).

15 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2018	42,177	16,134	58,311
Accrued finance charges for the year	11,079	–	11,079
Interest paid	(5,576)	–	(5,576)
Fair value changes on the derivative component	–	(4,431)	(4,431)
Exchange adjustments	2,824	674	3,498
At 31 December 2018 and 1 January 2019	50,504	12,377	62,881
Accrued finance charges for the period (Note 6(a))	6,223	–	6,223
Interest paid	(2,602)	–	(2,602)
Fair value changes on the derivative component (Note 6(a))	–	(4,061)	(4,061)
Exchange adjustments	117	41	158
At 30 June 2019	54,242	8,357	62,599

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").

15 CONVERTIBLE BONDS (continued)

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.

The Bondholder deposited a notice to redeem 25% of total outstanding principal of the convertible bonds on 1 July 2019 pursuant to the redemption term of the convertible bonds. The redemption amount of US$2,531,250 (equivalent to approximately RMB17,389,000) has been paid off by the Company on 5 July 2019. The remaining convertible bonds are still convertible, and there are no convertible bond converted into the Company's shares up to the report date.

16 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses RMB'000	Write-down of inventories RMB'000	Loss allowance RMB'000	Depreciation expenses in excess of related tax allowances, and government grants and fair value adjustments of investments RMB'000	Impairment losses on property, plant and equipment and intangible assets RMB'000	Total RMB'000	Fair value adjustments on intangible assets, property, plant and equipment, equity securities, right-of-use assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
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	3,577	–	–	4,622	–	8,199	(32,143)	(23,944)
(Charged)/credited to the consolidated statement of profit or loss	(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 and 1 January 2019	**138,074**	**936**	**27,062**	**79,477**	**6,673**	**252,222**	**(63,007)**	**189,215**
Credited/(charged) to the consolidated statement of profit or loss (Note 7)	**24,334**	**–**	**(501)**	**5,417**	**–**	**29,250**	**4,396**	**33,646**
Exchange adjustment	**(15)**	**–**	**(1)**	**(14)**	**–**	**(30)**	**126**	**96**
At 30 June 2019	**162,393**	**936**	**26,560**	**84,880**	**6,673**	**281,442**	**(58,485)**	**222,957**

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$Nil).

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

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2018: HK$Nil).

(b) Equity-settled share-based transactions

(i) Share option scheme

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

A new share option scheme (the "Share Option Scheme 2016") has been approved by a special general meeting of shareholders of the Company on 19 February 2016.

No share options were granted to the directors and employees of the Group under the Share Option Scheme 2016 during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

No share options issued under the Share Option Scheme were exercised during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

17 CAPITAL, RESERVES AND DIVIDENDS (continued)

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

(ii) Share award scheme

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

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 2018		86,000	47,888
Shares purchased during the year	0.663	29,620	16,365
At 31 December 2018 and 30 June 2019		115,620	64,253

During the six months period ended 30 June 2019, no ordinary shares were purchased for the Share Award Scheme (six months ended 30 June 2018: Nil). No shares have been awarded to any selected employee as at the date of this interim financial report.

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2019.

(a) Transactions with Triumph Group and its related parties

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Purchase of property, plant and equipment	**238**	–
Construction service received	**22,524**	6,859
Guarantees received for the Group's loans	**247,537**	130,651

(b) Transactions with a joint venture of the Group

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Sale of glass products	**5,045**	4,435

18 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Transactions with a director of the Company

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Net (decrease)/increase in guarantees received for the Group's bank and other loans	**(19,266)**	43,054

(d) Transactions with companies under common significant influence

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Service received	**169**	–

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**3,058**	2,149
Contributions to defined contribution retirement plans	**392**	664
Equity compensation benefits under share option scheme	**–**	261
	3,450	3,074

19 COMMITMENTS

(a) Capital commitments

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**38,629**	60,807
– Authorised but not contracted for	**951,310**	1,012,219
	989,939	1,073,026

At 30 June 2019, 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) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 31 December 2018 RMB'000
Within 1 year	7,913
After 1 year but within 5 years	2,823
After 5 years	2,990
	13,726

The Group is the lessee in respect of certain land, plant and buildings and motor vehicles held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 3.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

		Fair value measurements as at 30 June 2019 categorised into		
	Fair value at 30 June 2019 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial asset:				
Equity securities	3,248	–	–	3,248
Financial liability:				
Derivative component of the convertible bonds (Note 15)	8,357	–	8,357	–

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial asset:				
Equity securities	2,923	–	–	2,923
Financial liability:				
Derivative component of the convertible bonds (Note 15)	12,377	–	12,377	–

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

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

	Derivative component of the Convertible Bonds	
Dates of valuation	**30/06/2019**	31/12/2018
Share price (HK$)	**0.50**	0.57
Exercise price (HK$)	**1.28**	1.28
Expected volatility (Note)	**46.54%**	44.34%
Dividend yield (Note)	**0.35%**	0.35%
Maturity period	**1.59 years**	2.09 years
Conversion period	**1.57 years**	2.07 years
Discount rate (Note)	**13.95%-14.56%**	15.18%-15.29%

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

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	50% to 70% (2018: 50% to 70%)

The fair value of unlisted equity instruments is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2019, 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 RMB196,000 (2018: RMB169,073).

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

	At 30 June 2019 RMB'000	At 30 June 2018 RMB'000
Unlisted equity securities:		
At 1 January	**2,923**	3,202
Additional securities acquired	**325**	–
At 30 June	**3,248**	3,202

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.

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2018 and 30 June 2019 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2019		At 31 December 2018	
	Carrying amounts RMB'000	**Fair value RMB'000**	Carrying amounts RMB'000	Fair value RMB'000
Long-term bank and other loans	**663,170**	**678,473**	728,983	723,018
Liability component of convertible bonds	**54,242**	**61,940**	50,504	58,822

21 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 3.

To group and simplify the presentation of the statement of financial position, certain comparative figures have been adjusted to conform to the presentation of this six months. See Note 13 and Note 14.