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

ANNUAL REPORT 2019

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-executive Directors

Mr. Peng Shou *(Chairman)*
Mr. 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 THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian 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 PRC Law
Commerce & Finance Law Offices

As to Bermuda Law
Appleby

PRINCIPAL BANKERS

China Construction Bank
Bank of Shanghai
China Development Bank
Bank of Hankou
Luso International Bank Ltd.
Bank of Wuhai
Bank of Communications
China CITIC Bank
Shanghai Pudong Development Bank Co., Ltd.
Hua Xia Bank

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Limited

STOCK CODE

The Stock Exchange of Hong Kong Limited: 3300

WEBSITE

www.chinaglassholdings.com

Financial Highlights

The summary of the results and the assets and liabilities of China Glass Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the five years ended 31 December 2019 are extracted from the audited financial statements of this report and the Company's 2015, 2016, 2017 and 2018 annual reports.

RESULTS (EXPRESSED IN RENMINBI ("RMB"))

	The Group Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,369,230**	2,617,725	2,556,418	2,139,650	1,968,857
Cost of sales	**(2,084,588)**	(2,207,630)	(2,234,842)	(1,812,394)	(1,890,567)
Gross profit	**284,642**	410,095	321,576	327,256	78,290
Other income	**319,597**	230,849	172,902	163,389	29,063
Distribution costs	**(67,325)**	(78,088)	(74,474)	(75,599)	(73,218)
Administrative expenses	**(261,656)**	(249,030)	(213,441)	(214,123)	(397,117)
Other expenses	**–**	–	–	(39,260)	(62,563)
Profit from operations	**275,258**	313,826	206,563	161,663	(425,545)
Finance costs	**(185,728)**	(160,805)	(106,216)	(134,476)	(130,386)
Share of profits less losses of joint ventures	**(102)**	–	–	–	–
Net gain on disposal of interests in an associate	**–**	175	–	–	–
Share of profits less losses of an associate	**–**	(62)	(12)	(69)	(43)
Profit/(loss) before taxation	**89,428**	153,134	100,335	27,118	(555,974)
Income tax	**(16,724)**	(49,060)	(39,864)	(6,384)	75,876
Profit/(loss) for the year	**72,704**	104,074	60,471	20,734	(480,098)

ASSETS AND LIABILITIES

	The Group As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**7,188,111**	6,974,710	6,272,968	5,781,637	5,645,602
Total liabilities	**(4,938,392)**	(4,752,779)	(4,108,518)	(3,605,323)	(3,515,001)
Net assets	**2,249,719**	2,221,931	2,164,450	2,176,314	2,130,601

Chairman's Statement

To shareholders,

In 2019, the global economic growth rate continued to slow down, and China's gross domestic product grew by 6.1% over the previous year, which fell within the reasonable range for the overall economy. Focusing on the supply-side structural reform, and centered on quality and benefits, the domestic glass industry has continuously alleviated the problem of overcapacity, and gradually optimized the industrial structure, achieving a smooth overall operation.

In the previous year, the Company strengthened the integration of information technology and industrialized production, and strove to promote the informationization for the whole chain combining the function of product R&D, logistics, procurement, manufacture, processing, management, operation, professional services and marketing, following the demand-led, innovation-driven, market-oriented and government-guidance principle, in order to expedite the realization of the objective of intelligent production, networked collaboration, scale customization, service extension and quality development. In terms of enterprise internationalization, by upholding the development strategy combining "Go Out" with "the Belt and Road Initiative", the Company capitalized support from shareholders to continuously strengthen international cooperation respect of high quality production capacity and technologies, improve internal and external linkage mechanism and realize mutual benefits with great support from shareholders.

In 2020, the global economy will still experience in-depth adjustments. Affected by the Novel Coronavirus Pneumonia outbreak (the "NCP Outbreak"), China's economy will face more risks and challenges under the rigorous external environment, but remain its recovery trend in the long term. For China, the year of 2020 will be the final year for building a moderately prosperous society in all respects and implementing the "13th Five-Year Plan". Epidemic prevention and stabilization of growth will be the main theme of the national policies. Adhering to the development concept of enhancement of product quality, improvement of R&D and optimization of product structure, the Company will find the clear strategic development directions for products of automotive glass, pharmaceutical glass and special glass that are under planning, and form differentiated market competitiveness, so as to enhance the enterprise profitability.

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

Peng Shou
Chairman

Management Discussion and Analysis

MARKET REVIEW

While major economies across the world showed a weak development momentum since 2018, the global economy as well continued to slow down. In 2019, the macroeconomy of China faced with ever more complicated internal and external environments with a year-on-year GDP growth rate of 6.1%. The economy as a whole remains to operate within reasonable range, but is still subject to certain downward pressures resulting from the tightening of external environment and the adjustment in domestic economy. The tightening of external environment is related to the slowing down of the global economy and the escalation of the Sino-US Trade War; while the internal "Major Adjustment" is related to the structural factors concerning the transformation of new and old kinetic energy of the Chinese economy, and the policy factors such as deleveraging, risk prevention and property market controls.

During 2019, the flat glass industry continued to follow its general theme of supply-side structural reform. By optimizing industrial structure, it further reinforced its outcome of overcapacity resolving and helped to maintain the stable operation of the industry. Contraction was seen in the supply side under the impact of environmental policies and hard constrains on cold repair; while some recoveries were seen in the demand side due to the phased recoveries in the property market and automobile market.

BUSINESS REVIEW

Overview

The Group currently has 13 (2018: 13) float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 31 December 2019, the Group had 10 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 one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line and a company specialized in pharmaceutical glass production line technologies and services.

Raw material and fuel prices and production costs

In 2019, with increasing pressures from environmental protection, prices of raw materials like mineral raw materials recorded year-on-year increases, while prices of soda ash and petroleum coke recorded year-on-year decreases. By further optimizing and adjusting its procurement strategies, the Group's purchase price increased slightly year-on-year but was lower than the industry average.

In 2019, domestic market prices of soda ash generally showed a shock-downward trend. In the first quarter, market demand for soda ash was weak with prices going down steadily; in the second quarter, prices went up and then declined; in the third quarter, market prices of soda ash rebounded slightly with additional orders from downstream enterprises; and in the fourth quarter, the prices dropped again as the inventory of soda ash increased after downstream enterprises reduced production or adopted staggering peak production.

In terms of fuel, even as custom duties increased, the prices in the imported low-sulfur shot petroleum coke market showed a declining trend due to the effects of increased import volume and decreased prices of domestic refineries. As for coke oven gas, the supply was tight and its supply was reduced due to environmental protection. As for natural gas, its supply was stable and its prices increased as compared to the same period of last year. And as for fuel oil, demand driven its prices to drop as compared to the same period of last year.

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

Production, sales and selling price

In 2019, the Group produced an aggregate amount of 30.99 million weight cases of glass, representing a year-on-year decrease of 9% whereas sales volume was 29.66 million weight cases, representing a decrease of 12% as compared to the same period of last year. The average selling price of the Group's glass products was RMB75 per weight case in 2019, representing a decrease of 3% as compared to the same period of last year.

Profitability analysis

In 2019, the Group recorded a sales revenue of RMB2.369 billion, representing a decrease of 9% compared to the same period of last year. The decrease in revenue was mainly due to the decrease of both sales volume and sales price. In 2019, the Group recorded a profit for the year of RMB 72.7 million, representing a decrease of 30% over last year.

MAJOR WORKS IN 2019

1. **Implementing and deepening major works in relation to the three major strategies**

   In terms of "organic growth", as per market demand, we enhanced product quality and added value, increased the supply ratio of featured products; in terms of "M&A and restructuring", as per strategic deployment of the Group, we explored potential quality projects and accelerated the layout of new projects; in terms of "Go Out", the Group's float glass production line with a capacity of 500 tonnes per day in Nigeria has successfully ignited; and its original 2020 ignition plan for the Kazakhstan project was delayed in construction due to the NCP Outbreak.

2. **Optimizing the inspection measures and standards for promoting product quality upgrade**

   We reinforced the dual management on product quality with focus on on-line inspection, standardized the process control system, implemented new enterprise standards, strictly controlled the inspection, storage and receipt of raw and fuel materials as well as the quality inspection and export of products, to promote product quality upgrade.

3. **Vigorous promotion of the informationization process for optimizing organizational management structure**

   We were committed to facilitating the establishment of ERP System to ensure the effective operation of the "Four Standards and One System" in bases, and the enhancement of the bases' delicacy management; and optimized organizational management structure, designed the control system, and improved the performance appraisal system and incentive mechanism.

4. **Marketing**

   We expanded online marketing channels, improved the whole-industrial-chain information system, explored new customers, diversified new channels, promoted the sales volume of high-end products and achieved differentiated sales.

5. **Improving the openness in technology research and development and promptly overcoming the difficulties in production process**

   We utilized internal resources to solve difficulties in production procedures, enhanced the control of process technologies and promoted the transformation of new and old kinetic energy. In order to meet market requirement, we strived to achieve technological breakthrough of key projects and optimise the cold repair solutions by leveraging external resources.

THE GLASS MARKET OUTLOOK

Looking forward to 2020, the glass industry will continue to maintain strict control over newly-added capacities and deepen the supply-side structure reform. It is still the peak of the cold repair for the glass industry in 2020. However, under the short-term pressures brought by the NCP Outbreak across the world during the first half of the year, there are still uncertainties about the development of the industry.

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

Based on the forecast for the 2020 soda ash market, domestic soda ash prices may stay stable in the first quarter under the influence of the NCP Outbreak. In the second and third quarters, the prices may gradually pick up as the production capacities of the downstream gradually recover. In the fourth quarter, the prices may gradually decline as the soda ash production capacity recover. It is anticipated that the general industry condition may remain the same as last year.

Prices of mineral raw materials including silica sand, quartz stone and limestone may all rise due to the intensified efforts in environmental protection during 2020.

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

WORK PLANS FOR 2020

According to the requirements of shareholders and the Board, the main work plan for 2020 is as follows, focusing on the three major strategies, namely “Organic Growth”, “M&A and Restructuring” and “Go Out”:

1. As one of our strategies, 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”. In accordance with the production and quality requirements of “Informatization & Industrialization”, we will further deepen the “Four Standards and One System”, implement the approaches of “streamlining organization, management and operation” and support the establishment of the organizational management structure and the control system in line with the mid-term strategic objectives of the Group.

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

3. We will build reasonable product structure based on clients' needs, and offer them differentiated products and services. We will introduce informatization platforms, expand online sales channels, attract the engagement from upstream and downstream enterprises, improve the whole system chain covering procurement, production and processing, sales and services, so as to enhance our penetration in the intensive processing field and enable us to become a leading supplier for intensive processed glass.

4. In terms of construction of information system, we will continue to improve the whole-industrial-chain ERP management system, facilitating the upgrade of both management and product quality.

5. In terms of overseas business expansion, we will proactively offer assistance to the Nigerian project in fulfilling its first year production and operation goal and ensuring its production to smoothly get onto the right track. We will actively cooperate with "the Belt and Road Integration Fund of Glass Industry" to stably promote the construction progress of the project in Kazakhstan, and facilitate the layout and planning of the pharmaceutical glass technologies and equipment of the Italian company Olivotto in the China market for fully utilizing the Company's advanced technology and service in pharmaceutical glass products.

6. We will strengthen the internal supervision and control, ensuring that operations are carried out in line with the strategic development direction of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 9% from RMB2.618 billion for the year ended 31 December 2018 to RMB2.369 billion for the year ended 31 December 2019. The decrease in revenue was mainly attributable to the combined effect of an decrease of 3% in the annual average sales price compared to last year due to an decrease in the market price of glass this year, and an decrease of sales volume of 12% compared to last year and the revenue contribution of RMB133 million from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italy company that the Group acquired and mainly engaged in technical services.

For the segment revenue of the Group for the year ended 31 December 2019, clear glass products contributed RMB864 million, painted glass products contributed RMB319 million, coated glass products contributed RMB556 million and energy saving and new energy glass products contributed RMB497 million, representing a decrease of 13%, 11%, 17% and 10% as compared to 2018, respectively. Due to the market downturn, the abovementioned segment revenue decreased. As the Group has intensified efforts in selling the energy-saving and new energy glass product, the decrease in this segment was less than that of the other segments. In addition, during the year, revenue from designing and installation segment was RMB133 million, which was mainly derived from Italian-based subsidiary which was acquired at the end of October 2018.

Cost of sales

The Group's cost of sales decreased by approximately 6% from RMB2.208 billion for the year ended 31 December 2018 to RMB2.085 billion for the year ended 31 December 2019 which was mainly attributable to a decrease in sales volume.

Gross profit

The Group's gross profit decreased by approximately 31% from RMB410 million for the year ended 31 December 2018 to RMB285 million for the year ended 31 December 2019. This was mainly attributable to a decrease in gross profit margin. Gross profit margin decreased from 16% in 2018 to 12% in 2019, mainly because of a combination of the decrease of the market prices of glass products and the rise of the fuel prices.

Other income

The Group's other income increased from RMB231 million for the year ended 31 December 2018 to RMB320 million for the year ended 31 December 2019. The other income were mainly net gain on relocation of production plants and government grants for the year ended 31 December 2019.

Finance costs

The Group's finance costs increased by approximately 15% from RMB161 million as at 31 December 2018 to RMB186 million as at 31 December 2019. The increase in finance cost was mainly due to the increase of the average balance of borrowings as the Group actively expand the financing channels.

Administrative expenses

Administrative expenses of the Group increased by approximately 5% from RMB249 million as at 31 December 2018 to RMB262 million as at 31 December 2019. This was mainly due to the increase of impairment losses on trade and other receivables.

Income tax

The Group's income tax decreased by approximately 66% from RMB49.06 million for the year ended 31 December 2018 to RMB16.72 million for the year ended 31 December 2019, which was mainly due to the decrease of profit before taxation and the non-taxable compensation for the relocation of production plants. Further details of income tax are disclosed in Note 7 to the consolidated financial statements.

Current assets

The Group's current assets increased by approximately 13% from RMB1.920 billion as at 31 December 2018 to RMB2.177 billion as at 31 December 2019. This was mainly attributable to the increase in contract assets, inventories and other receivables of the Group resulting from increasing government compensation and government grants receivables.

Current liabilities

The Group's current liabilities decreased by approximately 9% from RMB3.864 billion as at 31 December 2018 to RMB3.522 billion as at 31 December 2019. The decrease was mainly due to the decrease of short-term bank and other loans and trade and other payables.

Non-current liabilities

The Group's non-current liabilities increased by approximately 59% from RMB889 million as at 31 December 2018 to RMB1.417 billion as at 31 December 2019. This was mainly attributable to an increase in long-term bank and other loans as the Group newly financed syndicated loans from certain banks in 2019.

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

As at 31 December 2019, the Group's cash and cash equivalents were RMB584 million (31 December 2018: RMB607 million), of which 91% (31 December 2018: 75%) were denominated in RMB, 6% (31 December 2018: 24%) were denominated in United States Dollars ("USD"), 1% (31 December 2018: 1%) were denominated in Hong Kong dollars ("HKD"), and 2% (31 December 2018: 0%) were denominated in Euro ("EUR"). Outstanding bank and other loans were RMB3.212 billion (31 December 2018: RMB2.794 billion), of which 60.2% (31 December 2018: 74.1%) were denominated in RMB, 35.3% (31 December 2018: 18.2%) were denominated in USD, 4.3% (31 December 2018: 6.0%) were denominated in HKD and 0.2% (31 December 2018: 1.7%) were denominated in EUR. As at 31 December 2019, 42% (31 December 2018: 53%) of the outstanding bank and other loans bear interest at fixed rates while approximately 58% (31 December 2018: 47%) bear interest at variable rates.

As at 31 December 2019, the gearing ratio (total interest-bearing debts divided by total assets) was 0.46 (31 December 2018: 0.42). As at 31 December 2019, the Group's current ratio (current assets divided by current liabilities) was 0.62 (31 December 2018: 0.50). The Group recorded net current liabilities amounting to RMB1.345 billion as at 31 December 2019 (31 December 2018: RMB1.944 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.69 as at 31 December 2019 (31 December 2018: 0.68).

CHARGED ASSETS

As at 31 December 2019, certain properties, plants and equipment and construction in progress and land use rights of the Group with a carrying amount of approximately RMB776 million (31 December 2018: RMB793 million including certain inventories), certain cash in bank and trade and bills receivables of the Group with a carrying amount of approximately RMB308 million (31 December 2018: RMB246 million) and equity interests of certain subsidiaries were pledged against certain bank loans with a total amount of approximately RMB1.747 billion (31 December 2018: RMB827 million).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

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

During the year ended 31 December 2019, the Group did not have any material investments or acquisitions of capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments.

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2019, the Group employed approximately a total of 3,419 employees within and outside the PRC (31 December 2018: about 3,604 employees). The decrease in staff number of the Group as at 31 December 2019 as compared to 31 December 2018 was mainly attributable to continuously higher workplace efficiency of the Group and reduced headcount as the suspension of production lines of several production bases for cold repair. According to the relevant market situation, the remuneration of the Group's employees has maintained at a competitive level and is subject to adjustment based on the employees' performance.

The employees of the companies in the Group which were established in the PRC and abroad participate in the benefit schemes meeting requirements of local labour laws and regulations, respectively. Details of staff costs and pension schemes are set out in Note 6(b) to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future 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 year ended 31 December 2019, the Group did not purchase any derivatives for hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year; and 34% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 13% of the Group's total purchases for the year.

For the year ended 31 December 2019, none of the directors of the Company, their close associates or any shareholders of the Company (which, to the best knowledge of the directors of the Company, own more than 5% of the number of issued shares in the share capital of the Company) has any interest in the Group's five largest suppliers.

The board of directors (the "Board" or the "Directors") of China Glass Holdings Limited (the "Company") presented its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

Details of the principal activities of the Group are set out in Note 14 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 31 December 2019 and the state of the Company's and of the Group's assets and liabilities as at that date are set out in the consolidated financial statements on pages 75 to 82.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: nil).

GROUP'S FIVE YEARS FINANCIAL SUMMARY

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

RESERVES

Details of the distributable reserves of the Company as at 31 December 2019 are set out in Note 28(e) to the consolidated financial statements.

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

DONATIONS

The Group had made donations to charities amounted to RMB621,452 during the year ended 31 December 2019 (2018: RMB358,035).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in Note 28(c) to the consolidated financial statements.

During the year ended 31 December 2019, there were no changes to the total number of ordinary shares of par value HK$0.05 each in the issued share capital of the Company (the "Shares" and each a "Share") or the share capital structure of the Company.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Director

Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-executive Directors

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

Independent Non-executive Directors

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

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

The Company has received annual confirmation of independence from all Independent Non-executive Directors, and still considers them to be independent as at the date of this report in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing Rules").

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2019, none of the Directors or any entity connected with the Directors had any material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries and fellow subsidiaries was a party.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save and except for the share option schemes and the share award scheme disclosed on pages 18 to 22 of this report and Note 26 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children, to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2019.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' EMOLUMENTS

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

The Board shall consider the recommendations made by the remuneration committee of the Company (the "Remuneration Committee"), review and determine the Directors' emoluments with reference to their respective duties, responsibilities and involvement in the Company's affairs, and skills, knowledge and performance, as well as the Company's performance and/or profitability, and prevailing market situation for similar appointment. None of the Directors is involved in deciding his own remuneration.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 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 (the "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 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 Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares (1) (3) (4)	Approximate Percentage of shareholding (5)
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	19,532,000(L)(2)	1.08%
Mr. Zhou Cheng	The Company	Beneficial owner	22,672,633(L)	1.25%

Notes:

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

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

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

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

(5) As at 31 December 2019, the total number of issued Shares is 1,810,147,058.

Save as disclosed above, as at 31 December 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 31 December 2019, the interests and/or short positions of the Shareholders, other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	**Capacity**	**Total Number of Ordinary Shares (1)**	**Approximate Percentage of Shareholding (10)**
First Fortune Enterprises Limited	Beneficial owner	272,926,000(L)	15.08%
Hony International Limited	Interest of a controlled corporation (2)	272,926,000(L)	15.08%
Mei Long Developments Limited	Beneficial owner	104,750,740(L)	5.79%
Easylead Management Limited	Interest of a controlled corporation (3)	377,676,740(L)	20.86%
Right Lane Limited	Interest of a controlled corporation (3) (4)	412,676,740(L)	22.80%
Mr. Cao Zhijiang	Interest of a controlled corporation (5)	377,676,740(L)	20.86%
Mr. Liu Jinduo	Interest of a controlled corporation (5)	377,676,740(L)	20.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation (5)	377,676,740(L)	20.86%
Legend Holdings Corporation (6)	Interest of a controlled corporation (7)	412,676,740(L)	22.80%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621(L)	8.64%
凱盛科技集團有限公司 (Triumph Science & Technology Group Co., Ltd.*)	Beneficial owner/Interest of a controlled corporation (8)	416,424,621(L)	23.01%
中國建材集團有限公司 (China National Building Material Group Co., Ltd.*)	Interest of a controlled corporation (8)	416,424,621(L)	23.01%
Bank of Communications Trustee Limited	Trustee (9)	115,620,000(L)	6.39%

Notes:

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

(2) First Fortune Enterprises Limited is a wholly-owned subsidiary of Hony International Limited. Hony International Limited is taken to be interested in these shares by virtue of Part XV of the SFO.

(3) Hony International Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Mei Long Developments Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited, Easylead Management Limited and Right Lane Limited are taken to be interested in the shares held by Hony International Limited and Mei Long Developments Limited by virtue of Part XV of the SFO.

(4) Elite World Investments Limited holds 35,000,000 Shares. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited. Cheer Elite Holdings Limited is wholly-owned by Right Lane Limited. Right Lane Limited is taken to be interested in the shares held by Elite World Investments Limited by virtue of Part XV of the SFO.

(5) Easylead Management Limited is owned as to one-third by each of Messrs. Cao Zhijiang, Liu Jinduo and Zhang Zuxiang. Each of them is taken to be interested in the shares held by Easylead Management Limited by virtue of Part XV of the SFO.

(6) The English company name "Legend Holdings Corporation" is a direct transliteration of its Chinese company name "聯想控股股份有限公司".

(7) Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Corporation. Legend Holdings Corporation is taken to be interested in the shares held by Right Lane Limited by virtue of Part XV of the SFO.

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

(9) Bank of Communications Trustee Limited has been appointed as the Trustee (as defined herein below) of the Share Award Scheme (as defined herein below). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing Shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such Shares are vested with the relevant Selected Employee(s) (as defined herein below) in accordance with the scheme rules. The Trustee is taken to have a duty of disclosure in relation to such Shares by virtue of Part XV of the SFO.

(10) As at 31 December 2019, the total number of issued Shares is 1,810,147,058.

Save as disclosed above, as at 31 December 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 26(a) to the consolidated financial statements.

The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme. During the year ended 31 December 2019, save for a total of 1,100,000 share options that have lapsed during this period, no shares options were exercised, cancelled or lapsed under the Old Share Option Scheme.

Particulars of outstanding options granted under the Old Share Option Scheme at the beginning and at the end of the financial year ended 31 December 2019 are as follows:

Participant	Date of grant[1]	Exercise price per Share[2]	Exercise period from	Exercise period until	Held as at 1/1/2019	No. of Shares Granted/ Exercised/ (Cancelled)/ (Lapsed) during the year	Held as at 31/12/2019	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 year ended 31 December 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 year ended 31 December 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, or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee. In addition, where any grant of awarded shares is proposed to be made to any Director or any other person who is a connected person within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

(b) *The purpose of the Share Award Scheme*

The purposes of the Share Award Scheme are to recognise the contributions made by Selected Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(c) *Operation of the Share Award Scheme*

Bank of Communications Trustee Limited has been appointed as the trustee of the Share Award Scheme (the "Trustee"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing Shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such Shares are vested with the relevant Selected Employees in accordance with the scheme rules.

(d) *Life of the Share Award Scheme*

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board.

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

BIOGRAPHICAL INFORMATION OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Directors

Executive Director

Mr. Cui Xiangdong (崔向東), aged 59, is an Executive Director, the Chief Executive Officer and a member of the Strategy Committee of the Company. Mr. Cui has been an Executive Director of the Company since 19 March 2007 and the Chief Executive Officer of the Company since 22 November 2013. Mr. Cui is also the Chairman, Legal Representative, and a director of certain subsidiaries of the Company. Mr. Cui is an accountant and a senior economist with a university degree. He serves as a Vice President of China Building Materials Federation and China Architectural and Industrial Glass Association, and an Associate Director of Sealed Insulating Glass Professional Committee and Vacuum Glass Professional Committee. Mr. Cui has previously served as Financial Director of Weihai Glass Factory, General Manager of Shandong Blue Star Glass Group Co., Ltd., and Senior Vice President of the Company. Mr. Cui has over 30 years of extensive experience in building material industry, corporate management and marketing.

Non-executive Directors

Mr. Peng Shou (彭壽), aged 59, is the Chairman, a Non-executive Director, the Chairman of the Strategy Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Peng joined the Group since 13 February 2015. Mr. Peng obtained the Bachelor's Degree in Engineering from Wuhan Institute of Building Material Industry (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree in Management from Wuhan Poly-technic University (now renamed as Wuhan University of Technology) in 2001.

Mr. Peng is a senior engineer at professor level, doctoral supervisor, a national engineering survey and design master, expert enjoying special allowance from the State Council, one of the first batch of national candidates for "New Century Hundred-Thousand and Ten-Thousand Talents Project", Deputy Supervisor of Material Technology International Promotion Center of United Nations Industrial Development Organization, adjunct professor of Wuhan University of Technology, member of the Academic Committee of Major Laboratory of Silicate Material Engineering under the Ministry of Education. He won Science and Technology Innovation Award awarded by the Ho Leung Ho Lee Foundation, Guanghua Engineering Science and Technology Award, the Medal for Leadership in the Advancement of Ceramic Technology and the Innovation Leader Award of Silicate Technology awarded by The American Ceramic Society, Grishmanov Ivan Alexandrovich award of the Russian Academies of Engineering, the third "Central Enterprise Model", 2017 Excellent Entrepreneur in National Building Material Industry, National Model Worker, National Excellent Science and Technology Worker, and bearer of National May 1 Labor Medal. Mr. Peng led science and technology research team to the second prize of National Science & Technology Progress Award for three times. Mr. Peng has accumulated over 35 years of business and management experiences in the building material industry. He is an expert in inorganic material research and development as well as engineering design and consultancy.

Mr. Peng is the Legal Representative, Secretary of the Party Committee, Chairman of the Board, Executive Director and General Manager of Triumph Science & Technology Group Co., Ltd.*（凱盛科技集團有限公司）("Triumph Technology", a substantial shareholder of the Company), and has been an Executive Director of China National Building Material Company Limited* (中國建材股份有限公司) ("CNBM", an associate of Triumph Technology, and being a company listed on the Stock Exchange) since June 2006 and also the President and a member of the Strategic Steering Committee of CNBM as well as the Chairman of the Board and General Manager of China Triumph International Engineering Company Limited*（中國建材國際工程集團有限公司, an associate of Triumph Technology). Mr. Peng served as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016. At present, Mr. Peng is an Academician of Chinese Academy of Sciences and Chinese Academy of Engineering, the Secretary of Party Committee and President of CNBM Bengbu Design & Research Institute for Glass Industry, the Chairman of the Advisory Committee and an executive member of International Commission on Glass, the Director of State Key Laboratory of New Technology of Float Glass, the Vice Chairman and Deputy Secretary General of the Chinese Ceramic Society, the Vice President of China Architectural and Industrial Glass Association and the Vice President of China Building Materials Federation, etc.

* *For identification purpose only*

Mr. Zhou Cheng (周誠), aged 63, is a Non-executive Director, the Honorary Chairman, a member of the Nomination Committee and a member of the Strategy Committee of the Company. Mr. Zhou has been an Executive Director and Chief Executive Officer of the Company since the listing of the Company in 2005 until 19 October 2010 and 14 September 2007, respectively. Mr. Zhou was the Chairman of the Company from September 2007 to February 2015. He is a senior engineer and graduated from Nanjing University of Technology in 1980, majoring in inorganic chemistry. Mr. Zhou joined the Group in January 1997 and has previously served as head of Jiangsu Glass Factory and the Chairman and General Manager of Jiangsu Glass Group Company Limited. Mr. Zhou is currently the director of First Fortune Enterprises Limited (a substantial shareholder of the Company) and the venture partner of Hony Capital Limited (an indirect substantial shareholder of the Company).

Mr. Zhao John Huan (趙令歡), aged 57, is a Non-executive Director and a member of the Strategy Committee of the Company. Mr. Zhao joined the Group in January 2005. Mr. Zhao obtained a bachelor degree in physics from Nanjing University, dual master degrees in electrical engineering and physics from Northern Illinois University in United States, and a master degree in business administration from the Kellogg School of Management of Northwestern University in United States.

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

Mr. Zhao is also the Vice Chairman of Asset Management Association of China ("AMAC") and Chairman of the private equity & buyout fund committee under AMAC, board member of the China Development Research Foundation (CDRF), governor of Our Hong Kong Foundation, governor of China-United States Exchange Foundation, and other social positions. Mr. Zhao also held senior management positions at several large companies at home and abroad before, accumulating rich experience in corporate management.

Mr. Zhao acted as the Deputy Chairman of the board of Shanghai SMI Holding Co., Ltd. and Shanghai Environment Group Co., Ltd., and a Director in each of Wumart Stores, Inc., New China Life Insurance Company Ltd., Chinasoft International Limited and CSPC Pharmaceutical Group Limited. Except for Wumart Stores, Inc. which was previously listed on the Stock Exchange, all the companies mentioned above are listed on the Shanghai Stock Exchange or the Stock Exchange.

Mr. Zhang Jinshu (張勁舒), aged 38, is a Non-executive Director of the Company. Mr. Zhang joined the Group on 28 August 2018. Mr. Zhang holds a master's degree in electromagnetic field and microwave technology as well as a bachelor's degree in electronic engineering from Shanghai Jiao Tong University. He also holds a master of science degree in applied science and technology from University of California, Berkeley. Mr. Zhang is currently the vice director of the development and investment department of Triumph Science & Technology Group Co., Ltd.* （凱盛科技集團有限公司），a substantial shareholder of the Company, a director of Olivotto Glass Technologies S.p.A. and the supervisor of Triumph JunHeng Co., Ltd., etc. Mr. Zhang worked for Ultralife Corporation (Ultralife China) as an assistant general manager, director of sales and liaison officer from May 2012 to June 2016.

Independent Non-executive Directors

Mr. Zhang Baiheng（張佰恒）, aged 58, is an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in January 2005. Mr. Zhang is a university graduate and a senior engineer. He was a pilot and district chief in the Sixth Flight Institute of the People's Liberation Army of China from 1979 to 1981. From 1981 to 1985, he was a member and district chief at the Staff Officer Faculty of the People's Liberation Army Air Force Academy of China. From 1985 to 1996, he was a staff officer at the Training Department of the People's Liberation Army Air Force Academy of China. Mr. Zhang has extensive experience in the building material industry. He was the deputy director of China Building Material Industry Association (now renamed as China Building Materials Federation) and the Independent Director of AVIC Sanxin Co., Ltd*（中航三鑫股份有限公司）(a company listed on the Shenzhen Stock Exchange). Mr. Zhang currently serves as the Independent Director of Jiangsu Xiuqiang Glasswork Co., Ltd.*（江蘇秀強玻璃工藝股份有限公司）(a company listed on the Shenzhen Stock Exchange) and the President of China Architectural and Industrial Glass Association.

Mr. Zhao Lihua（趙立華）, aged 77, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Zhao joined the Group on 30 June 2011. He graduated from Hunan University in 1965 with a bachelor's degree majoring in physics. He was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981 and was promoted to a professor in the same university in 1987. He was a visiting professor of University of Hanover in Germany in 1989 and the vice president of Hunan University from March 1992 to March 2000. Mr. Zhao was also a former professor and tutor of doctorate candidates of Hunan University, the Chairman of Hebei Huda Technology & Education Development Co., Ltd. and the chief supervisor of Sinosafe General Insurance Company Limited. He also served as the Independent Non-executive Director of China National Building Material Company Limited (a company listed on the Stock Exchange) in 2014 and resigned on 27 May 2016. Mr. Zhao has also been an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and a member of the Strategic Review Committee of Hydoo International Holding Limited (a company listed on the Stock Exchange) since 23 November 2014.

* *For identification purpose only*

Mr. Chen Huachen (陳華晨), aged 41, is an Independent Non-executive Director and the Chairman of the Audit Committee of the Company. Mr. Chen joined the Group on 27 December 2012. Mr. Chen is a Chartered Financial Analyst. Mr. Chen graduated from the Capital University of Economics and Business in 2001 with a bachelor's degree in Accounting, and graduated from the Faculty of Business of the Hong Kong Polytechnic University in 2006 with a master's degree in Accounting. Mr. Chen also holds an MBA degree awarded by Columbia Business School in 2009. Mr. Chen was a senior staff member at the Department of Public Offering Supervision of the China Securities Regulatory Commission from 2003 to 2007. After graduating from Columbia University, Mr. Chen returned to China and worked for UBS Securities Co. Limited as a director in the Greater China Investment Banking Division from 2009 to 2011. Mr. Chen worked for Qiming Ventures Partners as a partner from 2011 to 2012. Mr. Chen has ample experience in the capital market and financial related matters.

Senior Management

Mr. Li Ping (李平), aged 58, is the Senior Vice President of the Company. Mr. Li is the Chairman of the CNG Glass (Nigeria) FZE, a subsidiary of the Company. He is a senior engineer at postgraduate level and graduated in 1982 from Zhejiang University with a bachelor degree in Engineering majoring in metasilicate, and obtained a master's degree in Business Administration from China University of Mining and Technology in 2002. He has formerly worked as deputy head of Jiangsu Glass Factory, general manager of Jiangsu Glass Group Company Limited and Executive Director of the Company. He has over 30 years of extensive experience in the building material industry and corporate management.

Mr. Lyu Guo (呂國), aged 57, is a Vice President of the Company. Mr. Lyu is a director of certain subsidiaries of the Company. Mr. Lyu is a senior engineer at postgraduate level. He graduated in 1984 with a bachelor degree from Wuhan Institute of Building Material (now known as Wuhan University of Technology), majoring in glass. He has worked as head of a branch factory of Jiangsu Glass Factory, a deputy general manager of Jiangsu Glass Group Company Limited, and General Manager of Jiangsu SHD New Materials Company Limited and Dongtai China Glass Special Glass Company Limited, etc. He has over 30 years of extensive experience in corporate management of glass industry.

Mr. Yang Hongfu (楊洪富), aged 58, is a Vice President of the Company. He is the Chairman of Jiangsu SHD New Materials Company Limited, Suqian CNG Electronic Glass Company Limited, Dongtai China Glass Special Glass Company Limited and Beijing Qinchang Glass Co., Ltd., all are subsidiaries of the Company. Mr. Yang is a senior economist and a university graduate. He has worked as vice director of Jiangsu Branch of Industrial and Commercial Bank of China, senior manager of Nanjing Office of China Huarong Asset Management Corporation, vice chairman of Jiangsu SHD New Materials Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision of Jiangsu Nantong Yaorong Glass Co., Ltd., etc.

* For identification purpose only

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

Mr. Wang Jianxun (汪建勛), aged 62, is the Chief Technology Officer of the Company. Mr. Wang is the Chairman of CNG (Hangzhou) New Materials Technology Company Limited, a subsidiary of the Company. He is a senior engineer at professor level. He graduated from Wuhan Building Materials Technology Institute in 1982 with a bachelor's degree in engineering. Mr. Wang has previously worked as engineer, deputy chief engineer, senior engineer, senior engineer at professor level in Qinhuangdao Glass Design Research Institute. He was a professor of Zhejiang University and was awarded National S&T Progress Awards for several times. Mr. Wang has over 30 years of extensive experience in the research and development and application on the glass engineering project design.

Mr. Han Liming (韓黎明), aged 44, is the Chief Finance Officer of the Company. Mr. Han joined the Group on 28 March 2017. Mr. Han is an accountant with a master's degree in Business Administration. Mr. Han worked in finance department of China National Building Material Group Co., Ltd. and served as the general manager of finance department of China Building Material Glass Limited*(中建材玻璃公司). Mr. Han also acts as the head of finance department of Triumph Science & Technology Group Co., Ltd.*(凱盛科技集團有限公司), a substantial shareholder of the Company. Mr. Han has over 10 years of experience in financial management in the glass industry.

Company Secretary

Ms. Kuok Yew Lee (郭尤莉), aged 43, is the Company Secretary of the Company. Ms. Kuok has been appointed as the Company Secretary of the Company on 13 December 2017. Ms. Kuok is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom ("ICSA") and The Hong Kong Institute of Chartered Secretaries ("HKICS"), and a holder of the Practitioner's Endorsement issued by HKICS. She also holds the Chartered Governance Professional qualification of ICSA and HKICS, and a Master of Business Administration with Merit in International Management from the University of London.

* *For identification purpose only*

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the financial year ended 31 December 2019, the Group entered into the following transactions which constituted non-exempt connected transactions and continuing connected transaction under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules:

A. Connected Transactions

(1) Entering into of machinery contract, engineering contracts and flue gas treatment contract

On 21 February 2019, Zhongbo Technology Co., Ltd.*（中玻科技有限公司）(“Zhongbo Technology”, as the purchaser and an indirect non wholly-owned subsidiary of the Company) entered into the Zhongbo Machinery Contract (as defined herein below) with CNBM Triumph Robotics (Shanghai) Co., Ltd.*（中建材凱盛機器人（上海）有限公司）(“CNBM Triumph Robotics”, as the vendor), pursuant to which CNBM Triumph Robotics was engaged by Zhongbo Technology to supply grading stacking robot systems for production line no. 3 of Zhongbo Technology.

Furthermore, on 21 February 2019, each of Zhongbo Technology (as the hirer) and Weihai CNG New Technology Glass Ltd.*（威海中玻新技術玻璃有限公司）(“Weihai CNG”, as the hirer and an indirect non wholly-owned subsidiary of the Company) entered into the Zhongbo Engineering Contracts (as defined herein below) and the Weihai Engineering Contracts (as defined herein below), respectively, with Shenzhen Triumph Technology Engineering Co., Ltd*（深圳市凱盛科技工程有限公司）(“Shenzhen Triumph Technology Engineering”, as the contractor), pursuant to which Zhongbo Technology and Weihai CNG respectively engaged Shenzhen Triumph Technology Engineering to carry out design for flue gas treatment project(s), equipment and material procurement, and installation of glass furnace denitration reactor equipment.

In addition, on 21 February 2019, Xianyang CNG Coated Glass Limited*（中玻（咸陽）鍍膜玻璃有限公司）(“Xianyang CNG”, as the hirer and an indirect non wholly-owned subsidiary of the Company) entered into the Xianyang Flue Gas Treatment Contract (as defined herein below) with Shenzhen Triumph Technology Engineering (as the contractor), pursuant to which Shenzhen Triumph Technology Engineering was engaged by Xianyang CNG to provide construction services for the flue gas treatment system of Xianyang CNG, including detailed design and planning for the project, equipment and material procurement, and installation and testing of the system.

Pursuant to the machinery contract entered into between Zhongbo Technology and CNBM Triumph Robotics (the “Zhongbo Machinery Contract”), Zhongbo Technology agreed to purchase and CNBM Triumph Robotics agreed to supply grading stacking robot systems for production line no. 3 of Zhongbo Technology. The contract price under the Zhongbo Machinery Contract is RMB3.38 million. Zhongbo Technology will make instalment payments to CNBM Triumph Robotics based on the progress of the works completed by the relevant contracting parties in accordance with the terms of the Zhongbo Machinery Contract at the following stages: (i) immediately after signing of the Zhongbo Machinery Contract, (ii) one month prior to the delivery of the grading stacking robot systems, (iii) after the inspection-based check and acceptance of the grading stacking robot systems, and (iv) within one and a half month after the expiry of the warranty period.

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Pursuant to the engineering contracts entered into between Zhongbo Technology and Shenzhen Triumph Technology Engineering (the "Zhongbo Engineering Contracts"), Zhongbo Technology agreed to hire and Shenzhen Triumph Technology Engineering agreed to supply and install glass furnace denitration reactor equipment for production line nos. 3 and 4 of Zhongbo Technology. The work engaged by Shenzhen Triumph Technology Engineering includes (i) sourcing and supply of components and construction materials, design and planning for the denitration reactor equipment on the glass furnaces for production line nos. 3 and 4 of Zhongbo Technology, and (ii) installation, testing and quality checking for the denitration reactor equipment on the glass furnaces for production line nos. 3 and 4 of Zhongbo Technology. The contract prices under the Zhongbo Engineering Contracts for (i) the design of flue gas treatment project(s) and procurement of equipment and material is RMB1 million, and (ii) the installation of glass furnace denitration reactor equipment is RMB3 million. Zhongbo Technology will make instalment payments to Shenzhen Triumph Technology Engineering based on the progress of the works completed by the relevant contracting parties in accordance with the terms of the Zhongbo Engineering Contracts at the following stages: (i) within seven days after signing of the Zhongbo Engineering Contracts, (ii) prior to the delivery of the main components for the denitration reactor equipment, (iii) within five days after completion of the installation of the denitration reactor equipment, and (iv) within the thirteenth month after the inspection-based check and acceptance of the project(s).

Pursuant to the engineering contracts entered into between Weihai CNG and Shenzhen Triumph Technology Engineering (the "Weihai Engineering Contracts"), Weihai CNG agreed to hire and Shenzhen Triumph Technology Engineering agreed to supply and install glass furnace denitration reactor equipment for production line no. 2 of Weihai CNG. The work engaged by Shenzhen Triumph Technology Engineering includes (i) sourcing and supply of components and construction materials, design and planning for the denitration reactor equipment on the glass furnace for production line no. 2 of Weihai CNG, and (ii) installation, testing and quality checking for the denitration reactor equipment on the glass furnace for production line no. 2 of Weihai CNG. The contract prices under the Weihai Engineering Contracts for (i) the design of flue gas treatment project and procurement of equipment and material is RMB1 million, and (ii) the installation of glass furnace denitration reactor equipment is RMB3 million. Weihai CNG will make instalment payments to Shenzhen Triumph Technology Engineering based on the progress of the works completed by the relevant contracting parties in accordance with the terms of the Weihai Engineering Contracts at the following stages: (i) within seven days after signing of the Weihai Engineering Contracts, (ii) prior to the delivery of the main components for the denitration reactor equipment, (iii) within five days after completion of the installation of the denitration reactor equipment, and (iv) within the thirteenth month after the inspection-based check and acceptance of the project.

Pursuant to the construction contract entered into between Xianyang CNG and Shenzhen Triumph Technology Engineering (the "Xianyang Flue Gas Treatment Contract"), Xianyang CNG agreed to hire and Shenzhen Triumph Technology agreed to provide construction services for the flue gas treatment system of Xianyang CNG, including detailed design and planning for the project, equipment and material procurement, and installation and testing of the system. Under the Xianyang Flue Gas Treatment Contract, the work engaged by Shenzhen Triumph Technology Engineering includes (i) sourcing and supply of components and construction materials for flue gas treatment system, (ii) detailed design and planning for the glass furnace's flue gas treatment system of Xianyang CNG, and (iii) installation, testing and quality checking for the glass furnace's flue gas treatment system of Xianyang CNG. The flue gas treatment system is a comprehensive gas treatment system equipped with flue gas dust removal, desulphurization and denitration functions. The total contract price under the Xianyang Flue Gas Treatment Contract for the services is RMB19.88 million, consisting of costs of design and planning, equipment and materials fee, and installation fee. Xianyang CNG will make instalment payments to Shenzhen Triumph Technology Engineering based on the progress of the works completed by the relevant contracting parties in accordance with the terms of the Xianyang Flue Gas Treatment Contract at the following stages: (i) within five days after signing of the Xianyang Flue Gas Treatment Contract, (ii) within five days prior to the delivery of the main components for the reactor equipment, (iii) within five days after the inspection-based check and acceptance of the project, and (iv) within the thirteenth month after the inspection-based check and acceptance of the project.

The installation of grading stacking robot systems would further enhance the efficiency of the production line of Zhongbo Technology. In addition, to further improve the Group's efforts in environmental protection, the Group has, in recent years, arranged flue gas treatment to its production lines. The installation of glass furnace denitration reactor equipment in the production lines of Zhongbo Technology and Weihai CNG, which will further upgrade the flue gas treatment process of the production lines, as well as the installation of the flue gas treatment system of Xianyang CNG, are part of the management's continuous effort on environmental protection and energy-saving which will contribute to the sustainable development of the Group.

Triumph Science & Technology Group Co., Ltd.*（凱盛科技集團有限公司）("Triumph Group Company, a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Each of CNBM Triumph Robotics and Shenzhen Triumph Technology Engineering is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Zhongbo Machinery Contract, the Zhongbo Engineering Contracts, the Weihai Engineering Contracts and the Xianyang Flue Gas Treatment Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

* *For identification purpose only*

(2) *Entering into of engineering contracts*

On 25 October 2019, Shaanxi CNG New Technology Company Limited*（中玻（陝西）新技術有限公司）(“Shaanxi CNG”, as the hirer and an indirect non wholly-owned subsidiary of the Company) entered into the Shaanxi Engineering Contracts (as defined herein below) with China Building Materials International Engineering Group Co., Ltd.*（中國建材國際工程集團有限公司）(“CBMIE Group”, as the principal contractor), pursuant to which Shaanxi CNG engaged CBMIE Group to carry out design, procurement and installation work in relation to the cold-repair and modification of the float glass production line for Shaanxi CNG.

Furthermore, on 25 October 2019, Jiangsu SHD New Materials Company Limited*（江蘇蘇華達新材料有限公司）(“Jiangsu SHD”, as the hirer and an indirect wholly-owned subsidiary of the Company) entered into the Jiangsu Engineering Contract (as defined herein below) with CBMIE Group (as the principal contractor), pursuant to which Jiangsu SHD engaged CBMIE Group to carry out equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line for Jiangsu SHD.

Pursuant to the engineering contracts entered into between Shaanxi CNG and CBMIE Group (the “Shaanxi Engineering Contracts”), CBMIE Group agreed to carry out design, procurement and installation work in relation to the cold-repair and modification of the float glass production line for Shaanxi CNG. The work engaged by CBMIE Group includes (i) the design and planning of the cold-repair and modification project; and (ii) the procurement and installation of systems, equipment and material for the cold-repair and modification project. The contract prices under the Shaanxi Engineering Contracts for (i) the design and planning of the cold-repair and modification project is RMB1.98 million, and (ii) the procurement and installation of systems, equipment and material for the cold-repair and modification project is RMB89 million. Shaanxi CNG will make ten instalment payments to CBMIE Group (including a prepayment of 20% of the contract price upon the Shaanxi Engineering Contracts becoming unconditional) based on the progress of the works completed by CBMIE Group (such as the delivery of design plan, respective delivery dates of various main equipment, completion of installation, completion of testing and expiry of the 12-month warranty period), each of not more than RMB26.7 million, in accordance with the terms of the Shaanxi Engineering Contracts. The Shaanxi Engineering Contracts do not contain any adjustment mechanism on the consideration.

Pursuant to the engineering contract entered into between Jiangsu SHD and CBMIE Group (the “Jiangsu Engineering Contract”), CBMIE Group agreed to carry out equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line for Jiangsu SHD. The work engaged by CBMIE Group includes (i) providing raw material systems, sourcing and supply of all materials and equipment which within the scope of the Jiangsu Engineering Contract, and (ii) installation, testing and quality checking for the new high-end automotive glass production line for Jiangsu SHD. The contract price under the Jiangsu Engineering Contract for equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line is RMB286 million. Jiangsu SHD will make eight instalment payments to CBMIE Group (including a prepayment of 20% of the contract price upon the Jiangsu Engineering Contract becoming unconditional) based on the progress of the works completed by CBMIE Group (such as procurement date and delivery dates of equipment and material, inspection date, completion date and expiry of the 12-month warranty period), each of not more than RMB57.2 million, in accordance with the terms of the Jiangsu Engineering Contract. The Jiangsu Engineering Contract does not contain any adjustment mechanism on the consideration.

* *For identification purpose only*

Automotive glass has been a market which the Group intends to expand into due to its high technological demand as well as high profit margin. The establishment of the new high-end automotive glass production line of Jiangsu SHD will create the first full automotive glass production line of the Group; and the cold-repair and modification of the float glass production line for Shaanxi CNG will allow the production line to produce both coated glass and automotive glass. The cold-repair and modification of the float glass production of Shaanxi CNG will also convert the production line from being powered by coal gas to natural gas which is in line with the Group's commitment to improve and enhance its environmental protection measures.

Triumph Group Company (a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. CBMIE Group is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Shaanxi Engineering Contracts and the Jiangsu Engineering Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

B. Continuing Connected Transaction

Entering into of procurement framework agreement

On 25 October 2019, China Glass Investment Limited*（中玻投資有限公司）("China Glass Investment", as the purchaser and an indirect wholly-owned subsidiary of the Company) entered into the China Glass Procurement Framework Agreement (as defined herein below) with Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.*（安徽華光光電材料科技集團有限公司）("Huaguang Group", as the supplier), pursuant to which China Glass Investment engaged Huaguang Group to procure various types of raw and fuel materials which are commonly used and essential for the production of glass products, including silica sand and soda ash (the "Raw and Fuel Materials") for the manufacturing of glass products carried out by the Group.

Pursuant to the procurement framework agreement entered into between China Glass Investment and Huaguang Group (the "China Glass Procurement Framework Agreement"), Huaguang Group agreed to carry out procurement through tender of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group. The service is for a term of three years, starting from 1 January 2020 to 31 December 2022. The China Glass Procurement Framework Agreement provides the pricing principles, procurement and payment mechanism and terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Huaguang Group. Individual purchase orders will be entered into between China Glass Investment and Huaguang Group for each individual purchase. Huaguang Group will procure Raw and Fuel Materials through tender and sell the Raw and Fuel Materials to China Glass Investment at cost price.

Huaguang Group will provide China Glass Investment the tender results including but not limited to the tender price and quality of products for consideration. Accordingly, China Glass Investment can decide whether or not to procure the relevant products at the relevant prices after assessing and comparing the overall procurement costs (including interest) of procuring from Huaguang Group with the cost of procuring from independent third parties. The tender results provided by Huaguang Group to the Group will contain the deadline for Huaguang Group to pay its suppliers. China Glass Investment will separately agree with Huaguang Group on the payment deadline for each purchase order after considering the procurement plan and cashflow of the Group with an interest chargeable by Huaguang Group from the date of Huaguang Group's payment to its supplier(s) for such purchase of Raw and Fuel Materials as set out below:

Credit period	Interest rate
Within 30 days	1%
More than 30 days but within 60 days	2%
More than 60 days but within 90 days	3%

* *For identification purpose only*

The aggregate prices (including related fees and taxes) of the transactions contemplated under the China Glass Procurement Framework Agreement are subject to the annual caps of RMB890 million, RMB900 million and RMB980 million for the years ending 31 December 2020, 31 December 2021 and 31 December 2022, respectively.

Raw and Fuel Materials, including silica sand and soda ash are essential for the Group's production of glass products, and Huaguang Group also procures Raw and Fuel Materials in large scale. Whilst the Group has been able to lower its purchase prices due to large-scale procurement, by combining the procurement demand for Raw and Fuel Materials of the Group and Huaguang Group, the suppliers may potentially offer even more competitive raw material prices than those offered to the Group when the Group is purchasing alone. The Group has been continuously reviewing and exploring for methods to optimize its procurement strategy to manage its procurement costs and establishing a business relationship with Huaguang Group is one of the methods considered by the Group which became available after business discussions between Huaguang Group and the Group.

Triumph Group Company (a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Huaguang Group is an associate of Triumph Group Company under the Listing Rules. Accordingly, the China Glass Procurement Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The material related party transactions are set out in Note 29 to the consolidated financial statements. Save as disclosed above, all the related party transactions did not fall within the scope of non-exempted connected transactions under Chapter 14A of the Listing Rules which are required to comply with the annual reporting, annual review, announcement or independent shareholders' approval requirements.

The Company confirms that it will comply or continue to comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transaction of the Group.

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

During the year ended 31 December 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 year and up to the latest practicable date prior to the issue of this Annual Report.

EQUITY-LINKED AGREEMENTS

Save for the Old Share Option Scheme, the New Share Option Scheme and the Share Award Scheme as set out above, no equity-linked agreements were entered into by the Company, or existed during the year ended 31 December 2019.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

With respect to the NCP Outbreak, the Directors has assessed and preliminarily concluded the uncertainties impact on its operating environment and the financial position. The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. The Directors confirm that these contingency measures include but not limited to reassessing fluctuation (if any) to the sales volume and price, reassessing the adequacy of inventory level, and improving the Group's cash management by negotiating with suppliers on payment terms. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

BUSINESS REVIEW

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

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

Relationship with Employees

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

Relationship with Customers

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

Relationship with Suppliers

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

Environmental Policies and Performance

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

Details of the Group's environmental policies are contained in the section headed "Environmental, Social and Governance Report" on pages 36 to 48 of this Annual Report.

Compliance with Laws and Regulations

During the year ended on 31 December 2019 and up to the date of this report, as far as the Company is aware, there is no material non-compliance with the relevant laws and regulations applicable to the Group that has a significant impact on the business and operations of the Group.

The applicable laws and regulations which have a significant impact on the business and operations of the Group are contained in the section headed "Environmental, Social and Governance Report" on pages 36 to 48 of this Annual Report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS

The Group had not made any significant investments, material acquisitions or disposals during the year ended 31 December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

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

In 2020, the glass industry will be further differentiated and adjusted as the process to cut excessive industrial capacity will continue further. As for ordinary float glass, parts of potential capabilities may accelerate to release attributed to the price recovery in 2019. The Group has taken a number of measures to address the uncertainties faced by the industry, for further details, please refer to the subsection headed "Work Plans for 2020" on pages 8 to 9 of this Annual Report.

The Group is also subject to other financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk, in the normal course of the Group's business. Particulars of financial risk management of the Group are set out in Note 31 to the consolidated financial statements.

INVESTOR RELATIONS AND COMMUNICATIONS

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

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2019 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

By order of the Board
Peng Shou
Chairman

Hong Kong, 30 March 2020

Environmental, Social and Governance Report

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

I. WORK ENVIRONMENT

1. Corporate Culture

The Group regards talents as the driving force for the vigorous development of the enterprise. The Group persisted in the combination of a people-oriented management philosophy and an innovation mechanism in terms of production and operation, employee training, compensation and benefits. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Company and its staff. At the same time, the Group fully brought out employees' enthusiasm and initiatives in accordance with the principle of "adapting to the market environment, actualizing values of talents and bringing out the full effects of incentives", and created a positive, healthy, fair and just corporate culture and work environment for its employees.

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

As of 31 December 2019, the Group had a total of 3,419 employees with age mainly ranging from 35 to 60 years old, including teams of production, sales, technology research and development and management. The Group adheres to the principle of diversity and the employment is made based on different gender, age, ethnicity, nationality and region, religion and educational background, etc. In addition, all the employees are provided with open and fair promotion opportunities while all types of discrimination in employment are strongly prohibited.

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

For the year ended 31 December 2019, the number of the Group's employees by employment type, age group and geographical region is set out as follows:

Employees		Age Group				Geographical region				
Total number of employees	Employment type	Below 35 years old	Between 35-60 years old	Above 60 years old	Total	Shandong	Shaanxi	Jiangsu	Inner Mongolia	Others
3,419	Contract employee	583	2,830	6	3,419	1,111	509	1,173	284	342

2. Health and Safety

The Group strictly adhered to people orientation in its occupational health and safety production in constant compliance with relevant laws and regulations such as the Production Safety Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases, Regulations on Production Safety and the policy that "safety comes first; prevention is better than cure, cure is implemented by comprehensive management measures". Following the principle of "combination of prevention and treatment with focus on prevention", it carries out classified management and comprehensive governance in the prevention and control of occupational diseases, strengthens and implements the entity responsibilities of each production & operation unit, establishes the mechanism with employee participation in the charge of each production & operation unit, and accepts the government regulation, industry self-discipline and social supervision. It implements the comprehensive management system integrating four standards concerning quality (ISO9001:2015), environment (ISO14001:2015), energy (ISO50001:2018), safety and occupational health (ISO45001:2018) in the production and operation activities, in order to guarantee the normal production activities.

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

In 2019, the Group implemented the procedures, rules and regulations above for the year. The process of implementation was reviewed regularly and supervised by spot check by the committee designated by the senior management.

3. Development and Training

The Group attaches great importance to the improvement of comprehensive quality and expertise of the staff, and works out training programs in a scientific manner for the employees of each position based on their business needs. In 2019, training activities provided by the Company to employees included:

– induction training for new staff;

– in-service and transferred staff skills training;

– professional job skills enhancement and technical backbone staff training;

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

– organizing training seminars organized by professionals;

– regular specialized training for employees based overseas;

– training by in-house trainers;

– scheduled and focused year-round comprehensive skills training for management staff of high and middle level.

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

For the year ended 31 December 2019, the number of the Group's employees by employment type, age group and geographical region is set out as follows:

Staff Category	High Level Management	Middle Level Management	Base Level Management	Technical Staff	Marketing staff	Production staff	Others	Total
Staff size (persons)	85	360	451	212	61	1789	461	3419
Number of persons trained	85	359	446	209	61	1749	325	3234
Percent of persons trained	100%	99.7%	98.8%	98.6%	100%	97.8%	70.5%	94.6%

4. Labor Standards

The Group has 98% staff in China. They strictly comply with the Labor Law of the PRC and the Labor Contract Law of the PRC, and overseas staff also strictly comply with the relevant requirements of applicable laws and regulations. There were no non-compliance cases identified in 2019. The Group complies with the relevant requirements of national laws and regulations in its recruitment activities and clarifies the relationship of work allocation between employers and employees from the perspective of system and mechanism. Moreover, the Group safeguards its employees' legal rights and interests and rigorously forbids child and forced labor. The Company also adheres to the following principles:

(1) The Company recruits workers by the principles of fairness, openness, and willingness, and signs the Labor Contract in accordance with regulations. No force work is imposed to our staffs.

(2) The Company provides workers with wages and compensation for overtime no lower than the local minimum wage, and related benefits.

(3) The Company provides workers with rest days and statutory paid holidays according to the relevant national regulations.

(4) The Company recruits adults over 18 years old without discrimination on gender, religion, race, etc., and provides fair training and promotion opportunities for all employees.

(5) The Company complies with the Labor Law of the PRC and the regulations of the country where the operation is located to compute the working hours on a consolidated basis.

The Group conducts comprehensive self-examination about the employment from time to time to prevent and timely remedy the potential violations.

II. ENVIRONMENTAL PROTECTION

The Group has adhered to the development concept of green environmental protection, energy-saving and emission reduction, comprehensively adjusted the product mix, integrated and optimized the green industrial chain, and continuously expanded the energy-saving glass and renewable energy field. It focuses on research and development, production, and sales of a range of coated glass for the construction industry, and glass for energy conservation and new energy fields, and takes a leading position in the glass for energy conservation and new energy fields. The Group strives to make contributions to building a green and energy-saving society through continuous product renovation.

1. Emissions

Adamantly implementing government laws and regulations regarding environmental protection such as the Ecological Environment Protection Law of the PRC, the Atmospheric Pollution Prevention Law of the PRC and the Law of the PRC on the Prevention and Control of Water Pollution, the Group has increased its investment in technical transformation, energy conservation, consumption reduction and environmental protection facilities, and the manufacturing bases of the Group have basically completed the construction of environmental protection facilities for desulfurization, denitration and integrated dust removal improvement. In 2019, RMB72.86 million of operating cost of environmental protection facilities was incurred, which remained stable as compared with that of 2018. In 2019, the Group has further strengthened the operation and management of the environmental protection facilities. In response to the new environmental standards, the Group has carried out technological upgrading of environmental protection facilities, built an environmental protection backup system, and vigorously implemented deep emission reductions to reduce the emission concentration. The emission concentration of dust, sulfur dioxide and nitrogen oxide was 47.1%, 32.88% and 44.58% of the national standards respectively, all of which were better than the national standards with a decline tendency of the annual total emissions.

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

In order to achieve the objective of "Made in China 2025", the Group has thoroughly implemented green manufacturing projects to construct a green manufacturing system and exert its leading role in advanced exemplary enterprise for green manufacturing, so as to achieve energy saving and comprehensive utilization of energy, and build itself as a green manufacturing enterprise. In the end of December 2019, Dongtai Base was honored by China Building Material Federation as the "National Demonstration Enterprise of Energy saving, Environmental Friendliness, Green and Low Carbon in the Building Material Industry", passed the on-site inspection of the green manufacturing system of China Quality Certification Centre (CQC), prepared the green standards for green manufacturing entities of "Green Design Product Evaluation Technical Specifications for Online Low-E energy-saving coated glass"(綠色設計產品評價技術規範在線Low-E節能鍍膜玻璃) in accordance with the "Letter on Recommending Research Projects on Industrial Energy Conservation and Green Standards in 2019" issued by the Ministry of Industry and Information Technology. In May 2019, Weihai Base was rated as "Enterprise Developing High-end Brand in Manufacturing Industry of Shandong" by Shandong Market Supervision and Administration Bureau and "Top 100 Private Enterprise in Brand Value in Shandong Province" by Shandong Council for Brand Development.

The Group vigorously researches, develops and produces high-tech energy-saving glass, the online Low-E coated glass and online Sun-EⓉ energy-saving coated glass in Dongtai Base, Weihai Base, Xianyang Base and Linyi Base, etc. In 2019, Dongtai Base achieved a production volume of 84,900 tons of online Low-E coated glass and online Sun-E coated glass. In 2019, Weihai base was upgraded at the time of the cold repair of production line 3, positioning Low-E coated glass, solar power silicon wafer, and online Sun-EⓉ under cold chain processing as the leading products, which was put into production in June. In 2019, Suqian Base developed and produced high value-added products such as automotive glass, automotive mirrors, photovoltaic backplane and electronic glass.

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

(1) *Exhaust emission:*

The greenhouse gases and emissions, a major portion of emissions during the glass production included carbon dioxide, sulfur dioxide, nitrogen oxide and particulate matter. All bases of the Group have fume treatment systems in place. The main treatment facilities include high temperature electrostatic precipitators, SCR denitration reactors, desulfurizers, bag-type dust collectors, etc. The main process is as follows: After chilled, the fume enters the high temperature electrostatic precipitator (ESP) for dust collection, and then enters the flue of SCR denitration system. The fume is fully mixed with the injected ammonia water in the flue and then uniformly enters the SCR reactor. Under the effect of the catalyst, nitrogen oxides in the flue gas in the reactor have oxidation-reduction reaction with ammonia to generate nitrogen and water, thus completing the denitration process. The denitrated fume enters the low temperature section of a boiler. After desulfurization by the desulfurization system, the fume from the boiler enters the bag for dust collection and finally is introduced into the chimney for discharge. The sulfur dioxide, nitrogen oxide and particulate matter were emitted by the Group in compliance with the designated national emission standards.

In 2019, Dongtai Base, Xianyang Base and Wuhai Base implemented Emission Standard of Air Pollutants for Flat Glass Industry (GB 26453–2011) and Suqian Base implemented Emission Standard of Air Pollutants for Electronic Glass Industry (GB 29495–2013); Weihai Base and Linyi Base implemented Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province (DB37/2373-2018).

Unit: mg/m^3

Emissions	**Particulate matter**	**Sulfur dioxide**	**Nitrogen oxide**
Emission Standard of Air Pollutants for Flat Glass Industry GB 26453-2011	50	400	700
Emission Standard of Air Pollutants for Electronic Glass Industry GB 29495-2013	50	400	700
Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province DB 37/2373-2018	25	150	400

The Group's total emissions in 2019:

Unit: Tons

	2019						2019	2018
Name of emissions	**Suqian Base**	**Weihai Base**	**Xianyang Base**	**Wuhai Base**	**Dongtai Base**	**Linyi Base**	Total	Total
Sulfur dioxide	**19**	**158**	**27**	**95**	**191**	**4**	494	671
Nitrogen oxide	**18**	**742**	**183**	**309**	**330**	**138**	1,720	2,182
Particulate matter	**1**	**40**	**15**	**17**	**24**	**6**	103	137

It can be seen from the above chart that, the Group's total emissions of sulfur dioxide, nitrogen oxide and particulate matter in 2019 decreased significantly as compared with 2018, representing a decline of more than 20%. The emission density per weight case is 16.26g as to sulfur dioxide, 56.62g as to nitrogen oxide and 3.39g as to particulate matter. In 2019, each base of the Group paid great attention to environmental management, implemented the Company's Special Work Plan for Environmental Protection, and increased investment in technical renovation to ensure the normal and stable operation of environmental protection equipment and compliance with emissions standards.

(2) *Wastewater discharge:*

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

(3) *Hazardous wastes:*

The Group generated an aggregate of approximately 100 tons of denitration dead catalysts in 2019. The dead catalysts in each base are recycled after recovery in the catalyst recovery unit according to national management requirements for hazardous wastes. The legal disposal rate of hazardous wastes is 100%.

(4) *Greenhouse gas emission:*

Based on its accounting under the Requirements of the Greenhouse Gas Emission Accounting and Reporting – Part 7: Flat Glass Enterprise (GB/T 321517.7-2015) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC, the Group's total greenhouse gas emission from 2017 to 2019 is as follows:

The Group's total annual carbon dioxide emissions(tCO_2) from 2017 to 2019

Unit: Tons

	2019	2018	2017
Dongtai Base	**287,102**	282,900	285,372
Weihai Base	**421,675**	522,000	513,504
Suqian Base	**65,764**	87,400	195,188
Linyi Base	**137,413**	162,700	152,293
Wuhai Base	**176,380**	167,000	165,688
Xianyang Base	**174,561**	294,000	318,423
Total	**1,262,895**	1,516,000	1,630,468
Density (tCO_2/ton of glass products)	**0.75**	0.81	0.83

2. Use of Resources

Production lines of the Group's Dongtai and Wuhai manufacturing bases utilized the coke oven gas for major fuel, which local coking companies originally emitted into the atmosphere, and thus helped to drastically reduce air pollution caused by emission of these gases. The Group increased its use of clean energy such as natural gas and improved its energy structure.

The Group welcomed the rational proposals for cost reduction and efficiency enhancement, and actively encouraged employees to raise rational proposals for energy conservation and emission reduction. The evaluation on its resource consumption was further reinforced. It realized a total rate of finished products of 89.8%, and the unit comprehensive consumption of 12.6kg standard coal/ weight case.

		Total energy consumption in 2019							
Name of energy	**Unit**	**Suqian Base**	**Weihai Base**	**Xianyang Base**	**Wuhai Base**	**Dongtai Base**	**Linyi Base**	**2019 total**	2018 total
Coke oven gas	0'000m^3				10,846	16,292		**27,138**	27,182
Petroleum coke powder	Tons		88,080					**88,080**	102,064
Fuel oil	Tons	8,556	3,583		9,250	18,808		**40,197**	34,856
Natural gas	0'000m^3	1,394					4,077	**5,471**	4,941
Electricity	0'000kWh	2,462	5,738	2,518	2,937	2,341	2,071	**18,067**	21,740
Coal	Tons			53,082				**53,082**	96,924

In 2019, the Group established an energy management system in all bases, further phased out low capacity equipment, and took a number of measures including updating the combustion techniques. Through these activities, it conducted technological and efficiency innovations; and through reasonable and efficient energy utilization, it achieved social and corporate co-development. In 2019, the overall energy consumption and furnace heat consumption of the Group's bases all met the standards. In June 2018, Dongtai Base was selected by the Ministry of Industry and Information Technology as the "leader" of energy efficiency in the key energy-consuming industries. The Group will further reduce the overall energy consumption per unit product through technological innovation in the future.

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

3. Environment and Natural Resources

(1) Wood resources: In order to save resources and reduce the cost, all the bases of the Group actively explored to improve and update packaging ways for glass products. Products sold at home and parts of those sold abroad have adopted the unpackaged or iron stand packaging techniques. The wooden package of some products sold abroad has been changed in structure with less materials used and reinforced composite boards adopted, which has significantly saved wood resources.

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

		Statistics of water consumption in each base in 2019						
Energy name	Unit	Suqian Base	Weihai Base	Xianyang Base	Wuhai Base	Dongtai Base	Linyi Base	Total
Water	10,000 tons	7	73	47	29	70	35	261

4. Climate changes

The State will release a series of policies and regulations during the period of the "14th Five-Year Plan", including the Limits of Carbon Emission Per Unit Product of Flat Glass (《平板玻璃單位產品碳排放限額》) and Law of the PRC on Energy Conversation (《節約能源法》), in accordance with the 2019 Annual Report on Chinese Policies and Actions in Response to Climate Changes released in November 2019. The Group will take corresponding actions in the establishment of functional organizations and mechanism, assessment of compliance with limits of carbon emission and indexes of reduction rate per unit product, adjustment of product and energy structures, application of energy-saving measures and low-carbon technology, etc.

III. OPERATING PRACTICES

Supply Chain Management

The Group selects and retains quality suppliers as its partners to establish a long-term strategic partnership. Adhering to the principles of equal consultation and mutual benefit, the Group has set up an integrated supplier management system and established a fair and just supplier assessment system with tender and negotiated tender procurement, creating a favorable competitive environment for the suppliers. The Group obtains competitive advantage by improving upstream and downstream supply chain relationship, integrating and optimizing the information flow, logistics and fund flow in the supply chain.

As of 31 December 2019, the Company procured raw materials, fuel and production line equipment from over 170 appraised and qualified suppliers, of which over 120 suppliers supplied raw materials, over 20 suppliers supplied fuel, and over 30 suppliers supplied production line equipment; all of which were independent third parties and located in China. The Group procures raw materials, fuel and spare parts for its equipment from many other suppliers, and does not rely on any single supplier.

In order to ensure the production stability and product quality, the Group implemented dynamic management of suppliers in strict accordance with the requirements of Qualified Supplier Evaluation Criteria in the selection of suppliers of raw materials, fuel and spare parts for its equipment. According to the four categories of quality, supply capacity, delivery period and service, multi-departments score suppliers, regularly update the supplier list, and monitor the quality and consumption of raw materials, spare parts and other materials, so as to ensure that all links in the supply chain meet the standards.

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

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

IV. PRODUCT RESPONSIBILITY

1. Quality Assurance:

The Group considers high product quality and scientific technology as the basis for its business development, gives top priority to the "quality improvement" and "product upgrading" and carries out the full-process quality control from product design, product manufacturing to product after-sale services. The headquarters of the Group carry out unified quality supervision and control through the information platform, and each manufacturing base implements the Standards of High-quality Product Manufacturers and Product Quality Inspection and Control Regulations higher than the national standards and operates in strict accordance with the quality management system (ISO9001: 2015). Meanwhile, the headquarters of the Group carries out random quality inspection on online products and inventory products of each manufacturing base from time to time, and understands from the market the true evaluation of customers on the quality of our products and organizes the production department of the manufacturing base to carry out analysis and rectification in a timely manner, so as to achieve the continuous improvement of quality control.

2. Pre-sales and After-sales Services:

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

In order to improve product quality, enhance service quality, and ensure the smooth going of marketing business, the Group has formulated the perfect Regulations on After-sales Service Management, sets up nation-wide marketing service and complaint hotlines, and established stringent feed-back mechanism for customer complaint and the relevant solving procedures. Meanwhile, it takes full use of various effective methods to carry out information collection and analysis of customer satisfaction. Rectification and preventive measures has put in place in response to quality problems raised by clients and will be improved in a timely manner, so as to enhance customer satisfaction. In 2019, the Group further improved its service quality for customers. In addition to the existing functions of the mobile APP including inventory inquiry, order placing, settlement and procurement, it launched new functions such as logistics system, consignment agency for customers and online automatic consignment seizure, which basically achieved one-stop process from order placing to receiving by customers, thereby greatly reducing communication cost, and enhancing working efficiency and customer satisfaction.

In order to better serve our clients, the Group has established sound client information and data files with designated personnel to manage, and signed a job confidentiality agreement with the management personnel. The Group strengthens the business training and formulates strict confidentiality system, so as to prevent the clients' privacy from being divulged. Meanwhile, the Group made a reasonable planning of the sales market of new products, and gave play to the superiority of products manufactured by the production bases, which reflected characteristics of China Glass.

3. **Intellectual Property Rights:**

The Group has been committed to the research and development (R&D) of high-end energy-saving products, and possesses dozens of national and world class glass product technology patents through independent R&D. The following achievements were made in 2019:

The Group continues to carry out independent R&D, and develops differentiated "featured products". Two projects of the "China Key Projects of Second-generation Float Glass Technology and Equipment Innovation R&D" won the Award of Excellent R&D Achievements; the key R&D tests on the online Low-E products with a radiation rate of ≤0.15 in Dongtai Base and ≦0.13 in Weihai Base made breakthroughs with leading energy-saving indexes and radiation rate, and online Low-E products and Sun-Eⓣ featured products achieved the best performance in history in terms of both output and quality; Weihai Base successfully delivered mass production of online Sun-Eⓣ featured products, and reproduced the production line of such products.

V. ANTI-CORRUPTION

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

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

In 2019, the Group and its employees were not involved in any legal case in connection with corruption activities.

VI. COMMUNITY INVESTMENT

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

The Group made donations of RMB621,452 to charity organisations during the year ended 31 December 2019, as compared with RMB358,035 in the corresponding period of 2018.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2019, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), except for the deviation set out in the CG Code A.2.7 which requires the chairman of the Board (the "Chairman") to at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year 2019, save as certain Directors abstained from voting on the resolutions of the Board approving the connected transactions and continuing connected transaction entered into by the Group for better corporate governance practice, all major decisions of the Company were made by the entire Board, and there were no special circumstances requiring independent discussions with the independent non-executive Directors in the absence of other Directors. Therefore, no such meeting with the independent non-executive Directors was held. Notwithstanding that, the Company has internal policies and arrangements to allow all Directors (including the non-executive Directors) to express their views and raise their concerns in relation to the business of the Company with the Chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Upon specific enquiries, confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2019.

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

THE BOARD OF DIRECTORS

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

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

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 December 2019, a total of 4 Board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. Board minutes/resolutions are kept by the company secretary of the Company (the "Company Secretary"), which are sent to the Directors for records and are available for inspection by the Directors.

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

Corporate Governance Functions

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

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

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company the ("CEO") are separate persons and their roles are segregated in order to preserve independency and to have a balanced judgement of views. During the year 2019, the Chairman, Mr. Peng Shou, provided leadership to the Board so that the Board worked effectively and discharged its responsibilities, and that all major issues were discussed by the Board in a timely manner. On the other hand, the CEO, Mr. Cui Xiangdong, who is an executive Director, has executive responsibilities over the business directions and operational decisions of the management.

Board Composition

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

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

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

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

Appointments, Re-election and Removal of Directors

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

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

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

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

Responsibilities, Accountabilities and Contributions of Directors

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

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

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

Delegation by the Board

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

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

Supply of and Access to Information

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

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

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

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

Continuous Professional Development of Directors

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and ensure that they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Group. The Company has arranged inhouse trainings for Directors in the form of seminar, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company Secretarial Department of the Company would provide relevant reading materials to the Directors to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills. Set out below is a summary of training received by Directors for the year ended 31 December 2019 according to the records provided by the Directors.

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

During 2019, the Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

Directors	**Type of trainings**
Executive Director	
Mr. Cui Xiangdong	A, B, C
Non-executive Directors	
Mr. Peng Shou	A, B, C
Mr. Zhao John Huan	A, B, C
Mr. Zhou Cheng	A, B, C
Mr. Zhang Jinshu	A, B, C
Independent Non-executive Directors	
Mr. Zhang Baiheng	A, B, C
Mr. Zhao Lihua	A, B, C
Mr. Chen Huachen	A, B, C

A: attending seminars and/or conferences and/or forums on subjects relating to, inter alia, post-investment integration of overseas investments, the Stock Exchange's guidance on directors' responsibilities, and overseas media opinion environment and features.

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

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

BOARD COMMITTEES

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

Audit Committee

Members:

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

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

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

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

For the year ended 31 December 2019, the Audit Committee met twice with the external auditors to discuss and review areas of concerns and risk management and internal control systems of the Group. Details of the committee members' attendance at the Audit Committee Meetings are set out under "Attendance at the Board and Board Committees Meetings, and General Meetings" of this report. The Audit Committee reviewed the independence of the external auditors and their re-appointment, as well as the announcement of annual results and annual report of the Group for the financial year ended 31 December 2018, and the announcement of interim results and interim report of the Group for the six months ended 30 June 2019 before submission to the Board for adoption and publication. The committee not only focused on the impact of the changes in accounting policies and practices but also on the compliance with accounting and financial reporting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports, and the AC's terms of reference and rules of procedures.

The Audit Committee has reviewed with the Company's management and the external auditors the accounting principles and practices adopted by the Group, and has discussed auditing (including audit issues of the Group and reviewed their findings, recommendations and representations), as well as the Company's operational, risk management and internal control, and financial reporting matters and systems of the Group. The committee has also reviewed with the Company's management on the major internal audit issues for 2018, the internal audit plan for 2019, and the report on Group's ethics and compliance supervision. The discussion also includes, inter alia, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Nomination Committee

Members:

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

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

The primary duties of Nomination Committee include examining the structure, size and composition of the Board, identifying suitable individual qualified to become Board members and give advice to the Board, and making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors. The Board shall consider the recommendations made by Nomination Committee and agree any appointment of its members and recommend appropriate person for election by Shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. During the year ended 31 December 2019, the Nomination Committee met once to assess the independence of independent non-executive Directors; review the structure, size and composition of the Board and the board diversity policy (the "Board Diversity Policy"); and make recommendations to the Board on the re-election of retiring Directors at the forthcoming annual general meeting of the Company (the "2019 AGM"); renewal of letter of appointment with independent non-executive Director; and the adoption of the nomination policy of the Board (the "Nomination Policy"). Details of the committee members' attendance are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report.

Pursuant to bye-law 99 of the Bye-Laws, Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua should retire by rotation at the 2019 AGM and being eligible, have offered themselves for re-election at the 2019 AGM. Mr. Zhang Baiheng who has been serving as independent non-executive Director for more than 9 years, has confirmed his independence with reference to the factors set out in Rule 3.13 of the Listing Rules. The Company considers Mr. Zhang Baiheng is still independent in accordance with the independence guidelines set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Nomination Committee, having reviewed the Board's structure, size and composition, noted that pursuant to the Bye-Laws and the Nomination Policy, Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua are eligible for nomination, and recommended Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua to the Board for the Board to recommend to the Shareholders for re-election at the 2019 AGM. Mr. Zhang Baiheng and Mr. Zhao Lihua, being members of the Nomination Committee, abstained from voting on each of their respective nominations. The nominations were made in accordance with the Bye-Laws and the Nomination Policy and took into account the various diversity aspects as set out in the Board Diversity Policy, Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua's vast and diverse business background and experience, and their contributions to the Board. The Nomination Committee was satisfied with Mr. Zhang Baiheng and Mr. Zhao Lihua's independence with reference to the criteria as set out in Rule 3.13 of the Listing Rules.

The Board accepted the Nomination Committee's recommendations and recommended Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua to stand for re-election by Shareholders at the 2019 AGM. The Board is of the view that Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua would bring to the Board their own perspectives, skills and experiences and resolved to recommend Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua to be re-elected as Directors at the 2019 AGM. The Board considered the re-election of Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua as Directors is in the best interest of the Company and Shareholders as a whole. Mr. Zhou Cheng, Mr. Zhang Baiheng and Mr. Zhao Lihua abstained from voting on each of their respective nominations.

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

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

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

Nomination Policy

1 *Purpose*

(1.1) The NC shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as Directors at general meetings, or appoint as Directors to fill casual vacancies, or as addition to the Board.

(1.2) The NC may, as it considers appropriate, nominate such number of candidates to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled, or such number of candidates as addition to the Board.

2 *Selection Criteria*

(2.1) The factors listed below would be used as reference by the NC in assessing the suitability of a proposed candidate:

(a) reputation for integrity;

(b) experience in the business strategy, management, legal and financial aspects;

(c) whether the proposed candidate is able to assist the Board in effective performance of the responsibilities;

(d) the diversity of perspectives, merit and contribution that the proposed candidate is expected to bring to the Board;

(e) commitment in respect of available time and relevant interest;

(f) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualification, industry experience, skills, knowledge and length of service; and

(g) in the case of selection for independent non-executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The NC has the discretion to nominate any person, as it considers appropriate.

(2.2) Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

(2.3) The NC may request candidates to provide additional information and documents, if considered necessary.

3 *Nomination Procedures*

(3.1) The secretary of the NC shall call a meeting of the NC, and invite nominations of candidates from Board members, if any, for consideration by the NC prior to its meeting. Alternatively, such nomination may be approved by the NC by way of written resolutions.

(3.2) For filling a casual vacancy or appointing an additional Director, the NC shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the NC shall make nominations to the Board for its consideration and recommendation.

(3.3) Until the issue of the circular to Shareholders, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

(3.4) Regarding the procedures for Shareholders to propose a person for election as a Director, pursuant to the Bye-Laws, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office of the Company at least seven days before the date of the general meeting.

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

(3.5) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

4 Confidentiality

Unless required by law or any regulatory authority, under no circumstances shall a member of the NC or a staff member of the Company disclose any information to or entertain any enquiries from the public with regard to any nomination or candidature before the circular to Shareholders, as the case may be, is issued. Following the issue of the circular, the NC or the Company Secretary or other staff member of the Company approved by the NC may answer enquiries from the regulatory authorities or the public but confidential information regarding nominations and candidates should not be disclosed.

Remuneration Committee

Members:

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

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

The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure for all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing policy on such remuneration, recommending the remuneration package of the executive Director and make recommendations to the Board of the remuneration of non-executive Directors, by reference to the Board's corporate goals and objectives. During the year ended 31 December 2019, the Remuneration Committee met once to review the remuneration package for the renewal of letter of appointment with independent non-executive Director; the remuneration policies and structure of the Group (including executive Director and management's remuneration packages, particularly the salary adjustment and performance-related pay proposals); and the Group's performance appraisal system. The emoluments of executive Director (also act as the CEO) have been determined with reference to the duties, responsibilities and involvement in the Group's affairs, his performance, the Group's performance and prevailing market conditions during that particular year(s).

In order to attract, retain and motivate Directors and senior management serving for the Group, the Company maintained a competitive level of remuneration according to the relevant market situation, and it also corresponds with the Directors' and the senior management's performance. No Director or any of his associates is involved in deciding his own remuneration. Details of the remuneration paid to Directors and senior management for the year ended 31 December 2019 are set out in Notes 8 and 29 to the consolidated financial statements.

Strategy Committee

Members:

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

The Strategy Committee is mainly responsible for reviewing the mid-term and long-term strategies of the Company pursuant to its defined terms of reference. The Strategy Committee meets regularly as when necessary.

ATTENDANCE AT BOARD AND BOARD COMMITTEES MEETINGS, AND GENERAL MEETINGS

Name of Directors	Meetings Attended/ Held During the Year Ended 31 December 2019					
	Board Meeting[1]	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Special General Meeting[4]
Executive Director						
Mr. Cui Xiangdong *(CEO)*	4/4	-	-	-	1/1	2/2
Non-executive Directors						
Mr. Peng Shou *(Chairman)*	4/4	2/2	-	1/1	1/1	0/2[3]
Mr. Zhao John Huan	4/4[2]	-	-	-	0/1[3]	0/2[3]
Mr. Zhou Cheng *(Honorary Chairman)*	4/4	-	1/1	-	1/1	0/2[3]
Mr. Zhang Jinshu	4/4	-	-	-	1/1	2/2
Independent Non-executive Directors						
Mr. Zhang Baiheng	4/4	2/2	1/1	1/1	1/1	0/2[3]
Mr. Zhao Lihua	4/4	2/2	1/1	1/1	1/1	0/2[3]
Mr. Chen Huachen	4/4	2/2	-	-	1/1	1/2[3]

Notes:

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

2 Mr. Zhao has attended 1 meeting personally and his duly appointed representative has attended 3 meetings on his behalf.

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

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

ACCOUNTABILITY AND AUDIT

Accountability

The Board is accountable to the shareholders of the Company (the "Shareholders" and each a "Shareholder") while the management is accountable to the Board. The management provides sufficient explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before it for approval.

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the financial year ended 31 December 2019, confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review, and consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards. The Directors aim to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in all shareholder communications. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore, the Board continues to adopt the going concern approach in preparing the financial statements.

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

Auditors' Remuneration

The financial statements for the year ended 31 December 2019 were audited by KPMG of which the term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that KPMG be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 67 to 74 of this Annual Report.

During the year under review, the total audit fee payable to KPMG for reviewing and/or auditing the announcements of interim and annual results, and interim and annual reports is RMB7.0 million. Save as disclosed above, the Company did not engage KPMG for any non-audit services during the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board has delegated to the Audit Committee the responsibilities of reviewing the effectiveness of the Group's risk management and internal control systems and the Audit Committee has conducted a review on the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019. The review has covered all material controls, including financial, operational and compliance controls with an aim of minimising the overall business and operational risks of the Group.

The management has provided a confirmation to the Board on the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2019. The Board acknowledges its responsibility for the risk management and internal control systems, and with the support of the Audit Committee, reviewing the effectiveness of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board and the Audit Committee considered the risk management and internal control systems to be effective and adequate. They also considered the adequacy of resources, staff qualifications and experience, training and budget of its accounting, internal audit and financial reporting functions. No significant areas of concern that might affect our stakeholders, including the Shareholders, were identified during the year under review.

COMPANY SECRETARY

During 2019, Ms. Kuok Yew Lee ("Ms. Kuok"), a full-time employee of the Company and has day-to-day knowledge of the Company's affairs, is the Company Secretary who reports to the Chairman and is responsible for advising the Board on corporate governance matters, and ensuring the Board procedures are duly followed and Board activities are efficiently and effectively conducted. All Directors have access to the advices and services of Ms. Kuok on corporate governance and Board practices matters. Ms. Kuok has confirmed that she has taken no less than 15 hours of relevant professional training for the financial year ended 31 December 2019. The biography of Ms. Kuok is set out on page 27 of this Annual Report.

SHAREHOLDERS' RIGHTS

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

(A) Right to convene SGM

Bye-Laws

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

Companies Act

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

(iii) The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda (the "Bermuda Registered Office") and may consist of several documents in like form each signed by one or more requisitionists.

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

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

(B) Right to put forward proposals at General Meetings

Companies Act

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

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

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

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

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

(b) not less than one hundred Shareholders.

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

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

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

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

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

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

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

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

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

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

Procedures to send Enquiries to the Board

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

Dividend Policy

1 *Purpose*

(1.1) The Board endeavours to maintain a balance between meeting the expectations of the Shareholders and prudent capital management with a sustainable dividend policy (the "Dividend Policy").

(1.2) The Dividend Policy sets out the guidelines for the Board to determine (i) whether dividends are to be declared and paid; and (ii) the level of dividend to be paid to the Shareholders.

(1.3) The Dividend Policy aims to allow the Shareholders to participate in the Company's profit and for the Company to retain adequate cash reserves for its working capital requirement and future growth.

(1.4) Under the Dividend Policy, provided the Group is profitable and without affecting the current and future operations of the Group, the Company may declare and pay dividends to the Shareholders.

(1.5) The dividend payout ratio will vary from year to year. There is no assurance that dividends will be paid in any particular amount for any given period.

2 *Factors for Consideration*

(2.1) In determining/recommending the frequency, amount and form of any dividends in any financial year/period, the Board shall consider the following factors:

(a) the Group's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the level of the Group's debts to equity ratio, return on equity, liquidity position and the relevant financial covenants;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) the Group's business strategies, including the expected working capital requirements, and future expansion plans, investment needs and prospects so as to sustain the long-term growth aspect of the business;

(f) general economic and financial conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(g) any other factors that the Board deems appropriate.

3 Procedures for Declaration and Payment of Dividends

(3.1) The Dividend Policy and the declaration and/or payment of future dividends under the Dividend Policy are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Shareholders and the Group by considering the factors as set out above, and are in compliance with the Bye-Laws, the Companies Act 1981 of Bermuda as amended, supplemented or otherwise modified from time to time (the "Companies Act") and all applicable laws and regulations.

(3.2) The declaration and/or payment of dividends by way of cash or scrip or by other means shall remain to be determined at the sole discretion of the Board, subject to the Bye-Laws, the Companies Act, all applicable laws and regulations, and the factors as set out above. There is no assurance that dividends will be paid in any particular amount for any given period.

(3.3) Any final dividend recommended by the Board must be approved by an ordinary resolution at an annual general meeting and must not exceed the amount recommended by the Board.

(3.4) The Board may from time to time pay to the Shareholders such interim dividends or special dividends as it considers appropriate and justify by the profits of the Group.

4 Reporting

(4.1) The Dividend Policy will be disclosed annually in the Corporate Governance Report as set out in the Company's Annual Report.

5 Review of the Dividend Policy

(5.1) The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Communications with Shareholders

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

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

The Board and senior management maintain a continuing dialogue with the Company's Shareholders and investors through various channels including the Company's general meetings. In 2019, the Chairman and other members of the Board (including the chairman of the respective Board Committees) as well as the Company's external auditors attended the 2019 AGM and were available to answer questions. For the connected transactions and continuing connected transaction entered into by the Group on 25 October 2019, pursuant to the Chapter 14A of the Listing Rules, an independent committee of the Board (the "IBC") comprising all the independent non-executive Directors had been established for the purpose of advising the independent Shareholders. Mr. Chen Huachen (being the member of the IBC and chairman of the Audit Committee), other members of the Board and the independent financial adviser (who had been appointed by the Company to advise the IBC and the independent Shareholders) attended the special general meeting of the Company held on 20 December 2019 and were available to answer questions. Details of the Directors' attendance at the general meetings held in 2019 are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. The 2020 annual general meeting ("2020 AGM") will be held on 18 June 2020. The notice of 2020 AGM will be sent to Shareholders at least 20 clear business days before the 2020 AGM.

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

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

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

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

OPINION

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 182, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

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

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

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019 the Group had net current liabilities of RMB1,345,036,000. Note 2(b) to the consolidated financial statements explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group. The directors of the Company made their assessment of the Group's ability to continue as a going concern by preparing a cash flow forecast in which certain key assumptions were applied. These key assumptions included forecasts of sales volumes, average selling prices, raw material costs and necessary capital expenditure for glass products and the availability of banking and other financing facilities as well as financial support from the largest shareholder of the Company, namely Triumph Science Technology Group Co., Ltd.* (the "Triumph Group"), which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd., a central state-owned enterprise. Based on the assessment, the directors concluded that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. We identified going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows of the Group which are inherently uncertain.	Our audit procedures in respect of the directors' assessment of the Group's ability to continue as a going concern included the following: • assessing and challenging the key assumptions used by management in the cash flow forecast (including forecast sales volumes, average selling prices, raw materials costs and necessary capital expenditure for glass products) and evaluating whether there were any indicators of management bias by comparing the key assumptions, where possible, to budgets reviewed by management and market and other externally available information; • comparing the cash flow forecast prepared in the prior year with the current year's performance of the Group to assess how accurate the prior year's cash flow forecast was and making enquiries of management as to the reasons for any significant variations identified; • assessing the availability of banking and other financing facilities during the forecast period by inspecting relevant underlying documentation in relation to banking and other financing facilities and evaluating whether the financing facilities were sufficient to meet the Group's needs in the context of the cash flow forecast, taking into the account any breach of loan covenants which may trigger early repayment of loans;

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

KEY AUDIT MATTERS (continued)

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

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

KEY AUDIT MATTERS (continued)

Potential impairment of property, plant and equipment

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

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019, the Group's property, plant and equipment is the most quantitatively significant item in the consolidated statement of financial position and mainly comprises plant, buildings, machinery and equipment used in the Group's glass production lines located in the People's Republic of China. The Group's property, plant and equipment is allocated to relevant cash generating units ("CGUs") for the purpose of assessing if there is any impairment at the end of the reporting period. Management considered that there were indicators of potential impairment of property, plant and equipment at 31 December 2019 because certain CGUs have sustained losses and, consequently, management prepared impairment assessments of the loss-making CGUs by assessing their recoverable amounts using value in use calculations based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating future production and sales volumes and future unit selling prices and unit costs for the relevant CGUs in different locations and in determining the discount rates applied, all of which may be inherently uncertain. We identified assessing potential impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.	Our audit procedures to assess potential impairment of property, plant and equipment included the following: • challenging the evidence on which management based its assessment as to whether indicators of impairment existed by comparing historical performance with the current financial performance and considering changes in market conditions; • assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards; • engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards; • challenging the key assumptions adopted in the discounted cash flow forecasts, including future production and sales volumes and future unit selling prices and unit costs by comparing these inputs with the historical results of each CGU and economic and industry forecasts; • evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry; and • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias in the process.

KEY AUDIT MATTERS (continued)

Assessing potential goodwill impairment

Refer to Note 16 to the consolidated financial statements and the accounting policies of Notes 2(f) and 2(o).

The Key Audit Matter	How the matter was addressed in our audit
On 30 October 2018, the Group acquired Olivotto Glass Technologies S.p.A. and its subsidiaries (collectively referred to as the "OGT Group"). The principal activities of the OGT Group are the engineering, manufacture, installation and commissioning of hollow glass forming plants, systems and machines. OGT Group was identified as one CGU which goodwill arising from the acquisition amounting to EUR12.5 million (equivalent to RMB97.7 million) was allocated to. As at 31 December 2019, management has performed impairment assessment of goodwill by preparing a discounted cash flow forecast for the OGT Group. This involves significant management judgement and estimation including future revenue growth rate, profit margins and the discount rate applied. We identified assessing potential goodwill impairment as a key audit matter because of the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess the potential impairment of goodwill in relation to the acquisition included the following: • assessing management's identification of CGUs and the allocation of assets and liabilities to the CGU with reference to the requirements of the prevailing accounting standards; • engaging our internal valuation specialists to assist us in evaluating management's valuation methodology adopted in the impairment assessment with reference to the requirements of the prevailing accounting standards; • evaluating management's cash flow forecast for the CGU, comparing these with board approved business plans; challenging the key assumptions, which included revenue growth rate and profit margins, by comparing these forecasts with the historical performance of the CGU and industry information; • evaluating the discount rate used in the cash flow forecast by benchmarking against other similar companies in the same industry; • performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts, including the discount rate, revenue growth rate and forecast profit margins, and considering the resulting impact on management's conclusion in respect of the impairment assessment and whether there were any indicators of management bias; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitivities, with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

30 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019
(Expressed in Renminbi ("RMB"))

	Note	**2019** **RMB'000**	2018 RMB'000 (Note)
Revenue	4	**2,369,230**	2,617,725
Cost of sales		**(2,084,588)**	(2,207,630)
Gross profit	4	**284,642**	410,095
Other income	5	**319,597**	230,849
Distribution costs		**(67,325)**	(78,088)
Administrative expenses		**(261,656)**	(249,030)
Profit from operations		**275,258**	313,826
Finance costs	6(a)	**(185,728)**	(160,805)
Share of profits less losses of joint ventures		**(102)**	–
Net gain on disposal of interest in an associate		**–**	175
Share of profits less losses of an associate		**–**	(62)
Profit before taxation	6	**89,428**	153,134
Income tax	7	**(16,724)**	(49,060)
Profit for the year		**72,704**	104,074
Attributable to:			
Equity shareholders of the Company		**82,570**	93,488
Non-controlling interests		**(9,866)**	10,586
Profit for the year		**72,704**	104,074
Earnings per share (RMB cent)			
Basic	10(a)	**4.87**	5.45
Diluted	10(b)	**4.87**	5.45

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 2(c)).

The notes on pages 83 to 182 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 28(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

(Expressed in RMB)

	2019 RMB'000	2018 RMB'000 (Note)
Profit for the year	**72,704**	104,074
Other comprehensive income for the year (before and after tax):		
Item that will not be reclassified to profit or loss:		
– Equity securities at FVOCI – net movement in fair value reserve (non-recycling)	**(191)**	(209)
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(9,840)**	(1,725)
Total comprehensive income for the year	**62,673**	102,140
Attributable to:		
Equity shareholders of the Company	**72,542**	91,564
Non-controlling interests	**(9,869)**	10,576
Total comprehensive income for the year	**62,673**	102,140

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 2(c)).

The notes on pages 83 to 182 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	11	**4,180,455**	4,295,827
Investment property	12	**22,079**	–
Right-of-use assets	13	**309,783**	–
Lease prepayments		**–**	260,301
Intangible assets	15	**109,734**	129,268
Goodwill	16	**97,730**	107,936
Interest in joint ventures	17	**7,074**	6,397
Equity securities		**2,994**	2,923
Deferred tax assets	27(b)	**281,472**	252,222
		5,011,321	5,054,874
Current assets			
Inventories	18	**549,830**	492,293
Contract assets	19(a)	**30,861**	2,350
Trade and other receivables	20	**1,004,960**	803,605
Prepaid income tax	27(a)	**7,100**	14,756
Cash on hand and in bank	21	**584,039**	606,832
		2,176,790	1,919,836
Current liabilities			
Trade and other payables	22	**1,307,955**	1,581,995
Contract liabilities	19(b)	**96,291**	77,985
Bank and other loans	23(a)	**1,898,383**	2,065,400
Lease liabilities	24	**31,650**	22,262
Convertible bonds	25	**35,317**	–
Income tax payable	27(a)	**152,230**	116,122
		3,521,826	3,863,764
Net current liabilities		**(1,345,036)**	(1,943,928)
Total assets less current liabilities		**3,666,285**	3,110,946

The notes on pages 83 to 182 form part of these consolidated financial statements.

At 31 December 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Non-current liabilities			
Bank and other loans	23(b)	**1,313,543**	728,983
Convertible bonds	25	**13,018**	62,881
Lease liabilities	24	**30,131**	29,723
Deferred tax liabilities	27(b)	**45,300**	63,007
Other non-current liabilities		**14,574**	4,421
		1,416,566	889,015
NET ASSETS		**2,249,719**	2,221,931
CAPITAL AND RESERVES	28		
Share capital		**84,867**	84,867
Reserves		**1,992,256**	1,952,348
Total equity attributable to equity shareholders of the Company		**2,077,123**	2,037,215
Non-controlling interests		**172,596**	184,716
TOTAL EQUITY		**2,249,719**	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 2(c)).

Approved and authorised for issue by the board of directors on 30 March 2020.

Peng Shou
Chairman

Cui Xiangdong
Director

The notes on pages 83 to 182 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 28(c))	Share premium RMB'000 (Note 28(d)(i))	Shares held under share award scheme RMB'000 (Note 28(d)(ii))	Capital reserve RMB'000 (Note 28(d)(iii))	Statutory reserve RMB'000 (Note 28(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 28(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 28(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	84,867	2,081,912	(47,888)	32,606	40,785	(447,409)	(15,879)	856	231,704	1,961,554	189,737	2,151,291
Changes in equity for the year ended 31 December 2018												
Profit for the year	–	–	–	–	–	–	–	–	93,488	93,488	10,586	104,074
Other comprehensive income	–	–	–	–	–	–	(1,725)	(199)	–	(1,924)	(10)	(1,934)
Total comprehensive income	–	–	–	–	–	–	(1,725)	(199)	93,488	91,564	10,576	102,140
Equity settled share-based transactions (Note 26(a))	–	–	–	592	–	–	–	–	–	592	–	592
Shares purchased under the share award scheme (Note 26(b))	–	–	(16,365)	–	–	–	–	–	–	(16,365)	–	(16,365)
Acquisition of non-controlling interests ("NCI") of a subsidiary	–	–	–	–	–	(130)	–	–	–	(130)	(510)	(640)
Reduction of paid in capital of a subsidiary	–	–	–	–	–	–	–	–	–	–	(15,087)	(15,087)
	–	–	(16,365)	592	–	(130)	–	–	–	(15,903)	(15,597)	(31,500)
Balance at 31 December 2018	84,867	2,081,912	(64,253)	33,198	40,785	(447,539)	(17,604)	657	325,192	2,037,215	184,716	2,221,931

The notes on pages 83 to 182 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2019

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 28(c))	Share premium RMB'000 (Note 28(d)(i))	Shares held under share award scheme RMB'000 (Note 28(d)(ii))	Capital reserve RMB'000 (Note 28(d)(iii))	Statutory reserve RMB'000 (Note 28(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 28(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 28(d)(vi))	Retained profits RMB'000 (Note)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019 (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
Profit/(loss) for the year	–	–	–	–	–	–	–	–	82,570	82,570	(9,866)	72,704
Other comprehensive income	–	–	–	–	–	–	(9,840)	(188)	–	(10,028)	(3)	(10,031)
Total comprehensive income	–	–	–	–	–	–	(9,840)	(188)	82,570	72,542	(9,869)	62,673
Transferred between share premium account and accumulated loss account of the Company (Note 28(e))	–	(269,029)	–	–	–	–	–	–	269,029	–	–	–
Distributions approved in respect of the current year (Note 28(b)(i))	–	(32,634)	–	–	–	–	–	–	–	(32,634)	–	(32,634)
Dividend approved by a subsidiary	–	–	–	–	–	–	–	–	–	–	(2,251)	(2,251)
	–	(301,663)	–	–	–	–	–	–	269,029	(32,634)	(2,251)	(34,885)
Balance at 31 December 2019	84,867	1,780,249	(64,253)	33,198	40,785	(447,539)	(27,444)	469	676,791	2,077,123	172,596	2,249,719

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 2(c)).

The notes on pages 83 to 182 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Operating activities			
Profit before taxation		**89,428**	153,134
Adjustments for:			
Depreciation and amortisation	6(c)	**237,382**	247,154
Net gain/compensation on relocation of production plants	5	**(221,214)**	(177,407)
Net gain on disposal of property, plant and equipment	5	**(2,439)**	(24,638)
Net gain on disposal of interest in an associate		**–**	(175)
Interest income	5	**(4,363)**	(4,170)
Interest expenses and other borrowing costs	6(a)	**205,340**	161,594
Changes of fair value on the derivative components of convertible bonds	6(a)	**(6,621)**	(4,431)
Share of profits less losses of joint ventures and an associate		**102**	62
Equity settled share-based payment expenses	6(b)	**–**	592
Dividend income from an equity investment		**(711)**	–
Changes in working capital:			
Increase in inventories		**(78,616)**	(83,038)
(Increase)/decrease in contract assets		**(28,511)**	4,113
Decrease/(increase) in trade and other receivables		**46,778**	(7,435)
(Decrease)/increase in trade and other payables		**(96,751)**	85,360
Increase/(decrease) in contract liabilities		**18,306**	(10,643)
Cash generated from operations		**158,110**	340,072
Income tax paid	27(a)	**(19,766)**	(43,679)
Net cash generated from operating activities		**138,344**	296,393
Investing activities			
Payments for the purchase of property, plant and equipment		**(702,880)**	(270,758)
Payments for the purchase of right-of-use assets		**(3,887)**	(8,802)
Proceeds from relocation of production plants and disposals of property, plant and equipment and land use rights		**438,150**	50,436
Acquisition consideration refunded		**9,600**	–
Payment for development of intangible assets		**(2,809)**	(3,969)
Dividends received from an equity investment		**711**	–
Payment for purchase of equity securities		**(325)**	–
Payment for acquisition of subsidiaries net off cash acquired		**–**	(169,260)
Payment for acquisition of minority interests		**–**	(640)
Payment for investment in a joint venture		**(624)**	(5,210)
Proceeds from disposal of equity interests in an associate		**–**	300
Decrease/(increase) in time deposits	21(a)	**17,149**	(16,000)
Interest received		**4,363**	6,586
Net cash used in investing activities		**(240,552)**	(417,317)

The notes on pages 83 to 182 form part of these consolidated financial statements.

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000 (Note)
Financing activities			
Capital element of lease rentals paid	21(b)	**(26,597)**	(26,959)
Interest element of lease rentals paid	21(b)	**(5,804)**	(11,242)
Proceeds from bank and other loans	21(b)	**3,062,777**	1,867,913
Repayment of bank and other loans	21(b)	**(2,648,248)**	(1,485,994)
Payment for the redemption of convertible bonds	21(b)	**(17,174)**	–
Payments for purchase of shares under share award scheme	26(b)	**–**	(16,365)
Dividends paid to ordinary equity shareholders of the Company	28(b)	**(32,634)**	–
Dividends paid to NCI of a subsidiary		**(2,251)**	(3)
Borrowing costs paid	21(b)	**(235,851)**	(186,625)
Net cash generated from financing activities		**94,218**	140,725
Net (decrease)/increase in cash and cash equivalents		**(7,990)**	19,801
Cash and cash equivalents at 1 January	21(a)	**570,832**	541,514
Effect of foreign exchange rate changes		**2,346**	9,517
Cash and cash equivalents at 31 December	21(a)	**565,188**	570,832

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB7.1 million were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments and payments for leases of low value assets not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see Note 21(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in Note 2(c).

The notes on pages 83 to 182 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

China Glass Holdings Limited (the "Company") was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

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

As at 31 December 2019, the Group had net current liabilities of RMB1,345,036,000 (31 December 2018: RMB1,943,928,000). Notwithstanding the net current liabilities as at 31 December 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 31 December 2020 prepared by the management, which has taken into account unutilised bank facilities of RMB168.0 million, the Group's newly financed and refinanced bank and other loans of RMB804.0 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Changes in accounting policies

The HKICPA has issued a 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. 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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (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 *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.

b *Lessee accounting and transitional impact*

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 30(b). For an explanation of how the Group applies lessee accounting, see Note 2(m).

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%.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

b Lessee accounting and transitional impact (continued)

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 Note 30(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**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

b *Lessee accounting and 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 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	Re-classification 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**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

c. *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 year.

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 (see Note 21(b)). 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 (see Note 21(c)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated 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**	**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 (Note (i))	RMB'000	RMB'000
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	275,258	4,668	(4,945)	274,981	313,826
Finance costs	(185,728)	551	–	(185,177)	(160,805)
Profit before taxation	89,428	5,219	(4,945)	89,702	153,134
Profit for the year	72,704	5,219	(4,945)	72,978	104,074

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

c. *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** (B) RMB'000 (Notes (i)&(ii))	**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 consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	158,110	(4,945)	153,165	340,072
Net cash generated from operating activities	138,344	(4,945)	133,399	296,393
Capital element of lease rentals paid	(26,597)	4,394	(22,203)	(26,959)
Interest element of lease rentals paid	(5,804)	551	(5,253)	(11,242)
Net cash generated from financing activities	94,218	4,945	99,163	140,725

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, Leases (continued)

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have an impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purpose.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(e) Associates and joint ventures

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

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

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

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see Note 2(o)(i)).

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates and joint ventures (continued)

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(g) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in equity securities (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(y)(vi).

(h) Derivative financial instruments

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

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(m)) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(o)(ii)). The depreciation policy is the same as that of property, plant and equipment (see Note 2(j)). Rental income from investment properties is accounted for as described in Note 2(y)(iii).

(j) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, plant and equipment (continued)

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

	Estimated useful lives
Plant and buildings	8 – 45 years
Machinery and equipment	3 – 35 years
Motor vehicles and others	3 – 15 years

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

(k) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Lease prepayments

(A) Policy applicable from 1 January 2019

Land use right premiums paid is reclassified as right-of-use assets by adopting HKFRS 16, *Leases* (see Notes 2(c) and 2(m)).

(B) Policy applicable prior to 1 January 2019

Lease prepayments represented land use right premiums paid and were stated at cost less accumulated amortisation and impairment losses. Amortisation was charged to profit or loss on a straight-line basis over the respective periods of the rights.

(m) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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.

(i) As a lessee

(A) Policy applicable from 1 January 2019

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.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. 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. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leased assets (continued)

(i) As a lessee (continued)

(A) Policy applicable from 1 January 2019 (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 (see Note 2(o)(ii)).

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.

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leased assets (continued)

(i) As a lessee (continued)

(B) Policy applicable prior to 1 January 2019 (continued)

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

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(y)(iii).

(n) Trade and other receivables

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

(o) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Credit losses and impairment of assets (continued)

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

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

Significant increases in credit risk

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Credit losses and impairment of assets (continued)

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

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(y)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Credit losses and impairment of assets (continued)

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

Basis of calculation of interest income (continued)

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– investment property;

– right-of-use assets;

– intangible assets;

– goodwill; and

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Credit losses and impairment of assets (continued)

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

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Credit losses and impairment of assets (continued)

(iii) Interim financial reporting and impairment

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

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

(p) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

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

(ii) Other contract costs

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

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

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

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

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

(q) Contract assets and contract liabilities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Cash and cash equivalents

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

(s) Convertible bonds

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

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

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

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

(t) Interest-bearing borrowings

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits

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

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

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

(ii) Share-based payments

– Share options granted to employees under the share option scheme

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

(ii) Share-based payments (continued)

– Shares granted to employees under the share award scheme

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

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

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

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

(iii) Termination benefits

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

(v) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

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

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

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

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

  – the same taxable entity; or

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

(x) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Revenue and other income

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

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

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

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

(i) Sale of goods

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

(ii) Service contract

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Revenue and other income (continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(iv) Interest income

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

(v) Government grants

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

(vi) Dividends

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

(z) Translation of foreign currencies

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Borrowing costs

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

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

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(cc) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Determine whether an arrangement contains a lease

During the years prior to 1 January 2019, the Group entered into service contracts whereby suppliers installed sets of machinery and equipment to provide power and environment protection services to certain production plants of the Group for periods from 3 to 7 years. The production plants pay fixed annual amount over the term of the arrangements. Although the arrangements are not in the legal form of a lease, the Group concluded that the arrangements contain leases of the machinery and equipment, because fulfilment of the arrangements is economically dependent on the use of the specific machinery and equipment, it is unlikely that any parties other than the Group will receive more than an insignificant part of the output and the Group pays a fixed annual amount over the term of the arrangements.

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

Determine whether an arrangement contains a lease (continued)

The leases were classified as finance leases prior to 1 January 2019 and the underlying machinery and equipment are reclassified to right-of-use assets from 1 January 2019, as the durations of the arrangements are for more than major parts of the specific machinery and equipment's useful life and the Group has the right to purchase the leased machinery and equipment at nil consideration at the end of the arrangements. At the inception of the arrangements, obligations under finance leases are recognised at amounts equal to the present value of the minimum lease payments and the imputed finance charges on the finance leases liabilities have been estimated using the Group's incremental borrowing rate. The remaining payments under the arrangements are accounted for as arising under executory contracts for the purchase of inventory and are therefore recognised in accordance with the policy set out in Note 2(m)(i).

(b) Sources of estimation uncertainty

Notes 16 and 31 contain information about the assumptions and their risk factors relating to impairment of goodwill and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of receivables and contract assets

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

(ii) Impairment of long-lived assets

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Sources of estimation uncertainty (continued)

(iii) Depreciation and amortisation

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

(iv) Deferred tax

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

(v) Determining the lease term

As explained in policy Note 2(m), 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.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	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	**2,235,985**	2,581,080
– Revenue from service contracts	**115,000**	36,645
– Sales of spare parts	**18,245**	–
	2,369,230	2,617,725

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

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2019 (2018: Nil). Details of concentrations of credit risk arising from customers are set out in Note 31(a).

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR 13.8 million (2018: EUR7.2 million). This amount represents revenue expected to be recognised in the future from designing and installation service contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months (2018: next 12 months).

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting

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

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

(i) Segment results

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

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

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 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	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
Disaggregated by timing of revenue recognition												
– Point in time	**864,107**	998,856	**319,072**	356,539	**556,248**	673,396	**496,558**	552,289	**18,245**	–	**2,254,230**	2,581,080
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**115,000**	36,645	**115,000**	36,645
Revenue from external customers	**864,107**	998,856	**319,072**	356,539	**556,248**	673,396	**496,558**	552,289	**133,245**	36,645	**2,369,230**	2,617,725
Inter-segment revenue	**66,259**	34,045	**3,465**	17,130	**–**	–	**–**	–	**–**	–	**69,724**	51,175
Reportable segment revenue	**930,366**	1,032,901	**322,537**	373,669	**556,248**	673,396	**496,558**	552,289	**133,245**	36,645	**2,438,954**	2,668,900
Reportable segment gross profit	**86,852**	124,323	**26,198**	51,426	**79,743**	125,016	**77,268**	89,842	**14,581**	19,488	**284,642**	410,095

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
The Mainland China and Hong Kong (place of domicile)	**1,960,258**	1,992,394	**3,673,729**	3,904,170
Middle East	**83,140**	199,306	**–**	–
Bangladesh	**43,357**	55,363	**–**	–
South Korea	**19,530**	50,024	**–**	–
Italy	**39,936**	36,645	**221,173**	238,577
Nigeria	**4,261**	5,312	**824,879**	650,585
Other countries	**218,748**	278,681	**7,074**	6,397
	408,972	625,331	**1,053,126**	895,559
	2,369,230	2,617,725	**4,726,855**	4,799,729

5 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Net gain/compensation on relocation of production plants (Note)	**221,214**	177,407
Government grants	**74,603**	6,664
Interest income on financial assets measured at amortised cost	**4,363**	4,170
Net gain from sale of raw and scrap materials	**6,307**	6,198
Net gain on disposal of property, plant and equipment	**2,439**	24,638
Rental income from investment property	**833**	–
Net gain on debt restructuring	**–**	2,162
Others	**9,838**	9,610
	319,597	230,849

Note:

The amount for the year ended 31 December 2019 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 due to the change of the local city development plan, after netting off disposal losses of production plants, land use rights and inventories. (2018: the amount 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 the same 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:

	2019 RMB'000	2018 RMB'000 (Note (i))
Interest on bank and other loans (Note 21(b))	**214,126**	170,219
Finance charges on convertible bonds (Notes 21(b) and 25)	**11,457**	11,079
Losses incurred from the redemption of convertible bonds	**1,695**	–
Interest on lease liabilities (Note 21(b))	**5,804**	11,242
Bank charges and other finance costs (Note 21(b))	**23,981**	20,785
Total borrowing costs	**257,063**	213,325
Less: amounts capitalised into property, plant and equipment (Note (ii) and 21(b))	**(51,723)**	(51,731)
Net borrowing costs	**205,340**	161,594
Changes in fair value on the derivative components of convertible bonds (Notes 21(b) and 25)	**(6,621)**	(4,431)
Net foreign exchange (gain)/loss	**(12,991)**	3,642
	185,728	160,805

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 2(c)).

(ii) The borrowing costs have been capitalised at 7.31% per annum for the year ended 31 December 2019 (2018: 7.57% per annum).

(b) Staff costs:

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**271,618**	234,394
Contributions to defined contribution retirement plans	**32,360**	32,696
Equity-settled share-based payment expenses in respect of share option scheme (Note 26(a))	**–**	592
	303,978	267,682

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs: (continued)

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

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

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

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

(c) Other items:

	2019 **RMB'000**	2018 RMB'000
Cost of inventories# (Note 18)	**2,079,440**	2,190,887
Auditors' remuneration – audit and other services	**6,980**	7,380
Depreciation and amortisation charge# (Notes 11, 12, 13 and 15)		
– property, plant and equipment and intangible assets*	**215,634**	239,446
– investment property	**625**	–
– right-of-use assets*	**21,123**	–
– lease prepayments*	**–**	7,708
Impairment losses recognised/(reversed) on trade and other receivables and contract assets (Note 31(a))	**20,528**	(2,260)
Leases previously classified as operating leases under HKAS 17*	**–**	7,121
Research and development costs (other than capitalised costs and related amortisation)	**–**	836

6 PROFIT BEFORE TAXATION (continued)

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

Cost of inventories includes RMB366.2 million (2018: RMB358.3 million) for the year ended 31 December 2019, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019 RMB'000	2018 RMB'000
Current taxation (Note 27(a))		
– Provision for the year	**57,486**	69,004
– PRC Withholding Tax (Note (xii))	**6,000**	–
– Under/(over)-provision in respect of prior years	**44**	(584)
	63,530	68,420
Deferred taxation (Note 27(b))		
– Origination and reversal of temporary differences	**(46,806)**	(19,360)
	16,724	49,060

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

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**89,428**	153,134
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (viii), (ix) and (x))	**28,811**	40,459
Tax effect of non-taxable income (Note (xi))	**(24,382)**	–
Tax effect of PRC Withholding Tax (Note (xii))	**6,000**	–
Tax effect of non-deductible expenses	**9,149**	7,635
Tax effect of unused tax losses and temporary differences not recognised (Note 27(c))	**(193)**	3,361
Tax concessions (Notes (v), (vi) and (vii))	**(6,568)**	(8,550)
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised (Note (xiii))	**(9,903)**	(1,955)
Tax effect of write-down of deferred tax assets (Note (xiii))	**13,766**	8,694
Under/(over)-provision in respect of prior years	**44**	(584)
Income tax	**16,724**	49,060

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%).

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

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2018: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2018: 30%).

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

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

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

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

Notes: (continued)

(vii) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% from 2016 to 2018. After the approval expired, the subsidiary does not apply for an extension, and is subject to PRC Corporate Income Tax rate of 25% during the year ended 31 December 2019.

(viii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (2018: 27.9%).

(ix) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20% (2018: 20%).

(x) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25% (2018: 25%).

(xi) 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 year ended 31 December 2019.

(xii) 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.

(xiii) The Group recognised and used previously unrecognised deferred tax assets of RMB0.1 million (2018: RMB0.1 million) regarding tax losses and the Group wrote down previously recognised deferred tax assets of RMB13.8 million (2018: RMB8.7 million) regarding tax losses, as the utilisation of these unused tax losses have changed due to the changes of actual operating results during the year ended 31 December 2019 and changes in estimates of future operating results of certain subsidiaries of the Group.

8 DIRECTORS' EMOLUMENTS

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

	2019				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive director					
Mr. Cui Xiangdong	–	896	128	632	1,656
Non-executive directors					
Mr. Peng Shou	1	–	–	–	1
Mr. Zhao John Huan	–	–	–	–	–
Mr. Zhou Cheng	1	–	70	–	71
Mr. Zhang Jinshu	1	–	–	–	1
Independent non executive directors					
Mr. Zhang Baiheng	159	–	–	–	159
Mr. Zhao Lihua	159	–	–	–	159
Mr. Chen Huachen	159	–	–	–	159
	480	896	198	632	2,206

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

Note:

(i) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(u)(ii). The details of these benefits in kind, including the principal terms and number of share options granted are disclosed under the section "Share option scheme" in the Report of the Directors and Note 26(a).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2018: four) individuals is as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**2,093**	2,129
Discretionary bonuses	**1,855**	–
Share-based payments	**–**	155
Retirement scheme contributions	**383**	375
	4,331	2,659

The emoluments of all of the four employees who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

HK$	2019 Number of individuals	2018 Number of individuals
Nil – 1,000,000	**1**	4
1,000,001 – 2,000,000	**3**	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB82,570,000 (2018: RMB93,488,000) and the weighted average of 1,694,527,000 ordinary shares (2018: 1,714,621,000 ordinary shares) in issue during the year ended 31 December 2019, calculated as follows:

Weighted average number of ordinary shares

	2019 '000	2018 '000
Issued ordinary shares at 1 January	**1,694,527**	1,810,147
Effect of shares purchased under a share award scheme (Notes 26(b) and 28(c)(iii))	**–**	(95,526)
Weighted average number of ordinary shares at 31 December	**1,694,527**	1,714,621

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the years ended 31 December 2019 and 2018. The Group's convertible bonds (see Note 25) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the years ended 31 December 2019 and 2018.

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2018	1,642,849	3,144,099	27,403	1,523,465	6,337,816
Additions	15,187	27,904	888	364,672	408,651
Additions through acquisition of business	–	1,390	–	–	1,390
Transfer in/(out)	144,965	243,526	155	(544,434)	(155,788)
Disposals	(799)	(58,020)	(1,154)	(19,606)	(79,579)
Exchange adjustment	–	(34)	–	4,160	4,126
At 31 December 2018	1,802,202	3,358,865	27,292	1,328,257	6,516,616
Impact on initial application of HKFRS 16 (Note(i))	–	(103,555)	–	–	(103,555)
At 1 January 2019	1,802,202	3,255,310	27,292	1,328,257	6,413,061
Additions	28,644	87,075	1,926	378,640	496,285
Transfer in/(out)	2,019	139,459	–	(158,542)	(17,064)
Reclassification to investment property (Note 12)	(33,976)	–	–	–	(33,976)
Disposals (Note(ii))	(219,963)	(585,560)	(6,436)	–	(811,959)
Exchange adjustment	–	(3)	–	1,789	1,786
At 31 December 2019	1,578,926	2,896,281	22,782	1,550,144	6,048,133
Accumulated depreciation and impairment losses:					
At 1 January 2018	468,807	1,655,528	17,876	36,474	2,178,685
Charge for the year	45,638	188,553	2,225	–	236,416
Transfer out	–	(155,788)	–	–	(155,788)
Written back on disposals	(5)	(37,884)	(635)	–	(38,524)
At 31 December 2018	514,440	1,650,409	19,466	36,474	2,220,789
Impact on initial application of HKFRS 16 (Note(i))	–	(33,960)	–	–	(33,960)
At 1 January 2019	514,440	1,616,449	19,466	36,474	2,186,829
Charge for the year	43,156	148,714	1,901	–	193,771
Transfer out	–	(17,064)	–	–	(17,064)
Reclassification to investment property (Note 12)	(11,272)	–	–	–	(11,272)
Written back on disposals (Note(ii))	(109,115)	(373,282)	(2,183)	–	(484,580)
Exchange adjustment	–	(6)	–	–	(6)
At 31 December 2019	437,209	1,374,811	19,184	36,474	1,867,678
Net book value:					
At 31 December 2018	1,287,762	1,708,456	7,826	1,291,783	4,295,827
At 31 December 2019	1,141,717	1,521,470	3,598	1,513,670	4,180,455

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amount (continued)

Notes:

(i) The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 2(c).

(ii) In 2019, a subsidiary of the Group located in the PRC disposed the plants, buildings and machinery amounting to RMB319.1 million as a result of the relocation mentioned in Note 5.

At 31 December 2019, property certificates of certain properties with an aggregate net book value of RMB567.6 million (31 December 2018: RMB575.8 million) are yet to be obtained.

12 INVESTMENT PROPERTY

	RMB'000
Cost:	
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Reclassification from property, plant and equipment (Note 11)	33,976
At 31 December 2019	33,976
Accumulated depreciation:	
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Reclassification from property, plant and equipment (Note 11)	11,272
Charge for the year	625
At 31 December 2019	11,897
Net book value:	
At 31 December 2018	–
At 31 December 2019	22,079

The Group leases out investment property under operating leases. The leases typically run for an initial period of 5 to 7 years. Lease payments are usually increased every 2 years to reflect market rentals. None of the leases includes variable lease payments.

According to the property valuation report issued by an independent qualified valuer, the fair value of investment property located in the PRC is determined using market value approach and the fair value of the Group's investment property at 31 December 2019 is RMB66.3 million.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 RMB'000
Within 1 year	1,908
After 1 year but within 5 years	7,797
After 5 years	4,467
	14,172

13 RIGHT-OF-USE ASSETS

The reconciliation and analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Leasehold land held for own use RMB'000	Plant, machinery and equipment RMB'000	Other properties leased for own use RMB'000	Total RMB'000
Cost:				
At 31 December 2018	345,027	–	–	345,027
Impact on initial application of HKFRS 16 (Note)	–	103,555	5,903	109,458
At 1 January 2019	345,027	103,555	5,903	454,485
Additions	–	8,122	22,382	30,504
Disposals	(52,011)	–	–	(52,011)
Exchange adjustment	–	–	(29)	(29)
At 31 December 2019	293,016	111,677	28,256	432,949
Accumulated depreciation and impairment losses:				
At 31 December 2018	84,726	–	–	84,726
Impact on initial application of HKFRS 16 (Note)	–	33,960	–	33,960
At 1 January 2019	84,726	33,960	–	118,686
Charge for the year	7,285	10,184	4,668	22,137
Written back on disposals	(17,653)	–	–	(17,653)
Exchange adjustment	–	–	(4)	(4)
At 31 December 2019	74,358	44,144	4,664	123,166
Net book value:				
At 31 December 2018	260,301	–	–	260,301
At 31 December 2019	218,658	67,533	23,592	309,783

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See Note 2(c).

13 RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Depreciation charge of right-of-use assets by class of underlying asset:			
Leasehold land held for own use	(i)	**6,271**	7,708
Plant, machinery and equipment	(ii)	**10,184**	14,020
Other properties leased for own use	(ii)	**4,668**	–
		21,123	21,728
Interest on lease liabilities (Note 6(a))		**5,804**	11,242
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019		**3,317**	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets		**51**	–
Lease previously classified as operating leases under HKAS 17		**–**	7,121

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 21(c), 24 and 30(a), respectively.

(i) Leasehold land held for own use

Leasehold land held for own use represented land use right premiums paid by the Group for land situated in the PRC and Nigeria. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities. At 31 December 2019, land use right certificates of certain land use rights with an aggregate carrying value of RMB7.6 million (31 December 2018: RMB7.7 million) are yet to be obtained.

(ii) Other leases

The Group leases production plant, machinery and office equipment under leases expiring from 1 to 16 years. Some leases include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

(Expressed in RMB Unless Otherwise Indicated)

14 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Beijing Qinchang Glass Company Limited* 北京秦昌玻璃有限公司	The PRC	Registered and paid-up capital of RMB530,000,000	100%	–	Production, marketing and distribution of glass and glass products
China Glass Investment Limited* 中玻投資有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Investment holding
CNG Glass (Nigeria) FZE	The Federal Republic of Nigeria	Registered and paid-up capital of United States dollar ("USD") 38,500,000	100%	–	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* 東台中玻特種玻璃有限公司	The PRC	Registered and paid-up capital of RMB200,000,000	100%	–	Production, marketing and distribution of glass and glass products
Jiangsu SHD New Materials Company Limited* 江蘇蘇華達新材料有限公司	The PRC	Registered and paid-up capital of RMB136,000,000	100%	–	Production, marketing and distribution of glass and glass products
JV Investments Limited	The Cayman Islands	Issued and paid-up capital of USD90,313	–	100%	Investment holding
Linyi CNG New Materials Technology Company Limited* 中玻(臨沂)新材料科技有限公司	The PRC	Registered and paid-up capital of RMB206,800,000	74.70%	–	Production, marketing and distribution of glass and glass products
Olivotto Glass Technologies S.p.A	The Italy	Registered and paid-up capital of EUR1,408,000	–	100%	Design and construction of production lines of pharmaceutical glass
Shaanxi CNG New Technology Limited* 中玻(陝西)新技術有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	99.18%	–	Production, marketing and distribution of glass and glass products
Suqian CNG Electronic Glass Company Limited* 宿遷中玻電子玻璃有限公司	The PRC	Registered capital of RMB600,000,000 and paid-up capital of RMB401,813,823	100%	–	Production, marketing and distribution of glass and glass products
Suqian CNG New Materials Company Limited* 宿遷中玻新材料有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	Production, marketing and distribution of glass and glass products

(Expressed in RMB Unless Otherwise Indicated)

14 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of establishment/ incorporation and business	Particulars of registered/issued and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
Weihai China Glass Solar Company Limited* 威海中玻光電有限公司	The PRC	Registered and paid-up capital of USD14,920,000	61.03%	–	Production, marketing and distribution of photovoltaic battery module products
Weihai CNG Coated Glass Company Limited* ("Weihai CNG") 威海中玻鍍膜玻璃股份有限公司	The PRC	Registered and paid-up capital of RMB107,700,000	91.09%	–	Production, marketing and distribution of glass and glass products
Weihai CNG New Technology Glass Limited* ("New Technology") 威海中玻新技術玻璃有限公司	The PRC	Registered and paid-up capital of USD12,000,000	91.95%	–	Production, marketing and distribution of glass and glass products
Wuhai CNG Special Glass Company Limited* ("Wuhai CNG") 烏海中玻特種玻璃有限責任公司	The PRC	Registered and paid-up capital of RMB128,378,729	95.07%	–	Production, marketing and distribution of glass and glass products
Xianyang CNG Coated Glass Limited* 中玻(咸陽)鍍膜玻璃有限公司	The PRC	Registered and paid-up capital of RMB90,000,000	88.37%	–	Production, marketing and distribution of glass and glass products
Zhongbo Technology Company Limited* 中玻科技有限公司	The PRC	Registered and paid-up capital of RMB194,860,000	85.83%	–	Production, marketing and distribution of glass and glass products

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

14 INVESTMENTS IN SUBSIDIARIES (continued)

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

	2019 **RMB'000**	2018 RMB'000 (Note)
Revenue	**1,352,963**	1,527,858
(Loss)/profit for the year	**(9,672)**	51,874
Attributable to NCI	**(10,340)**	6,650
Dividend approved by a subsidiary	**(2,251)**	–
Reduction of paid-up capital of a subsidiary	**–**	(15,087)
Non-current assets	**2,081,750**	2,077,640
Current assets	**1,950,687**	2,190,051
Current liabilities	**(2,534,260)**	(2,766,255)
Non-current liabilities	**(435,209)**	(389,044)
Net assets	**1,062,968**	1,112,392
Carrying amount of NCI	**135,994**	148,585

Note: The subsidiaries has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of RMB2.6 million relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated.

15 INTANGIBLE ASSETS

	Non-competition agreement RMB'000	Technologies RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:				
At 1 January 2018	–	145,017	–	145,017
Additions	–	3,969	–	3,969
Additions through acquisition of business	79,996	46,817	2,589	129,402
Exchange adjustment	(671)	(393)	(22)	(1,086)
At 31 December 2018 and 1 January 2019	79,325	195,410	2,567	277,302
Additions	–	2,809	–	2,809
Exchange adjustment	(322)	(204)	(11)	(537)
At 31 December 2019	79,003	198,015	2,556	279,574
Accumulated amortisation and impairment losses:				
At 1 January 2018	–	145,017	–	145,017
Charge for the year	2,656	331	43	3,030
Exchange adjustment	(12)	(1)	–	(13)
At 31 December 2018 and 1 January 2019	2,644	145,347	43	148,034
Charge for the year	15,833	5,774	256	21,863
Exchange adjustment	(43)	(13)	(1)	(57)
At 31 December 2019	18,434	151,108	298	169,840
Net book value:				
At 31 December 2018	76,681	50,063	2,524	129,268
At 31 December 2019	60,569	46,907	2,258	109,734

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

16 GOODWILL

	2019 RMB'000	2018 RMB'000
At 1 January	**107,936**	–
Additions through acquisition of business	**–**	108,850
Measurement period adjustment (Note(ii))	**(9,600)**	–
Exchange adjustment	**(606)**	(914)
At 31 December	**97,730**	107,936

Notes:

(i) Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment as follows:

	2019 RMB'000	2018 RMB'000
Design and installation service	**97,730**	107,936

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

The recoverable amount of the design and installation service CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual revenue growth rates around 15% (2018: 24%) during the first two year and around 8% (2018: 9%) during the next two years, which are based on OGT's historical experience and Group's expectations of future changes in the Chinese and overseas market with this business and adjusted for other factors that are specific to the design and installation service CGU. Cash flows beyond the four-year period are extrapolated using a 1.10% (2018: 1.10%) long-term growth rate, which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry. The cash flows are discounted using a discount rate of 16.40% (2018: 16.17%). The discount rates used are pre-tax and reflect specific risks relating to the design and installation service CGU.

(Expressed in RMB Unless Otherwise Indicated)

16 GOODWILL (continued)

Notes: (continued)

(ii) Measurement period adjustment

An amount of EUR1.5 million of the total cash consideration was paid to an escrow agent on 30 October 2018 in accordance with an escrow agreement entered into by the Company and the Vendors, which was the maximum aggregate liability that the Vendors should be responsible in respect of the warranties agreed in the acquisition agreement ("Warranties"). The Company could ask the Vendors for indemnification in respect of any actual or alleged breach of the Warranties in 12 months after the acquisition was completed ("Warranty Period"). After the Warranty Period, the remaining amount would be paid to the Vendors by the escrow agent. However, the Vendors' liability should not be subject to any time limitation in the event of fraud and gross negligence.

Before 30 October 2019, the Company requested the Vendors for indemnification before the end of Warranty Period and collected Warranties amounting to EUR1.3 million from the escrow agent, the Group then adjusted goodwill correspondingly.

17 INTEREST IN JOINT VENTURES

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

Name of joint venture	Place of establishment/ incorporation and business	Particulars of registered and paid-up capital	Effective percentage of equity attributable to the Company		Principal activities
			Indirect	Direct	
GIGA&CNG Glass Company Limited	The United Republic of Tanzania	Registered and paid-up capital of HKD2,000,000	50.00%	–	Marketing and distribution of glass and glass products
Belt and Road Glass Management Limited	The Cayman Islands	Registered and paid-up capital of USD2,000,000	45.00%	–	Investment holding

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

18 INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**181,520**	170,962
Work in progress and finished goods	**340,201**	288,718
Racks, spare parts and consumables	**42,991**	42,347
	564,712	502,027
Less: write-down of inventories	**(14,882)**	(9,734)
	549,830	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:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold/used in service contract	**2,079,440**	2,190,887
Write-down of inventories	**5,704**	–
Reversal of write-down of inventories	**(556)**	(414)
	2,084,588	2,190,473

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

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract assets		
Arising from performance under service contracts	**30,861**	2,350
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables"	**19,763**	27,164

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

19 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(a) Contract assets (continued)

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

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

(b) Contract liabilities

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Note)
Contract liabilities		
Sales of glass products		
– Billings in advance of sales	**82,710**	72,641
Service contracts		
– Billings in advance of performance	**12,521**	5,344
– Billings in advance of rental	**1,060**	–
	96,291	77,985

Note: 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.

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

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

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

When the Group receives a deposit before operation leases term commences this will give rise to contract liabilities at the start of an operation lease, until the rental income recognised in equal instalments over the periods.

19 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

(b) Contract liabilities (continued)

Movements in contract liabilities

	2019 RMB'000	2018 RMB'000 (Note)
Balance at 1 January	**77,985**	75,852
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(77,973)**	(75,852)
Business acquisition	**–**	16,144
Increase in contract liabilities as a result of billing in advance of rendering services and sales of glass products	**1,395,175**	1,559,173
Decrease in contract liabilities as a result of recognising revenue	**(1,298,858)**	(1,497,175)
Exchange adjustment	**(38)**	(157)
Balance at 31 December	**96,291**	77,985

Note: 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.

20 TRADE AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables from (Note (a)):		
– Third parties	**195,533**	191,528
– Affiliates of non-controlling equity holders of subsidiaries	**15,677**	15,667
– A joint venture	**2,267**	1,643
Bills receivables	**105,478**	158,152
	318,955	366,990
Less: loss allowance (Note 31(a))	**(110,031)**	(98,425)
	208,924	268,565
Amounts due from related companies:		
– Equity shareholders of the Company and their fellow subsidiaries (Note (i))	**12,006**	815
– Non-controlling equity holders of a subsidiary (Note (i))	**150**	150
– A joint venture (Note (i))	**–**	883
	12,156	1,848
Other debtors		
– Advances to third parties	**143,997**	157,439
– Receivable for disposal of land use rights	**1,072**	1,133
– Receivable for disposal of property, plant and equipment	**52,420**	7,430
– Receivable for relocation of production plants and government grants (Note (ii))	**367,873**	213,654
– Others	**35,175**	49,113
	600,537	428,769
Less: loss allowance (Note 31(a))	**(62,171)**	(57,243)
	538,366	371,526
	759,446	641,939

20 TRADE AND OTHER RECEIVABLES (continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments, deposits and other receivables:		
– Prepayments for the purchase of inventories	**92,054**	76,970
– Prepayments for the purchase of property, plant and equipment and land use rights	**97,193**	28,624
– Value added tax refundable	**56,267**	56,072
	245,514	161,666
	1,004,960	803,605

Notes:

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

(ii) As at 31 December 2019, the amount of RMB247.3 million is the remaining receivables from the local government authority for relocation of production plants. All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**81,646**	73,189
More than 1 month but less than 3 months	**16,785**	23,770
More than 3 months but less than 6 months	**67,190**	101,588
More than 6 months but less than 1 year	**2,136**	24,082
Over 1 year	**41,167**	45,936
	208,924	268,565

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

21 CASH ON HAND AND IN BANK AND OTHER CASH FLOW INFORMATION

(a) Cash on hand and in bank comprise:

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	**565,188**	570,832
Time deposits with banks	**18,851**	36,000
Cash on hand and in bank in the consolidated statement of financial position	**584,039**	606,832
Less: time deposits with original maturity over 3 months	**(18,851)**	(36,000)
Cash and cash equivalents in the consolidated cash flow statement	**565,188**	570,832

At 31 December 2019, cash and cash equivalents of RMB135.5 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.

21 CASH ON HAND AND IN BANK AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financing activities:

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

	Bank and other loans RMB'000 (Note 23)	Convertible bonds RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 24)	Interest payables RMB'000 (Note 22)	Total RMB'000
At 31 December 2018	2,794,383	62,881	51,985	18,980	2,928,229
Impact on initial application of HKFRS 16 (Note)	–	–	5,903	–	5,903
At 1 January 2019	2,794,383	62,881	57,888	18,980	2,934,132
Changes from financing cash flows:					
Proceeds from bank and other loans	3,062,777	–	–	–	3,062,777
Repayment of bank and other loans	(2,648,248)	–	–	–	(2,648,248)
Capital element of lease rentals paid	–	–	(26,597)	–	(26,597)
Interest element of lease rentals paid	–	–	(5,804)	–	(5,804)
Payment for the redemption of convertible bonds	–	(17,174)	–	–	(17,174)
Other borrowing costs paid	–	(5,026)	–	(230,825)	(235,851)
Total changes from financing cash flows	414,529	(22,200)	(32,401)	(230,825)	129,103
Exchange adjustments	3,014	1,123	(14)	–	4,123
Changes in fair value	–	(6,621)	–	–	(6,621)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	30,504	–	30,504
Losses incurred from the redemption of convertible bonds (Note 6(a))	–	1,695	–	–	1,695
Finance charges on convertible bonds (Note 6(a))	–	11,457	–	–	11,457
Interest on lease liabilities (Note 6(a))	–	–	5,804	–	5,804
Interest expenses and other finance costs (Note 6(a))	–	–	–	186,384	186,384
Capitalised borrowing costs (Note 6(a))	–	–	–	51,723	51,723
Total other changes	–	13,152	36,308	238,107	287,567
At 31 December 2019	3,211,926	48,335	61,781	26,262	3,348,304

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See Note 2(c).

21 CASH ON HAND AND IN BANK AND OTHER CASH FLOW INFORMATION (continued)

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

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

21 CASH ON HAND AND IN BANK AND OTHER CASH FLOW INFORMATION (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 RMB'000 (Note)
Within operating cash flows	**3,368**	7,121
Within investing cash flows	**3,887**	3,785
Within financing cash flows	**32,401**	38,201
	39,656	49,107

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. As the Group initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach, the comparative amounts have not been restated.

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rentals paid	**35,769**	45,322
Purchase of leasehold land held for own use	**3,887**	3,785
	39,656	49,107

22 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Note (ii))
Trade payables to:		
– Third parties	**420,725**	468,993
– An affiliate of an equity shareholder of the Company	**70**	–
– Affiliates of non-controlling equity holders of subsidiaries	**599**	2,108
Bills payables	**240,581**	313,511
	661,975	784,612
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties (Note (i))	**87,921**	41,615
– Companies under common significant influence (Note (i))	**11**	64
	87,932	41,679
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**299,624**	478,299
– Payables for staff related costs	**81,268**	82,504
– Payables for acquisitions of non-controlling interests in subsidiaries	**4,359**	4,359
– Payables for miscellaneous taxes	**61,862**	47,127
– Payables for transportation expenses	**8,471**	8,392
– Advances from third parties	**32,511**	31,545
– Interest payables	**26,262**	18,980
– Others	**43,691**	47,091
	558,048	718,297
Financial liabilities measured at amortised cost	**1,307,955**	1,544,588
Provision for a litigation	**–**	37,407
	1,307,955	1,581,995

22 TRADE AND OTHER PAYABLES (continued)

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.

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

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

	2019 **RMB'000**	2018 RMB'000
Due within 1 month or on demand	**408,694**	427,931
Due after 1 month but within 6 months	**253,281**	356,681
	661,975	784,612

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

23 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	2019 **RMB'000**	2018 RMB'000
Bank loans	**1,189,672**	1,275,175
Loans from third parties	**–**	36,811
	1,189,672	1,311,986
Add: current portion of long-term bank and other loans (Note (b))	**708,711**	753,414
	1,898,383	2,065,400

23 BANK AND OTHER LOANS (continued)

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

At 31 December 2019, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2019 RMB'000	2018 RMB'000
Bank loans:		
– Pledged by bank bills	**294,720**	245,615
– Secured and/or guaranteed (Note)	**745,418**	745,803
– Unguaranteed and unsecured	**149,534**	283,757
	1,189,672	1,275,175
Loans from third parties:		
– Unguaranteed and unsecured	**–**	36,811
	1,189,672	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 2019.

At 31 December 2019, the aggregate carrying value of the secured property, plant and equipment and land use rights for the Group's short-term bank loans is RMB741.4 million (31 December 2018: RMB661.2 million).

At 31 December 2019, none of the Group's short-term bank loans is secured by inventories (31 December 2018: RMB67.3 million).

(b) Long-term bank and other loans

	2019 RMB'000	2018 RMB'000
Bank loans (Note 23(c))	**972,432**	347,062
Loans from third parties	**1,049,822**	1,135,335
	2,022,254	1,482,397
Less: current portion of long-term bank and other loans (Note (a))	**(708,711)**	(753,414)
	1,313,543	728,983

23 BANK AND OTHER LOANS (continued)

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

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

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**708,711**	753,414
After 1 year but within 2 years	**801,740**	577,111
After 2 years but within 5 years	**511,803**	151,872
	2,022,254	1,482,397

At 31 December 2019, the Group's long-term bank and other loans are secured as follows:

	2019 RMB'000	2018 RMB'000
Bank loans:		
– Secured and/or guaranteed (Note)	**972,432**	347,062
Loans from third parties:		
– Secured and/or guaranteed (Note)	**1,049,612**	1,135,025
– Unguaranteed and unsecured	**210**	310
	1,049,822	1,135,335
	2,022,254	1,482,397

Note: These loans are secured by the Group's property, plant and equipment, land use rights, equity interests of certain subsidiaries and/or guaranteed by Triumph Group or a director of the Company. The comparative figures have been adjusted to conform to current year's simplified presentation.

At 31 December 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 RMB1,250.6 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 31 December 2019, the Group's banking facilities amounted to RMB1,293.3 million (31 December 2018: RMB910.0 million) were utilised to the extent of RMB1,125.4 million (31 December 2018: RMB744.3 million).

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

None of the covenants relating to the bank and other loans had been breached during the year ended 31 December 2019 (31 December 2018: RMBNil).

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 (Note)		31 December 2018 (Note)	
	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	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	31,650	34,246	24,229	26,475	22,262	24,386
After 1 year but within 2 years	15,611	18,209	21,940	26,225	20,397	24,486
After 2 years but within 5 years	13,069	16,418	10,179	13,298	9,326	12,215
After 5 years	1,451	2,851	1,540	2,991	–	–
	30,131	37,478	33,659	42,514	29,723	36,701
	61,781	71,724	57,888	68,989	51,985	61,087
Less: total future interest expenses		(9,943)		(11,101)		(9,102)
Present value of lease liabilities		61,781		57,888		51,985

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in Note 2(c).

25 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 1 January 2018	42,177	16,134	58,311
Accrued finance charges for the year (Note 6(a))	11,079	–	11,079
Interest paid	(5,576)	–	(5,576)
Fair value changes on the derivative components (Note 6(a))	–	(4,431)	(4,431)
Exchange adjustments	2,824	674	3,498
At 31 December 2018 and 1 January 2019	50,504	12,377	62,881
Accrued finance charges for the year (Note 6(a))	11,457	–	11,457
Interest paid	(5,026)	–	(5,026)
Fair value changes on the derivative components (Note 6(a))	–	(6,621)	(6,621)
Partial redemption of convertible bonds	(13,390)	(2,089)	(15,479)
Exchange adjustments	958	165	1,123
At 31 December 2019	44,503	3,832	48,335

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

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

Pursuant to the redemption term of the convertible bonds, the Bondholder deposited notices to redeem the first and the second 25% of total outstanding principal of the convertible bonds on 1 July 2019 and 3 January 2020 separately. Up to date of this financial statements, the above redemptions have been completed. The remaining convertible bonds are still convertible, and there are no convertible bond converted into the Company's shares up to date of this financial statements.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

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

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

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

The Share Option Scheme was expired on 22 June 2015, and a new share option scheme (the "New Share Option Scheme") has been approved by a special general meeting of shareholders of the Company on 19 February 2016. No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the years ended 31 December 2019 and 2018.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(a) Share option scheme (continued)

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

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

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

	2019		2018	
	Weighted average exercise price	**number of options '000**	Weighted average exercise price	number of options '000
Outstanding at the beginning of the year	**HK$1.25**	**31,490**	HK$1.25	32,350
Forfeited during the year	**HK$1.25**	**(1,100)**	HK$1.25	(860)
Outstanding at the end of the year	**HK$1.25**	**30,390**	HK$1.25	31,490
Exercisable at the end of the year	**HK$1.25**	**30,390**	HK$1.25	31,490

The share options outstanding at 31 December 2019 had an exercise price of HK$1.25 (31 December 2018: HK$1.25) and a weighted average remaining contractual life of 2.36 years (31 December 2018: 3.36 years).

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(b) Share award scheme

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

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

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

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

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

	Average purchase price HK$	No. of shares held '000	Value RMB'000
At 1 January 2018		86,000	47,888
Shares purchased during the year	0.633	29,620	16,365
At 31 December 2018, 1 January 2019 and 31 December 2019		115,620	64,253

During year 2019, no ordinary shares were purchased for the Share Award Scheme (2018: 29,620,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK$0.633 per share, equivalent to approximately RMB0.553 per share). No shares have been awarded to any selected employee as at the date of these financial statements.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2019 RMB'000	2018 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	**101,366**	70,794
Additions through acquisition of business	**–**	5,831
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**57,486**	69,004
Provision for PRC withholding tax (Note 7(a))	**6,000**	–
Under/(over)-provision in respect of prior years (Note 7(a))	**44**	(584)
Income tax paid	**(19,766)**	(43,679)
Balance of income tax payable (net of prepaid income tax) at 31 December	**145,130**	101,366
Represented by:		
Income tax payable	**152,230**	116,122
Prepaid income tax	**(7,100)**	(14,756)
	145,130	101,366

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

(b) Deferred tax assets and liabilities recognised:

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

	Assets						Liabilities	
Deferred tax arising from:	Unused tax losses 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 intangible assets RMB'000	Total RMB'000	Fair value adjustments on intangible assets, property, plant and equipment, land use rights, 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 (Note 7(a))	(19,183)	(96)	(735)	35,336	–	15,322	4,038	19,360
Credited to reserves	–	–	–	–	–	–	70	70
Exchange adjustment	(31)	–	(2)	(46)	–	(79)	279	200
At 31 December 2018 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(a))	**24,193**	**1,275**	**3,443**	**7,043**	**(6,673)**	**29,281**	**17,525**	**46,806**
Credited to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**63**	**63**
Exchange adjustment	**(7)**	**–**	**(4)**	**(20)**	**–**	**(31)**	**119**	**88**
At 31 December 2019	**162,260**	**2,211**	**30,501**	**86,500**	**–**	**281,472**	**(45,300)**	**236,172**

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(w), the Group has not recognised deferred tax assets in respect of unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB384.6 million (31 December 2018: RMB437.8 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of RMB43.6 million which will not expire under the relevant tax legislation, the remaining unused tax losses at 31 December 2019 will expire on or before 31 December 2024.

(d) Deferred tax liabilities not recognised

At 31 December 2019, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB834.0 million (31 December 2018: RMB862.0 million). Deferred tax liabilities of RMB89.3 million (31 December 2018: RMB79.9 million) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

28 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Movements in components of equity

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

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

The Company

	Share capital RMB'000 (Note 28 (c))	Share premium RMB'000 (Note 28 (d)(i))	Shares held under share award scheme RMB'000 (Note 28 (d)(ii))	Capital reserve RMB'000 (Note 28 (d)(iii))	Exchange reserve RMB'000 (Note 28 (d)(v))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	84,867	2,081,912	(47,888)	32,606	(104,233)	(192,627)	1,854,637
Changes in equity for 2018:							
Loss for the year	–	–	–	–	–	(33,553)	(33,553)
Other comprehensive income	–	–	–	–	89,302	–	89,302
Total comprehensive income for the year	–	–	–	–	89,302	(33,553)	55,749
Equity settled share-based transactions (Note 26(a))	–	–	–	592	–	–	592
Shares purchased under the share award scheme (Note 26(b))	–	–	(16,365)	–	–	–	(16,365)
	–	–	(16,365)	592	–	–	(15,773)
At 31 December 2018 and 1 January 2019 (Note)	84,867	2,081,912	(64,253)	33,198	(14,931)	(226,180)	1,894,613
Changes in equity for 2019:							
Loss for the year	–	–	–	–	–	(63,730)	(63,730)
Other comprehensive income	–	–	–	–	41,099	–	41,099
Total comprehensive income for the year	–	–	–	–	41,099	(63,730)	(22,631)
Transfer between share premium account and accumulated loss account of the Company (Note 28(e))	–	(269,029)	–	–	–	269,029	–
Distributions approved in respect of the current year (Note 28(b)(i))	–	(32,634)	–	–	–	–	(32,634)
	–	(301,663)	–	–	–	269,029	(32,634)
At 31 December 2019	84,867	1,780,249	(64,253)	33,198	26,168	(20,881)	1,839,348

Note: The Group, including the company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the company's equity as at 1 January 2019. See Notes 2(c) and 32.

28 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(b) Dividends/Distributions

(i) Distributions payable to equity shareholders of the Company attributable to the year

	2019 RMB'000	2018 RMB'000
Interim distribution approved and paid of HK$0.02 per ordinary share (2018: HK$Nil per ordinary share)	**32,634**	–

(ii) No final distributions payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year (2018: HK$Nil).

(c) Share capital

(i) Authorised and issued share capital

	2019		2018	
	No. of shares	HK$'000	No. of shares	HK$'000
Authorised:				
At 1 January and 31 December, at HK$0.05 each	**3,600,000,000**	**180,000**	3,600,000,000	180,000

	2019		2018	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,810,147,058**	**84,867**	1,810,147,058	84,867

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

Exercise period	Exercise price	2019 Number	2018 Number
13 May 2016 to 12 May 2022	HK$1.25	**12,156,000**	12,596,000
13 May 2017 to 12 May 2022	HK$1.25	**9,117,000**	9,447,000
13 May 2018 to 12 May 2022	HK$1.25	**9,117,000**	9,447,000
		30,390,000	31,490,000

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

(iii) At 31 December 2019, 115,620,000 ordinary shares are held by the Company under the Share Award Scheme (31 December 2018: 115,620,000) (see Note 26(b)).

28 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Shares held under share award scheme

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

(iii) Capital reserve

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

(iv) Statutory reserves

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

(v) Exchange reserve

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

(vi) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

28 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(e) Distributable reserves

At 31 December 2019, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium, subject to equity shareholders' approval) available for distribution to equity shareholders of the Company was RMB1,780.2 million (31 December 2018: RMB2,081.9 million). The directors of the Company do not recommend the payment of a final distribution/ dividend for the year ended 31 December 2019 (2018:Nil). The directors recommend the payment of an interim distribution of HK$0.02 per ordinary share during 2019.

Pursuant to a resolution approved by Special General Meeting on 15 October 2019, the Company transferred HK$298,458,000 (equivalent to approximately RMB269,029,000) from the share premium account to the accumulated losses account in a view to set off prior years' losses accumulated up to 30 June 2019 at the Company's level. Upon completion of the above transfer, the directors of the Company expect that the current accumulated losses position of the Company will be reduced.

(f) Capital management

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

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

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

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. There has been no significant impact on the Group's total debt.

Considering the impact of the application of HKFRS 16, during 2019, the Group's strategy was to manage the adjusted net debt-to-capital ratio not to significantly differ from that on 1 January 2019. The directors of the Company will continue to monitor and improve the Group's capital structure. The Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, raise new debt financing or sell assets to reduce debt. The Group believe that its new production lines and business acquired in 2018 can bring more operating cash flows to the Group and that will also improve adjusted net debt-to-capital ratio.

28 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

(f) Capital management (continued)

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to HKFRS 16 was as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000 (Note)
Current liabilities:		
Trade and other payables	1,307,955	1,581,995
Lease liabilities	31,650	22,262
Convertible bonds	35,317	–
Bank and other loans	1,898,383	2,065,400
	3,273,305	3,669,657
Non-current liabilities:		
Bank and other loans	1,313,543	728,983
Convertible bonds	13,018	62,881
Lease liabilities	30,131	29,723
Other non-current liabilities	14,574	4,421
	1,371,266	826,008
Total debt	4,644,571	4,495,665
Less: cash on hand and in bank	(584,039)	(606,832)
Adjusted net debt	4,060,532	3,888,833
Total equity	2,249,719	2,221,931
Adjusted net current-debt-to-capital ratio	120%	138%
Adjusted net debt-to-capital ratio	180%	175%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See Note 2(c).

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

29 MATERIAL RELATED PARTY TRANSACTIONS

At 31 December 2019, the directors of the Company consider that the Company did not have immediate and ultimate holding company.

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

(a) Transactions with Triumph Group and its related parties

	2019	2018
	RMB'000	RMB'000
Purchase of property, plant and equipment	**2,309**	637
Construction service expenses	**47,387**	11,318
Net (decrease)/increase in guarantees received for the Group's loans	**(197,215)**	899,560

(b) Transactions with a joint venture of the Group

	Note	**2019**	2018
		RMB'000	RMB'000
Sale of glass products		**10,338**	9,259
Net increase in non-interest bearing advances granted to related parties	(i)	**–**	1,255

Note:

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

(c) Transactions with a director of the Company

	2019	2018
	RMB'000	RMB'000
Net increase in guarantees received for the Group's bank and other loans	**34,281**	60,000

29 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

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

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**6,521**	4,076
Contributions to defined contribution retirement plans	**709**	665
Equity compensation benefits under share option scheme (see Note 26(a))	**–**	261
	7,230	5,002

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

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

For the year ended 31 December 2019, the related party transactions in respect of receiving guarantees for the Group's loans from Triumph Group and its related parties above constitute connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

30 COMMITMENTS

(a) Capital commitments

At 31 December 2019, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	**119,731**	60,807
– Authorised but not contracted for	**923,290**	1,012,219
	1,043,021	1,073,026

At 31 December 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.

In addition, the Group was committed at 31 December 2019 to enter into a lease of 2 years that is not yet commenced, the lease payments under which amounted to RMB0.2 million per annum.

30 COMMITMENTS (continued)

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

	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 a number of properties and items of plant and machinery and office equipment 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 2(c)). 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 2(m), and the details regarding the Group's future lease payments are disclosed in Note 24.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group considers its exposure to equity price risk arising from its equity investment in other entity to be insignificant.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

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

(a) Credit risk (continued)

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customer's and debtor's past history of making payments when due and current ability to pay, and take into account information specific to the customer and debtor as well as pertaining to the economic environment in which the customer and debtor operates.

For sales of glass and glass products, and rendering services, cash before delivery is generally required for all customers. Credit terms of three to six months from the date of billing or separately negotiated repayment schedules may be granted to customers and debtors, depending on credit assessment carried out by management on an individual customer basis. Normally, the Group does not obtain collateral from customers and debtors.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and debtor rather than the industry or country in which the customers and debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers and debtors. At 31 December 2019, 5.5% (31 December 2018: 4.3%) and 12.5% (31 December 2018: 11.2%) of the total trade and bills receivables and contract assets were due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2019:

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

(a) Credit risk (continued)

	2019		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0%**	**39,849**	**–**
Less than 1 year past due	**3%**	**54,660**	**(1,369)**
More than 1 year past due	**73%**	**149,829**	**(108,662)**
		244,338	**(110,031)**

	2018		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0%	19,988	–
Less than 1 year past due	3%	48,771	(1,234)
More than 1 year past due	68%	142,429	(97,191)
		211,188	(98,425)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2019 RMB'000	2018 RMB'000
Adjusted balance at 1 January	**155,668**	157,937
Loss allowance written off	**(3,987)**	–
Loss allowance recognised/(reversed)	**20,528**	(2,260)
Exchange adjustment	**(7)**	(9)
Balance at 31 December	**172,202**	155,668

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

(a) Credit risk (continued)

Receivables that were neither past due nor impaired relate to trade and bills receivables from the issuing banks and customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at the date of approval of these financial statements, the Group has newly financed and refinanced bank and other loans of RMB804.0 million, and taking into account of unutilised banking facilities of RMB168.0 million and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term, including negotiation with financial institutions to raise new bank loans.

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

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

	2019 Contractual undiscounted cash outflow								
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables measured at amortised cost	1,091,105	206,850	10,000	–	–	–	–	1,307,955	1,307,955
Bank and other loans	598,885	761,411	350,056	335,665	532,019	971,332	–	3,549,368	3,211,926
Lease liabilities relating to leases previously classified under HKAS 17 as finance leases	6,668	6,668	6,668	6,668	12,545	6,252	–	45,469	38,804
Other lease liabilities (Note)	1,894	1,894	1,894	1,892	5,664	10,166	2,851	26,255	22,977
Other non-current liabilities	–	–	–	–	13,516	1,411	–	14,927	14,574
Liability component of convertible bonds	17,659	1,962	17,659	1,962	18,039	–	–	57,281	44,503
	1,716,211	978,785	386,277	346,187	581,783	989,161	2,851	5,001,255	4,640,739

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See Note 2(c).

	2018 Contractual undiscounted cash outflow							
	Within 3 months or on demand RMB'000	More than 3 months but less than 6 months RMB'000	More than 6 months but less than 9 months RMB'000	More than 9 months but less than 12 months RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Trade and other payables measured at amortised cost	1,304,524	208,187	69,284	–	–	–	1,581,995	1,581,995
Bank and other loans	476,420	761,340	614,551	239,626	545,851	242,826	2,880,614	2,794,383
Lease liabilities relating to leases previously classified under HKAS 17 as finance leases	6,096	6,096	6,096	6,097	24,486	12,215	61,086	51,985
Other non-current liabilities	–	–	–	–	3,181	2,091	5,272	4,421
Liability component of convertible bonds	–	2,450	–	2,450	4,901	65,131	74,932	50,504
	1,787,040	978,073	689,931	248,173	578,419	322,263	4,603,899	4,483,288

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2019		2018	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Lease liabilities (Note)	**8.27%**	**61,781**	9.51%	51,985
Bank and other loans	**5.42%**	**1,353,211**	5.78%	1,432,763
Liability component of convertible bonds	**26.87%**	**44,503**	26.87%	50,504
Other non-current liabilities	**7.70%**	**14,574**	7.70%	4,421
		1,474,069		1,539,673
Variable rate borrowings:				
Bank and other loans	**7.72%**	**1,858,715**	8.55%	1,361,620
Total borrowings		**3,332,784**		2,901,293
Fixed rate borrowings as a percentage of total borrowings		**44%**		53%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See Note 2(c).

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

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and the Group's retained profits by approximately RMB16.0 million (31 December 2018: decreased/increased the Group's profit after tax and the Group's retained profits by approximately RMB10.8 million).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the end of the reporting period. The impact on the Group's results after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2018.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables, loans and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily USD, RMB, HK$, Nigerian Naira ("NGN") and Euros. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of receivables, payables and borrowings denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

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

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

	2019 Exposure to foreign currencies				
	USD RMB'000	**RMB RMB'000**	**HK$ RMB'000**	**NGN RMB'000**	**Euros RMB'000**
Trade and other receivables	**19,240**	**–**	**–**	**–**	**46,893**
Cash and cash equivalents	**4,912**	**4,467**	**19**	**860**	**–**
Trade and other payables	**(6,071)**	**(4,359)**	**(1,370)**	**(17,258)**	**–**
Bank and other loans	**(423,555)**	**–**	**–**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**(405,474)**	**108**	**(1,351)**	**(16,398)**	**46,893**

	2018 Exposure to foreign currencies				
	USD RMB'000	RMB RMB'000	HK$ RMB'000	NGN RMB'000	Euros RMB'000
Trade and other receivables	15,798	–	–	–	–
Cash and cash equivalents	8,610	1,254	18	1,489	1
Trade and other payables	(60,544)	(4,359)	(14,405)	(22,901)	–
Gross exposure arising from recognised assets and liabilities	(36,136)	(3,105)	(14,387)	(21,412)	1

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

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's results after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between HK$ and USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**(Decrease)/ increase in profit after tax and in retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in profit after tax and in retained profits RMB'000
USD	**10%**	**(30,411)**	10%	(3,046)
	(10%)	**30,411**	(10%)	3,046
RMB	**10%**	**11**	10%	(310)
	(10%)	**(11)**	(10%)	310
HK$	**10%**	**(101)**	10%	(1,126)
	(10%)	**101**	(10%)	1,126
NGN	**10%**	**(1,640)**	10%	(2,141)
	(10%)	**1,640**	(10%)	2,141
EUR	**10%**	**4,689**	10%	–
	(10%)	**(4,689)**	(10%)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2018.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

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 at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial asset:				
Equity securities	**2,994**	**–**	**–**	**2,994**
Liabilities:				
Derivative component of the convertible bonds (Note 25)	**3,832**	**–**	**3,832**	**–**

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

(e) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	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
Liabilities:				
Derivative component of the convertible bonds (Note 25)	12,377	–	12,377	–

Valuation techniques and inputs used in Level 2 fair value measurements

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

	Derivative components of the Convertible Bonds	
Dates of valuation	**31/12/2019**	**31/12/2018**
Share price (HK$)	0.42	0.57
Exercise price (HK$)	1.28	1.28
Expected volatility (Note (aa))	38.48%	44.34%
Dividend yield (Note (aa))	0.35%	0.35%
Maturity period	1.09 years	2.09 years
Conversion period	1.07 years	2.07 years
Discount rate (Note (aa))	14.28% – 14.71%	15.18% – 15.29%

Note:

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

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

(e) Fair value measurement (continued)

(ii) Information about Level 3 fair value measurements

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

The fair value of unlisted equity instruments is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 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 RMB175,000 (2018: RMB169,000).

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

	2019 RMB'000	2018 RMB'000
Unlisted equity securities:		
At 1 January	**2,923**	3,202
Additional securities acquired	**325**	–
Net unrealised loss recognised in other comprehensive income during the year	**(254)**	(279)
At 31 December	**2,994**	2,923

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.

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

(e) Fair value measurement (continued)

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

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

	2019		2018	
	Carrying amount at 31 December RMB'000	**Fair value measurements at 31 December categorised into Level 3 RMB'000**	Carrying amount at 31 December RMB'000	Fair value measurements at 31 December categorised into Level 3 RMB'000
Liabilities				
Long-term bank and other loans	**1,313,543**	**1,314,034**	728,983	723,018
Liability component of convertible bonds	**44,503**	**48,536**	50,504	58,822

Valuation techniques and inputs used in Level 3 fair value measurements

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

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

The Group uses the interest rates published by the People's Bank of China at the end of the reporting period plus an adequate constant credit spread to discount long-term bank and other loans. The Group used the risk free interest rate with reference to the Hong Kong Sovereign Zero Coupon Yields as of the 31 December 2019 plus the Corporate Bond Liquidity Yield Spread and the BofA Merrill Lynch Option-Adjusted Spread with similar credit ratings to discount the liability component of the convertible bonds as of 31 December 2019. The interest rates used are as follows:

	2019	2018
Long-term bank and other loans	**7.47%**	5.80%
Liability component of convertible bonds	**14.28% – 14.71%**	15.18% – 15.29%

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

(Expressed in RMB)

	Note	**31 December 2019 RMB'000**	1 January 2019 RMB'000 (Note)	31 December 2018 RMB'000 (Note)
Non-current assets				
Property, plant and equipment		**239**	234	234
Investments in subsidiaries		**1,135,873**	1,120,818	1,120,818
Loans to subsidiaries		**68,262**	44,330	44,330
Right-of-use assets		**2,491**	627	–
		1,206,865	1,166,009	1,165,382
Current assets				
Other receivables		**2,183,057**	1,323,999	1,323,999
Loans to a subsidiary		**33,433**	–	–
Cash and cash equivalents		**19,632**	65,729	65,729
		2,236,122	1,389,728	1,389,728
Current liabilities				
Other payables		**159,055**	99,283	99,283
Bank and other loans		**306,541**	329,714	329,714
Convertible bonds		**35,317**	–	–
Lease liabilities		**1,409**	627	–
		502,322	429,624	428,997
Net current assets		**1,733,800**	960,104	960,731
Total asset less current liabilities		**2,940,665**	2,126,113	2,126,113
Non-current liabilities				
Bank and other loans		**1,087,207**	168,619	168,619
Convertible bonds		**13,018**	62,881	62,881
Lease liabilities		**1,092**	–	–
		1,101,317	231,500	231,500
NET ASSETS		**1,839,348**	1,894,613	1,894,613

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 (continued)

(Expressed in RMB)

	Note	**31 December 2019 RMB'000**	1 January 2019 RMB'000 (Note)	31 December 2018 RMB'000 (Note)
CAPITAL AND RESERVES	28			
Share capital		**84,867**	84,867	84,867
Reserves		**1,754,481**	1,809,746	1,809,746
TOTAL EQUITY		**1,839,348**	1,894,613	1,894,613

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(c).

Approved and authorised for issue by the board of directors on 30 March 2020.

Peng Shou
Chairman

Cui Xiangdong
Director

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Novel Coronavirus Pneumonia outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing fluctuation (if any) to the sales volume and price, reassessing the adequacy of inventory level, and improving the Group's cash management by negotiating with suppliers on payment terms. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

As far as the Group's businesses are concerned, the NCP Outbreak may decrease of sales volume of glass products, but the directors of the Group consider that such impact could be temporarily. In addition, the NCP Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on trade receivables in future periods. These possible impacts have not been reflected in 2019, and the actual impacts may differ from estimates adopted in 2019 as the NCP Outbreak situation continues to evolve and when further information may become available.

As set in Note 2(b), based on a cash flow forecast of the Group for the next twelve months ending 31 December 2020, taking into account the subsequent actual and forecast negative impacts of NCP Outbreak for the Group's business, together with the obtained bank facilities, the Group's newly financed and refinanced bank and other loans and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period.

34 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

To group and simplify the presentation of the statement of financial position, certain comparative figures have been adjusted to conform to the presentation of 2019. See Note 19(b) and Note 22.

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.