



**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  
2020**

\*For identification purpose only



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Director

Mr. Lyu Guo (*Chief Executive Officer*)  
(*appointed on 1 April 2021*)

Mr. Cui Xiangdong (*retired on 1 April 2021*)

### 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 (*deceased on 22 December 2020*)

Mr. Chen Huachen

## AUDIT COMMITTEE

Mr. Chen Huachen (*Chairman of audit committee*)

Mr. Peng Shou

Mr. Zhao Lihua (*deceased on 22 December 2020*)

Mr. Zhang Baiheng

## REMUNERATION COMMITTEE

Mr. Zhao Lihua (*deceased on 22 December 2020*)

Mr. Peng Shou

Mr. Zhang Baiheng

## NOMINATION COMMITTEE

Mr. Zhang Baiheng (*Chairman of nomination committee*)

Mr. Zhou Cheng

Mr. Zhao Lihua (*deceased on 22 December 2020*)

## STRATEGY COMMITTEE

Mr. Peng Shou (*Chairman of strategy committee*)

Mr. Zhao John Huan

Mr. Zhou Cheng

Mr. Lyu Guo (*appointed on 1 April 2021*)

Mr. Cui Xiangdong (*resigned on 1 April 2021*)

## SENIOR MANAGEMENT

Mr. Li Ping

Mr. Yang Hongfu

Mr. Xu Ning

Mr. Wang Jianxun (*retired on 1 January 2021*)

Mr. Han Liming

## COMPANY SECRETARY

Ms. Kuok Yew Lee

## AUTHORISED REPRESENTATIVES

Mr. Lyu Guo (*appointed on 1 April 2021*)

Ms. Kuok Yew Lee

Mr. Cui Xiangdong (*resigned on 1 April 2021*)

## 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

# Corporate Information (continued)

## 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  
Bank of Communications  
Luso International Bank Ltd.  
Shanghai Pudong Development Bank Co., Ltd.  
Hua Xia Bank  
China Development Bank  
Bank of Hankou  
The Export-import Bank of China  
Ping An Bank Co., Ltd.

## 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](http://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 2020 are extracted from the audited financial statements of this report and the Company’s 2016, 2017, 2018 and 2019 annual reports.

## RESULTS (EXPRESSED IN RENMINBI (“RMB”))

	The Group				
	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	<b>3,158,567</b>	2,369,230	2,617,725	2,556,418	2,139,650
Cost of sales	<b>(2,419,843)</b>	(2,084,588)	(2,207,630)	(2,234,842)	(1,812,394)
<b>Gross profit</b>	<b>738,724</b>	284,642	410,095	321,576	327,256
Other income	<b>30,413</b>	319,597	230,849	172,902	163,389
Distribution costs	<b>(77,515)</b>	(67,325)	(78,088)	(74,474)	(75,599)
Administrative expenses	<b>(287,656)</b>	(241,128)	(251,290)	(203,652)	(213,108)
Impairment losses on receivables and contract assets	<b>(122,739)</b>	(20,528)	2,260	(9,789)	(1,015)
Other operating expenses	<b>(11,673)</b>	–	–	–	(39,260)
<b>Profit from operations</b>	<b>269,554</b>	275,258	313,826	206,563	161,663
Finance costs	<b>(263,674)</b>	(185,728)	(160,805)	(106,216)	(134,476)
Share of profits less losses of joint ventures	<b>(725)</b>	(102)	–	–	–
Net gain on disposal of interests in an associate	–	–	175	–	–
Share of profits less losses of an associate	–	–	(62)	(12)	(69)
<b>Profit before taxation</b>	<b>5,155</b>	89,428	153,134	100,335	27,118
Income tax	<b>(103,633)</b>	(16,724)	(49,060)	(39,864)	(6,384)
<b>(Loss)/profit for the year</b>	<b>(98,478)</b>	72,704	104,074	60,471	20,734

## ASSETS AND LIABILITIES

	The Group				
	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Total assets</b>	<b>7,201,243</b>	7,188,111	6,974,710	6,272,968	5,781,637
<b>Total liabilities</b>	<b>(5,033,247)</b>	(4,938,392)	(4,752,779)	(4,108,518)	(3,605,323)
<b>Net assets</b>	<b>2,167,996</b>	2,249,719	2,221,931	2,164,450	2,176,314

# Chairman's Statement

To shareholders,

In 2020, while the world economy was in a deep recession, China's gross domestic product ("GDP") grew by 2.3% over the previous year, making it become the only major economy with positive growth in the world. Under the dual challenges of COVID-19 and complex international situation, the domestic glass industry as a whole was running well, presenting works under the theme of featuring high-quality and high-efficiency development as well as with the key target of deepening the structural reform on supply side. Driven by technological innovation, the industry structure continued to be optimized and transformed.

In the previous year, the Company focused on the principle float glass business to improve its performance. In 2020, the Group's operating revenue increased by 33% year on year, and its gross profit margin increased by 11 percentage points year on year, representing a significant improvement in operating results. In terms of management, the Company optimized its organizational structure, established a full-process information management model integrating "marketing, procurement, production technology, finance and investment", and continuously strengthened the integration between information technology and industrial production. In terms of international development, both Nigerian and Italian projects have achieved steady growth in production and operations. The Company adhered to the development strategy combining of "Going Global" and "the Belt and Road Initiative", continuously strengthen international high-quality production capacity and technical cooperation, and improved the internal and external linkage mechanism to achieve mutual benefit and win-win results.

In 2021, as vaccination scales up, it is expected that the impact of COVID-19 will gradually diminish, and the economic stimulus plans of various countries will promote the continued recovery of the global economy. According to the Government Work Report in 2021, China will comprehensively coordinate epidemic prevention and control and socio-economic development, and fully implement the tasks for "Six Stabilities and Six Guarantees". The Company will speed up the expansion into photovoltaic and deep processing fields, improve R&D efforts, optimize product structure, and promote synergy between the upstream and downstream of the industrial chain. In respect of management, we will deepen the "five-in-one" business model and implement the management philosophy of "streamlining organization, management and operation" to reduce non-profit-making companies and lower operating costs, so as to enhance the Company's profitability.

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

**Peng Shou**  
*Chairman*

# Management Discussion and Analysis

## MARKET REVIEW

In 2020, the COVID-19 pandemic dragged the global economy into recession. Major developed economies shrank sharply, and the growth of developing economies turned from positive to negative. China's economy has been leading the world in recovery since the second quarter thanks to its success in fighting COVID-19 and implementation of a series of macro-control measures such as "driving the economy with infrastructure and investment". In 2020, China's GDP grew by 2.3% over the previous year, making it one of the few major economies with positive economic growth.

In 2020, under the supply-side structural reform of the flat glass industry and the tightening environmental policies, overcapacity in the industry was effectively alleviated and the industry structure was further optimized. In the second quarter, COVID-19 was effectively controlled in China, and accelerated construction in the real estate industry promoted the rapid destocking in the glass industry, leading to a V-shaped recovery of glass prices. In the second half of the year, product prices in the industry remained generally high thanks to the explosive growth of the photovoltaic industry, the continuous release of demand for real estate construction and the recovery of automobile demand. In terms of pharmaceutical glass, driven by the COVID-19 pandemic and vaccination needs, the process of substituting neutral borosilicate glass has been accelerated with huge growth potential for pharmaceutical glass.

## BUSINESS REVIEW

### Overview

The Group currently has 13 float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 31 December 2020, 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 1 offline low-emission coated ("Low-E") glass production line, 1 production line for ultra-thin photovoltaic encapsulating material for bi-facial modules, and a company specialized in pharmaceutical glass production line technologies and services.

### Prices of raw and fuel materials, and production costs

In terms of raw materials, the domestic soda ash prices fluctuated throughout 2020. In the first half of the year, the domestic soda ash prices followed an L-shaped trajectory. In the first quarter, due to the COVID-19 outbreak, the downstream demand was sluggish and the prices declined after stabilizing. In the second quarter, the industry concentrated on overhauling and the destocking process, so the prices levelled off after falling. In the third quarter, companies with low inventories began to replenish their stocks, so the soda ash prices rebounded strongly in tandem with increased market activity. In the fourth quarter, the purchasing appetite of downstream companies was not strong, so the prices dropped noticeably. In terms of mineral raw materials, domestic prices of silica sand, limestone and dolomite remained relatively stable in 2020.

In terms of fuel, in the first half of 2020, the market price of imported low-sulfur shot petroleum coke rose slightly; due to the tight supply, its market price rose rapidly from August to October and reached a peak at the end of the year. The market price of fuel oil continued to decrease from January to August in 2020 and recovered sharply in September 2020. The market price of natural gas remained low in the first half of 2020, and began to stabilize and rise in the third quarter.

### Production, sales and selling price

In 2020, the Group produced an aggregate amount of 35.44 million weight cases of various glass, representing an increase of 14% as compared to last year; whereas sales volume was 36.60 million weight cases, representing an increase of 23% as compared to last year. The average selling price of the Group's various glass products was RMB83 per weight case in 2020, representing an increase of 10% as compared to last year.



# Management Discussion and Analysis (continued)

## Profitability analysis

In 2020, the Group recorded a sales revenue of approximately RMB3.159 billion, representing a year-on-year increase of 33% compared to the same period of last year. The increase in revenue was due to the increase of both sales volume and sales price as a result of improvement in the glass market. In 2020, the Group recorded a loss of RMB98.48 million, turning from a profit in 2019, which was mainly due to the increase in provision for impairment losses on the receivables and decrease in non-recurring government compensation for relocation.

## Impact of COVID-19 pandemic

In early 2020, the COVID-19 epidemic broke out in China, and China's economy and glass industry faced challenges of varying degrees. In terms of production and operations, in response to the COVID-19 outbreak, the Group maintained raw materials and fuel stocks above the safety line, and achieved normal production throughout the year through scientific and reasonable production plans and disease prevention measures. In terms of sales, in the first quarter, due to the extensive shutdown of the real estate and logistics industries, the glass industry experienced difficulty in sales, inventory backlog, and a decline in sales-output ratio. As such, the Group quickly adjusted its sales strategy and shifted its sales focus to overseas markets, and consequently saw its export sales volume almost doubled year-on-year in the first quarter. Since the second quarter, construction projects that were suspended due to lockdown measures have resumed, driving the growth of demand for architectural glass. With diverse sales strategies and high-quality products, the Group achieved a significant growth in glass sales revenue. In terms of financial management, the Group further optimized its accounting management and financial structure, made a unified assessment of the recoverability of long-term prepayments and other receivables, strengthened debt collection and improved working capital management. In addition, the Group implemented a series of measures to increase revenue, reduce expenditures, cut costs and improve efficiency, so as to meet the challenges posed by COVID-19.

## MAJOR WORKS IN 2020

### 1. Continuously implementing and deepening the major works in relation to the three major strategies

In terms of "organic growth", We enhanced product quality and ensure safe production; reduced production costs and optimized product mix; increased the added value of products based on product differentiation. In terms of "M&A and restructuring", we explored potential high-quality projects according to the Group's strategic planning. In terms of "going global", the Nigerian project, after being put into production last year, was operating normally with a gross margin higher than the domestic average, and had gradually become a new growth point of the Group; the Kazakhstan project was originally planned to be ignited in 2020, but its construction was postponed due to the impact of COVID-19.

### 2. Deepening the reform of management system and performing "five-in-one" management

According to its development plans and operating practices, the Company standardized management measures, improved its organizational structure and optimized departmental functions. Specifically, we established a five-in-one business management model covering "marketing, procurement, production technology, finance and investment", which revolves around the unified management by the Group's headquarters, has a clear division of power and responsibilities, and can improve work efficiency. Meanwhile, the Company has set up a fund management committee and a price management committee to coordinate its fund management and price management, thereby achieving the goal of organizational refinement.



# Management Discussion and Analysis (continued)

## 3. Tapping the synergy of unified management of production technology and improving the openness and contribution of technology R&D

The production system is in accordance with the “five-in-one” management requirements, we conducted in-depth investigations on the production process, product quality and market positioning of each production base, and carried out “special overhauls of furnaces, equipment and electric facilities” and the activity of “one-on-one” support for production bases to resolve potential safety hazards through technical guidance and communication and collaboration. In addition, we leveraged internal and external technology development platforms to promote product differentiation and accelerate conversion between old and new production capacity.

## 4. Procurement and marketing

Based on the “five-in-one” management model, in terms of procurement management, we reduced purchasing costs by means of centralized purchasing, off-peak purchasing and opportunistic purchasing, and maintained the security of raw materials and fuel supply through overall planning, field survey, advance procurement, and purchasing for winter storage; in terms of marketing management, we strengthened market research and inventory management, established a long-term price control mechanism, developed diversified sales strategies to prevent risks, improved the customer contract management system, and promoted marketing team building by fully motivating business personnel.

## 5. Improving the performance incentive system and strengthening compliance supervision and management

According to the Group’s annual budget and production and operating targets, each of our production bases and departments established a performance appraisal mechanism based on Performance Contract, repeatedly accessed the KPIs set for each system and the rationality of rewards among systems, and optimized the performance appraisal mechanism accordingly to fully mobilize the enthusiasm of employees. The operating results of such mechanism basically met expectations. Meanwhile, in order to prevent and resolve operational risks, the Company strengthened compliance supervision and management, intensified integrity promotion for the management team, conducted a number of special audits, and gave full play to the functions of supervisors at various production bases, with a view to promoting compliance-based operation of the Group.

## 6. Efforts against COVID-19

In response to the COVID-19 outbreak, we established a leading group for epidemic prevention and formulated and initiated an anti-COVID-19 emergency plan to strengthen epidemic prevention and control, while coordinating the production and operations of production base companies.

## THE GLASS MARKET OUTLOOK

The Organisation for Economic Co-operation and Development predicts that the world economy will grow by approximately 5.6% in 2021, and China’s economy will return to rapid growth. In 2021, the boom of the float glass industry is expected to maintain. Given the strengthening environmental governance, limited new production capacity, rotation of cold repairs, and shift from float glass capacity to ultra-clear glass capacity, and driven by the high-certainty demand from the real estate and automobile industries, product structure upgrade and increase of unit consumption, the industry is expected to continue to expand. In terms of pharmaceutical glass, the policy-driven upgrade of pharmaceutical glass, the significant increase in unit product price, and the accelerated vaccination around the world under the COVID-19 pandemic may bring new growth drivers to the industry. However, the mutation of COVID-19, international trade disputes, and anti-globalization trend in the post-COVID-19 era will bring some uncertainties to the development of the glass industry.

# Management Discussion and Analysis (continued)

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

In terms of raw materials, it is expected that the domestic soda ash prices may gradually pick up in the first half of 2021 driven by the increase of downstream demand, inflation and futures market influence, and may continue to rise in the second half of 2021 due to the increase of glass demand and concentrated overhaul of soda ash production facilities. Overall, soda ash prices may increase in 2021 compared with those in 2020.

The prices of silica sand, limestone and other mineral raw materials are expected to rise slightly in 2021 driven by environmental remediation and increased downstream demand.

In terms of fuel, it is expected that the prices of coal tar and fuel oil may increase in 2021 due to the increase in crude oil prices and global inflation; natural gas prices may rise slightly due to increased demand; the price of imported low-sulfur shot petroleum coke may rise due to the reduced production capacity abroad caused by the COVID-19 pandemic.

## WORK PLANS FOR 2021

1. We will focus on the float glass industry to improve performance, fully utilise the system of incentives, and optimize the performance appraisal mechanism.
2. We will deepen the “five-in-one” management and practice the management philosophy of “streamlining organization, management and operation” to reduce non-profit-making companies, lower operating costs, and improve the management of production base companies.
3. We will seize the historic opportunity to speed up the construction of photovoltaic and deep processing projects, gradually extend to the field of glass deep processing, optimize the product mix, and promote synergy between the upstream and downstream of the industrial chain, so as to enhance the profitability of the Company.
4. In terms of overseas business expansion, we will integrate local glass industry resources to seek growth in West Africa through economies of scale while ensuring the stable production and operation and growth of the Nigerian project; work with the “Belt and Road Glass Industry Integration Fund” to steadily promote the construction of the Kazakhstan project; leverage the world-leading pharmaceutical glass technology and equipment of the Italian company Olivotto to facilitate the Company’s strategic expansion in China’s pharmaceutical glass market and enhance the Company’s pharmaceutical glass technology and services.
5. We will strengthen human resources management, and build a market-oriented, younger and more professional workforce to meet the Company’s medium and long-term development needs.
6. We will continue to implement epidemic prevention measures, strengthen the inventory management of raw materials and fuel for supply security, and enhance the flexibility of production, logistics and marketing strategies to meet the challenge of COVID-19 normalization.

# Management Discussion and Analysis (continued)

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 33% from RMB2.369 billion for the year ended 31 December 2019 to RMB3.159 billion for the year ended 31 December 2020. The increase in revenue was mainly attributable to the combined effect of an increase of 10% in the annual average sales price compared to last year due to an increase in the market price of glass this year, and an increase of sales volume of 23% compared to last year.

For the segment revenue of the Group for the year ended 31 December 2020, clear glass products contributed RMB1.368 billion, painted glass products contributed RMB444 million, and coated glass products contributed RMB811 million, representing an increase of 58%, 39% and 46% as compared to 2019, respectively. Energy-saving and new energy glass products contributed RMB402 million, representing a decrease of 19% as compared to 2019; the performance of these segments were mainly attributable to that the glass market trending positively this year and the sales volume of the Group increasing sharply. Meanwhile, the production capacity of the glass industry was tilted towards the photovoltaic industry this year; as a result, the insufficient supply of building materials glass promoted the market demand, leading to an increase in the revenue proportion of clear glass, painted glass and coated glass products. In addition, revenue from the design and installation service segment for the year reached RMB134 million, with total revenue remaining stable as compared with that of the previous year.

### Cost of sales

The Group's cost of sales increased by approximately 16% from RMB2.085 billion for the year ended 31 December 2019 to RMB2.420 billion for the year ended 31 December 2020. This was mainly attributable to the combined effect of an increase in sales volume and a decrease in market price of sodium carbonate and fuel.

### Gross profit

The Group's gross profit increased from RMB285 million for the year ended 31 December 2019 to RMB739 million for the year ended 31 December 2020. Gross profit margin increased from 12% in 2019 to 23% in 2020, mainly driven by the decrease in unit cost as a result of fluctuation in average market price of sodium carbonate and fuel, and the increase in the selling price arising from an upward glass products market.

### Other income

The Group's other income decreased from RMB320 million for the year ended 31 December 2019 to RMB30 million for the year ended 31 December 2020. The significant decrease in other income as compared to last year was mainly because a net gain of approximately RMB221 million from government compensation for relocation of production plants and a net gain of RMB60 million from government grant for transition from old to new economic drivers were recognised for the year ended 31 December 2019, while no such gains were recognised for the year ended 31 December 2020.

### Administrative expenses

For the year ended 31 December 2020, the administrative expenses of the Group increased by approximately 19% to RMB288 million as compared to RMB241 million for the year ended 31 December 2019, mainly due to the increase in administrative expenses arising from the official commencement of operation of an overseas subsidiary during the year.

### Impairment losses on the receivables and contract assets

For the year ended 31 December 2020, the impairment losses on the receivables of the Group increased to approximately RMB123 million as compared to RMB21 million for the year ended 31 December 2019, which was mainly due to the COVID-19 pandemic that affected the repayment abilities of the Group's debtors.



# Management Discussion and Analysis (continued)

## Finance costs

For the year ended 31 December 2020, the finance costs of the Group amounted to RMB264 million, mainly due to the significant decrease in interests capitalised and exchange gains compared with last year. Excluding the impacts of interests capitalised and exchange gains and losses, the finance costs increased by approximately 9% compared with last year due to the increase of approximately 20% in weighted average balance of borrowings during the year. The increase in weighted average balance of borrowings was mainly due to the significant increase in the weighted average balance of other borrowings arising from the change in borrowing structure as the Group expanded other financing channels and increased the cooperation with factoring companies and finance leasing companies. The weighted average interest of borrowings decreased by 1 percentage point compared with last year.

## Income tax

For the year ended 31 December 2020, the Group's income tax expenses was in a net amount of RMB104 million, which was the combined effect of the reversal of unused tax losses due to actual and estimated future operating results of certain subsidiaries and the increase of current tax due to more profits of certain subsidiaries of the Group.

## Current assets

The Group's current assets decreased by approximately 1% from RMB2.177 billion as at 31 December 2019 to RMB2.151 billion as at 31 December 2020, which was mainly due to the combined effect of the decrease in inventories and trade and other receivables, as well as the increase in cash.

## Current liabilities

The Group's current liabilities increased by approximately 7% from RMB3.522 billion as at 31 December 2019 to RMB3.753 billion as at 31 December 2020, which was mainly due to the combined effect of the increase in short-term bank and other borrowings and the decrease in the balance of trade and other payables.

## Non-current liabilities

The Group's non-current liabilities decreased by approximately 10% from RMB1.417 billion as at 31 December 2019 to RMB1.281 billion as at 31 December 2020, mainly due to the part of long-term loans of the Group which had fallen due for repayment.

# Management Discussion and Analysis (continued)

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

As at 31 December 2020, the Group's cash on hand and in bank were RMB806 million (31 December 2019: RMB584 million), of which 81% (31 December 2019: 91%) were denominated in RMB, 6% (31 December 2019: 6%) were denominated in United States Dollars ("USD"), 6% (31 December 2019: 2%) were denominated in Euro ("EUR"), 6% (31 December 2019: 0%) were denominated in Nigerian Naira, and 1% (31 December 2019: 1%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank and other loans were RMB3.440 billion (31 December 2019: RMB3.212 billion), of which 56.8% (31 December 2019: 60.2%) were denominated in RMB, 36.1% (31 December 2019: 35.3%) were denominated in USD, 6.5% (31 December 2019: 4.3%) were denominated in HKD and 0.6% (31 December 2019: 0.2%) were denominated in EUR. As at 31 December 2020, 62% (31 December 2019: 42%) of the outstanding bank and other loans bear interest at fixed rates while approximately 38% (31 December 2019: 58%) bear interest at variable rates.

As at 31 December 2020, the gearing ratio (total interest-bearing debts divided by total assets) was 0.49 (31 December 2019: 0.46). As at 31 December 2020, the Group's current ratio (current assets divided by current liabilities) was 0.57 (31 December 2019: 0.62). The Group recorded net current liabilities amounting to RMB1.602 billion as at 31 December 2020 (31 December 2019: RMB1.345 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.70 as at 31 December 2020 (31 December 2019: 0.69).

## CHARGED ASSETS

As at 31 December 2020, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB763 million (31 December 2019: RMB776 million), and certain trade and bills receivables of the Group with a carrying amount of approximately RMB110 million (31 December 2019: RMB308 million) were pledged against certain bank loans with a total amount of approximately RMB601 million (31 December 2019: RMB855 million).

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

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

During the year ended 31 December 2020, 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.

On 4 February 2021, the Company entered into a non-legally binding memorandum of understanding with three vendors (the "Three Vendors"), pursuant to which the Company intends to acquire 51% or more of the equity interest in Fujian Longtai Industrial Company Limited\* (福建龍泰實業有限公司) (the "Target Company"), a company established in the People's Republic of China which is in the process of building float glass and photovoltaic glass production lines. On 18 March 2021, China Glass Investment Limited\* (中玻投資有限公司), an indirect wholly-owned subsidiary of the Company ("China Glass Investment") entered into a co-operation framework agreement (the "Co-operation Framework Agreement") with one of the Three Vendors (the "Vendor") and the Target Company, pursuant to which China Glass Investment intends to acquire a controlling interest in the Target Company through a combination of acquiring equity interest from the Vendor and capital injection into the Target Company (the "Potential Acquisition"). The consideration and the amount of equity interest for the Potential Acquisition will be determined based on further due diligence and third-party evaluation on the Target Company, and negotiations between China Glass Investment and the Vendor and subject to further formal agreement(s) to be entered by the contracting parties. If the Potential Acquisition materializes, it is expected that the Potential Acquisition will be funded by the Company's internal resources. Please refer to the announcements of the Company dated 4 February 2021 and 18 March 2021 for further details on the Potential Acquisition.

# Management Discussion and Analysis (continued)

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

## HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2020, the Group employed approximately a total of 3,391 employees within and outside the PRC (31 December 2019: about 3,419 employees). The decrease in the number of employees of the Group as at 31 December 2020 as compared to 2019 was due to the continuously higher workplace efficiency of the Group, the reduction in workers in the production lines of certain production bases as a result of cold-repair, and the increase in retired workers. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Company has conditionally adopted the share option schemes for the qualified participants and the share award scheme for certain employees.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. Details of staff costs and pension schemes are set out in Note 6(b) to the financial statements.

## FINAL DIVIDEND

The Board of directors of the Company (the "Directors") does not recommend the payment of a final dividend for the year ended 31 December 2020 (31 December 2019: Nil).

## EXCHANGE RATE FLUCTUATION RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB would be closely associated with the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the year ended ended 31 December 2020, 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 48% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 34% of the Group's total purchases for the year.

For the year ended 31 December 2020, none of the Directors, their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares in the share capital of the Company) has any interest in the Group's five largest suppliers.



# Report of the Directors

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 2020.

## PRINCIPAL ACTIVITIES

Details of the principal activities of the Group are set out in Note 15 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The loss of the Group for the year ended 31 December 2020 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 81 to 88.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (31 December 2019: 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 2020 are set out in Note 29(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 29(a) to the consolidated financial statements.

## DONATIONS

The Group had made donations to charities amounted to RMB828,927 during the year ended 31 December 2020 (2019: RMB621,452).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in Note 12 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2020 are set out in Note 29(c) to the consolidated financial statements.

During the year ended 31 December 2020, 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.

# Report of the Directors (continued)

## DIRECTORS

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

### Executive Director

Mr. Cui Xiangdong

### 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 (*deceased on 22 December 2020*)  
Mr. Chen Huachen

As stated in the Company's announcements dated 24 December 2020 and 22 March 2021, following the passing away of Mr. Zhao Lihua, the number of Independent Non-executive Directors has fallen below the minimum number of three and the number of Independent Non-executive Directors cannot represent at least one-third of the Board, as respectively required under Rules 3.10(1) and 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing Rules"). As a result, the Company has applied to the Stock Exchange for an extended period of three months from 22 March 2021 to 22 June 2021 to re-comply with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules.

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2020, 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 19 to 23 of this report and Note 27 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 2020.

## 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.

# Report of the Directors (continued)

## 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 2020, 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 and Chief Executive	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares <sup>(1) (4) (5)</sup>	Approximate Percentage of shareholding <sup>(6)</sup>
Mr. Cui Xiangdong	The Company	Beneficial owner/ Interest of a controlled corporation	19,532,000(L) <sup>(2)</sup>	1.08%
Mr. Zhou Cheng	The Company	Beneficial owner	22,672,633(L)	1.25%
Mr. Lyu Guo	The Company	Beneficial owner	8,412,096(L) <sup>(3)</sup>	0.46%

Notes:

- (1) The letter "L" denotes the Director and chief executive'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) It included Mr. Lyu Guo's interests in 7,012,096 Shares and share options to subscribe for 1,400,000 Shares under the Old Share Option Scheme (as defined herein below).
- (4) 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.
- (5) 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.
- (6) As at 31 December 2020, the total number of issued Shares is 1,810,147,058.



## Report of the Directors (continued)

Save as disclosed above, as at 31 December 2020, 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 2020, 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 <sup>(1)</sup>	Approximate Percentage of Shareholding <sup>(10)</sup>
First Fortune Enterprises Limited	Beneficial owner	272,926,000(L)	15.08%
Hony International Limited	Interest of a controlled corporation <sup>(2)</sup>	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 <sup>(3)</sup>	377,676,740(L)	20.86%
Right Lane Limited	Interest of a controlled corporation <sup>(3) (4)</sup>	412,676,740(L)	22.80%
Mr. Cao Zhijiang	Interest of a controlled corporation <sup>(5)</sup>	377,676,740(L)	20.86%
Mr. Liu Jinduo	Interest of a controlled corporation <sup>(5)</sup>	377,676,740(L)	20.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation <sup>(5)</sup>	377,676,740(L)	20.86%
Legend Holdings Corporation <sup>(6)</sup>	Interest of a controlled corporation <sup>(7)</sup>	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 <sup>(8)</sup>	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 <sup>(8)</sup>	416,424,621(L)	23.01%
Bank of Communications Trustee Limited	Trustee <sup>(9)</sup>	152,000,000(L)	8.40%

# Report of the Directors (continued)

## 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 2020, the total number of issued Shares is 1,810,147,058.

Save as disclosed above, as at 31 December 2020, 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.



## Report of the Directors (continued)

(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.

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on 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 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 ten (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 27(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 2020, save for a total of 330,000 share options that have lapsed during this period, no shares options were exercised, cancelled or lapsed under the Old Share Option Scheme.

## Report of the Directors (continued)

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 2020 are as follows:

Participant	Date of grant <sup>(1)</sup>	Exercise price per Share <sup>(2)</sup>	Exercise period		Held as at 1/1/2020	No. of Shares Granted/ Exercised/ (Cancelled)/ (Lapsed) during the year	Held as at 31/12/2020	Approximate percentage interest in the Company's issued Shares
			from	until				
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%
Lyu Guo	13/5/2015	1.25	13/5/2016	12/5/2022	560,000	–	560,000	0.03%
	13/5/2015	1.25	13/5/2017	12/5/2022	420,000	–	420,000	0.02%
	13/5/2015	1.25	13/5/2018	12/5/2022	420,000	–	420,000	0.02%
Employees	13/5/2015	1.25	13/5/2016	12/5/2022	10,236,000	(132,000) <sup>(3)</sup>	10,104,000	0.56%
	13/5/2015	1.25	13/5/2017	12/5/2022	7,677,000	(99,000) <sup>(3)</sup>	7,578,000	0.42%
	13/5/2015	1.25	13/5/2018	12/5/2022	7,677,000	(99,000) <sup>(3)</sup>	7,578,000	0.42%
Total					<u>30,390,000</u>	<u>(330,000)</u>	<u>30,060,000</u>	

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 2020.

### 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 2020, 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").

# Report of the Directors (continued)

(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 ten (10) years commencing on the Offer Date.

## Report of the Directors (continued)

### *(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 2020, based on the Company's instruction for the purpose of the Share Award Scheme, the Trustee purchased 36,380,000 Shares on the market, representing approximately 2.01% of the total issued share capital of the Company, for a total purchase price of HK\$14,592,850 (the "Purchase of Shares for the Share Award Scheme").

During the year ended 31 December 2020, 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 27(b) to the consolidated financial statements.



# Report of the Directors (continued)

## BIOGRAPHICAL INFORMATION OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

### Directors

#### *Executive Director*

**Mr. Cui Xiangdong (崔向東)**, aged 61, is an Executive Director and a member of the Strategy Committee of the Company. Mr. Cui has been an Executive Director of the Company since 19 March 2007. Mr. Cui is an accountant and a senior economist with a university degree. He serves as a Vice President of China Architectural and Industrial Glass Association, and an Associate Director of Coated Glass Professional Committee. Mr. Cui was the Chief Executive Officer of the Company from 22 November 2013 to 14 June 2020, previously served as Financial Director of Weihai Glass Factory, General Manager of Shandong Blue Star Glass Group Co., Ltd., Senior Vice President of the Company, Chairman, Legal Representative and director of certain subsidiaries of the Company, and an Associate Director of Vacuum Glass Professional Committee. 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 60, 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 Materials (now renamed as Wuhan University of Technology) in 1982 and obtained the Master's Degree in Management from Wuhan University of Technology in 2001.

Mr. Peng is a member of Chinese Academy of Engineering, 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 State Key Laboratory of Silicate Materials for Architectures. 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 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 Legal Representative and Chairman of the Board of China Triumph International Engineering Co., Ltd.\* (中國建材國際工程集團有限公司, an associate of Triumph Technology). Mr. Peng served as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016. At present, Mr. Peng is the Secretary of Party Committee, an Executive Director and President of CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.\* (中建材蚌埠玻璃工業設計研究院有限公司), the Chief Engineer of China National Building Material Group Co. Ltd.\* (中國建材集團有限公司), the Chairman of the Advisory Committee and a member of the Steering Committee of International Commission on Glass, the Director of State Key Laboratory of New Technology of Float Glass, the Vice Chairman of the Board and Standing Director 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

## Report of the Directors (continued)

**Mr. Zhou Cheng (周誠)**, aged 64, 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. Mr. Zhou is also a director of certain subsidiaries of the Company. 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. Zhao John Huan (趙令歡)**, aged 58, 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's Degree in Physics from Nanjing University, dual Master's Degrees in Electrical Engineering and Physics from Northern Illinois University in United States, and a Master's Degree in Business Administration from the Kellogg School of Management of Northwestern University in United States.

Mr. Zhao is currently the Chairman and Chief Executive Officer of Hony Capital. 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 and a member of the Compensation Committee of Lenovo Group Limited (a company listed on the Stock Exchange), the Chairman of the board, Executive Director and the Chairman of the Nomination Committee of Best Food Holding Company Limited (a company listed on the Stock Exchange), a Non-executive Director and a member of the Strategy and Investment Decision-making Committee of Zoomlion Heavy Industry Science and Technology Co., Ltd.\* (中聯重科股份有限公司) (a company listed on the Stock Exchange and the Shenzhen Stock Exchange), a Director of ENN Natural Gas Co., Ltd. (formerly known as ENN Ecological Holdings Co., Ltd.) (a company listed on the Shanghai Stock Exchange), the Chairman of the board, an Executive Director and the Chairman of the Nomination Committee of Goldstream Investment Limited (a company listed on the Stock Exchange), a Director of Shanghai Jin Jiang International Hotels Co., Ltd. (a company listed on the Shanghai Stock Exchange), a Non-executive Director and a member of the Strategy Committee of Simcere Pharmaceutical Group Limited (a company listed on the Stock Exchange), and a Non-executive Director of Eros STX Global Corporation (a company listed on the New York 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 investment 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 has gained rich experience and knowledge in corporate management.

**Mr. Zhang Jinshu (張勁舒)**, aged 39, 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.

\* For identification purpose only

# Report of the Directors (continued)

## *Independent Non-executive Directors*

**Mr. Zhang Baiheng (張佰恆)**, aged 59, 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 Materials Federation and the Independent Director of Hainan Development Holdings Nanhai Co., Ltd. (formerly known as AVIC Sanxin Co., Ltd.) (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), the President of China Architectural and Industrial Glass Association, and Member of the Party Committee and Special Deputy President of China Building Materials Federation.

**Mr. Chen Huachen (陳華晨)**, aged 42, 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. Lyu Guo (呂國)**, aged 57, is the Chief Executive Officer of the Company. Mr. Lyu is also the Chairman, Legal Representative and 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\* (武漢建材學院) (now known as Wuhan University of Technology (武漢理工大學)), majoring in glass. Mr. Lyu joined the Group in August 1984. Mr. Lyu has worked as a Vice President of the Company, head of branch factory of the Group's Jiangsu Glass Factory, deputy general manager of Jiangsu Glass Group Company Limited\* (江蘇玻璃集團有限公司), general manager of Jiangsu SHD New Materials Company Limited\* (江蘇蘇華達新材料有限公司) and Dongtai China Glass Special Glass Company Limited\* (東台中玻特種玻璃有限公司), etc. Mr. Lyu is a bearer of National May 1 Labor Medal (全國「五一」勞動獎章獲得者), a Representative Figure of Reform and Opening up of Building Materials Industry in Jiangsu Province (江蘇省建材行業改革開放代表人物) and was awarded the title of 2018 Excellent Entrepreneur in National Building Materials Industry (2018年度全國建材行業優秀企業家). He has over 30 years of extensive experience in corporate management in the glass industry. Mr. Lyu currently serves as a Vice President of the China Building Materials Federation.

**Mr. Li Ping (李平)**, aged 59, is the Senior Vice President of the Company. Mr. Li is also a director of certain subsidiaries 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. Mr. Li joined the Group in February 1982. 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.

\* For identification purpose only

## Report of the Directors (continued)

**Mr. Yang Hongfu (楊洪富)**, aged 59, is a Vice President of the Company. He is also a director of certain subsidiaries of the Company. Mr. Yang is a senior economist and a university graduate. He is the chairman of the Glass Branch of Jiangsu Building Material Industry Association. Mr. Yang joined the Group in January 2005. 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, chairman of Jiangsu SHD New Materials Company Limited, chairman of Suqian CNG Electronic Glass Company Limited, director of China Nanjing Automobile (Group) Corporation, chairman of the board of supervision of Jiangsu Nantong Yaorong Glass Co., Ltd., etc.

**Mr. Xu Ning (徐寧)**, aged 56, is the Vice President of the Company. Mr. Xu is also a director of certain subsidiaries of the Company. Mr. Xu joined the Group in 2006 and left the Group in 2012. He rejoined the Group on 13 May 2016. 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. Han Liming (韓黎明)**, aged 45, 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.\* (中國建材集團有限公司) and served as the general manager of finance department of China Building Material Glass Limited\* (中建材玻璃公司). Mr. Han also 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 44, 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 of both The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries ("HKICS"), holding Chartered Secretary and Chartered Governance Professional dual designations. She is a holder of the Practitioner's Endorsement issued by HKICS. She also holds a Master of Business Administration with Merit in International Management from the University of London.

\* For identification purpose only



# Report of the Directors (continued)

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the financial year ended 31 December 2020, 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 flue gas treatment contract

On 6 August 2020, 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 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 Shenzhen Triumph Technology Engineering was engaged by Xianyang CNG to provide construction services for the modification and upgrade of 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 upgraded system.

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 Engineering agreed to provide construction services for the modification and upgrade of 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 works engaged by Shenzhen Triumph Technology Engineering include (i) sourcing of components and construction materials for the 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 total contract price under the Xianyang Flue Gas Treatment Contract for the services is RMB13.12 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 seven days after signing of the Xianyang Flue Gas Treatment Contract, (ii) within seven days after the delivery of the main equipment, (iii) within seven 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 Group has, in recent years, arranged flue gas treatment to its production lines in line with its commitment to contribute to environmental protection and to comply with the ever-changing legal framework on environmental protection in the People's Republic of China (the "PRC"). Building on the flue gas treatment system of Xianyang CNG, the upgrading of the system will further enhance the effectiveness and efficiency of the treatment system and ensure compliance with the new environmental protection requirements recently implemented in the PRC.

Triumph Science & Technology Group Company Limited\* (凱盛科技集團有限公司) ("Triumph Group Company", a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Shenzhen Triumph Technology Engineering is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Xianyang Flue Gas Treatment Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

\* For identification purpose only

# Report of the Directors (continued)

## (2) Provision of financial assistance to a joint venture company

On 14 September 2020, CNG International Investment Limited (中玻國際投資有限公司) (“CNG International”, as the lender and a direct wholly-owned subsidiary of the Company) entered into the credit agreement with Belt and Road Glass Management Limited (the “JV Company”, as the borrower and a company held by CNG International, Hony Group Management Limited and Victon Holdings Corporation Limited as to 45%, 45% and 10% equity interests respectively), pursuant to which CNG International agreed to provide a non-revolving one-year term loan in the amount of up to US\$3.6 million at a fixed interest rate of 7% per annum (calculated on a daily basis and payable at the end of the term or on any early repayment date) to the JV Company (the “Loan”) (the “Credit Agreement”).

Pursuant to the Credit Agreement, the Loan can be repaid in advance or be extended by written agreement by both parties; and the purpose of the Loan is mainly for potential equity acquisitions and other liquidity requirements of the construction project of a float glass manufacturing line with an expected capacity of 197,100 tons per year in Kyzylorda, Kazakhstan (the “Kazakhstan Project”). The JV Company is the general partner of the Belt and Road Glass Industry Integration Fund L.P., which in turn indirectly holds a 69.7% equity interest in the Kazakhstan Project.

The Group has been actively seeking to expand its glass production businesses outside of the PRC to leverage on the advantages and opportunities resulting from the “Belt and Road” initiative of the PRC. The Kazakhstan Project under the JV Company has been one of the main overseas projects of the Group. The construction process of the Kazakhstan Project has reached the final stage and the ignition of the Kazakhstan Project is scheduled to take place in 2021. The Loan will support the Kazakhstan Project if it requires additional working capital in preparation for the ignition process and provide additional investment capital to the JV Company for potential further consolidation of its shareholding in the Kazakhstan Project, both of which will enhance the Group’s chance to leverage from the opportunities from the Kazakhstan Project.

Hony Group Management Limited holds 45% equity interest of the JV Company. Hony Group Management Limited is controlled by Legend Holdings Corporation, a substantial shareholder of the Company which indirectly holds approximately 22.80% equity interest of the Company. Therefore, the JV Company is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Credit Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

## (3) Entering into of engineering contracts and supply contracts

On 5 October 2020, 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 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) which consist of: (i) the supply contract relating to the sourcing and supply of machineries and equipment for the new solar glass production line of Jiangsu SHD; and (ii) the installation contract relating to the installation, testing and quality checking of the new solar glass production line of Jiangsu SHD.

Furthermore, on 5 October 2020, Olivotto Glass Technologies S.p.A. (奧利維托玻璃技術公司)\* (“Olivotto”, as the supplier and a direct wholly-owned subsidiary of the Company) entered into (i) two supply contracts with Triumph Junheng Co., Ltd.\* (凱盛君恒有限公司) (“Triumph Junheng”, as the customer) in relation to the supply of machineries for the construction of a total of four danner tubing production lines to Triumph Junheng; and (ii) one supply contract with (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd.\* (中建材蚌埠玻璃工業設計研究院有限公司) (“CNBM Bengbu Design”, as the customer) in relation to the supply of machineries by Olivotto to CNBM Bengbu Design for the modification and improvement of two existing danner tubing production lines of Triumph Junheng.

\* For identification purpose only

## Report of the Directors (continued)

Pursuant to the engineering contracts entered into between Jiangsu SHD and CBMIE Group (the "Jiangsu Engineering Contracts"), CBMIE Group agreed to supply and install machineries and equipment for the new solar glass production line of Jiangsu SHD. Under the Jiangsu Engineering Contracts, the works engaged by CBMIE Group include (i) sourcing and supply of machineries and equipment for the new solar glass production line, and (ii) the relevant installation, testing and quality checking of the new solar glass production line. The aggregate contract prices under the Jiangsu Engineering Contracts for the supply and installation of machineries and equipment for the new solar glass production line is approximately RMB50 million. Jiangsu SHD will make instalment payments to CBMIE Group based on the progress of the works completed by the relevant contracting parties in accordance with the terms of the Jiangsu Engineering Contracts at the following portions and stages: (i) 30% within seven working days after signing of the Jiangsu Engineering Contracts, (ii) 30% after the delivery of the main equipment and the commencement of installation, (iii) 20% within seven working days after the equipment testing and acceptance of the project, (iv) 15% at three months after the inspection and acceptance of the project, and (v) 5% within one year after the inspection of the project. The parties to the Jiangsu Engineering Contracts agreed that the first instalment payment will be settled upon the conditions precedent to the Jiangsu Engineering Contracts are fulfilled. The Jiangsu Engineering Contracts do not contain any penalties or predetermined adjustment terms to the contract prices if CBMIE Group fails to supply or provide the machineries or services, other than clauses for a party to bring a contractual claim for loss compensation against the defaulting party.

Details of the three supply contracts executed by Olivotto (collectively, the "Olivotto Supply Contracts") are set out below:

- (i) the supply contract entered into between Olivotto and Triumph Junheng in relation to the supply of machineries for the construction of two danner tubing production lines to Triumph Junheng at the consideration of Euros 2,080,000. Triumph Junheng will make instalment payments to Olivotto in accordance with the terms of such contract at the following stages: (i) 30% within 30 days after the date of the contract becoming unconditional; (ii) 65% upon presentation of the relevant shipment documentation; and (iii) 5% upon presentation of the relevant acceptance and invoicing documentation;
- (ii) the supply contract entered into between Olivotto and Triumph Junheng (with its associate Triumph Ancai Junheng Pharmaceutical Glass (AnYang) Co., Ltd.\* (凱盛安彩君恒藥玻 (安陽) 有限公司) ("Triumph Ancai", as the end use)) in relation to the supply of machineries for the construction of two danner tubing production lines to Triumph Junheng (with Triumph Ancai as the end user) at the consideration of Euros 2,080,000. Triumph Junheng will make instalment payments to Olivotto in accordance with the terms of such contract at the following stages: (i) 30% within 30 days after the date of the contract becoming unconditional; (ii) 65% upon presentation of the relevant shipment documentation; and (iii) 5% upon presentation of the relevant acceptance and invoicing documentation;
- (iii) the supply contract entered into between Olivotto and CNBM Bengbu Design in relation to the supply of machineries to CNBM Bengbu Design for the modification and improvement of two existing danner tubing production lines of Triumph Junheng at the consideration of Euros 490,000. CNBM Bengbu Design will make instalment payments to Olivotto in accordance with the terms of such contract at the following stages: (i) 30% within 30 days after the date of the contract becoming unconditional; (ii) 65% upon presentation of the relevant shipment documentation; and (iii) 5% upon presentation of the relevant acceptance and invoicing documentation.

\* For identification purpose only

## Report of the Directors (continued)

The Olivotto Supply Contracts do not contain any penalties or predetermined adjustment terms to the contract prices if Olivotto fails to supply or provide the machineries or services, other than clauses for a party to bring a contractual claim for loss compensation against the defaulting party.

The Group has been committed to the development of high-end energy-saving products with the development and production of solar glass products. Driven by the expansion of domestic and overseas demands, and domestic policies, the solar glass industry has shown steady growth. The construction of a deep processing line for solar glass will further enhance the overall competitiveness of the Group. The Company considers that the experience and expertise of CBMIE Group will provide good project management and quality assurance on the construction of the solar glass production line. Olivotto is specialized in the design and construction of production lines of pharmaceutical glass. The supply of machineries for the construction of a total of four danner tubing production lines to Triumph Junheng; and for the modification and improvement of two existing danner tubing production lines of Triumph Junheng, will enhance the achievement of upstream and downstream synergies, and develop a synergistic industry chain from front-end manufacturing equipment to end-user pharmaceutical neutral glass tube products.

Triumph Group Company (a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Each of CBMIE Group, Triumph Junheng and CNBM Bengbu Design is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Jiangsu Engineering Contracts and the Olivotto Supply Contracts constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

### (4) Entering into of waste heat generation contracts and flue gas treatment contracts

On 8 December 2020, 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 Waste Heat Generation Contracts (as defined herein below) with Shenzhen Triumph Science & Technology Engineering Co., Ltd\* (深圳市凱盛科技工程有限公司) ("Shenzhen Triumph Technology Engineering", as the principal contractor), pursuant to which Shenzhen Triumph Technology Engineering will provide engineering service for the waste heat power generation system of the 600 tonnes per day high-end automotive glass project of Jiangsu SHD (the "600T/D Glass Production Line"). The contractual works include (i) design, (ii) technical consultation, (iii) equipment and materials procurement, and (iv) equipment installation and testing of the waste heat power generation system. The waste heat power generation system captures waste heat generated by the glass furnace to generate electricity for the 600T/D Glass Production Line.

On 8 December 2020, Jiangsu SHD (as the hirer) entered into the Jiangsu Flue Gas Treatment Contracts (as defined herein below) with CNBM Environmental Protection Research Institute (Jiangsu) Co., Ltd.\* (中建材環保研究院(江蘇)有限公司) ("CNBMEP", as the principal contractor), pursuant to which CNBMEP will provide engineering service for the flue gas treatment system of the 600T/D Glass Production Line. The contractual works include (i) design, (ii) technical consultation, (iii) equipment and materials procurement, and (iv) equipment installation and testing of the flue gas treatment system. The flue gas treatment system is a comprehensive gas treatment system equipped with flue gas dust removal, desulphurization and denitration functions.

\* For identification purpose only



## Report of the Directors (continued)

The engineering contracts entered into between Jiangsu SHD and Shenzhen Triumph Technology Engineering (the “Jiangsu Waste Heat Generation Contracts”) consist of (i) the supply and design contract relating to the sourcing and supply of equipment and materials, and provision of design and technical consultation for the waste heat power generation system of the 600T/D Glass Production Line; and (ii) the installation contract relating to the installation, testing and quality checking of the waste heat power generation system of the 600T/D Glass Production Line. The aggregate contract prices under the Jiangsu Waste Heat Generation Contracts is approximately RMB27.20 million, consisting of costs of design and technical consultation, equipment and materials procurement costs, and equipment installation and testing fees. Jiangsu SHD 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 Jiangsu Waste Heat Generation Contracts at the following portions and stages: (i) 30% within 10 days after signing of the Jiangsu Waste Heat Generation Contracts, (ii) 20% within 10 days after the delivery of the main equipment, (iii) 30% within 10 days after completion of installation, (iv) 15% within 10 days after the equipment testing and acceptance of the project, and (v) 5% within the thirteenth month after the inspection and acceptance of the project.

The engineering contracts entered into between Jiangsu SHD and CNBMEP (the “Jiangsu Flue Gas Treatment Contracts”) consist of (i) the supply and design contract relating to the sourcing and supply of equipment and materials, and provision of design and technical consultation for the flue gas treatment system of the 600T/D Glass Production Line; and (ii) the installation contract relating to the installation, testing and quality checking of the flue gas treatment system of the 600T/D Glass Production Line. The aggregate contract prices under the Jiangsu Flue Gas Treatment Contracts is approximately RMB25.80 million, consisting of costs of design and technical consultation, equipment and materials procurement costs, and equipment installation and testing fees. Jiangsu SHD will make instalment payments to CNBMEP based on the progress of the works completed by the relevant contracting parties in accordance with the terms of the Jiangsu Flue Gas Treatment Contracts at the following portions and stages: (i) 30% within 10 days after signing of the Jiangsu Flue Gas Treatment Contracts, (ii) 20% within 10 days after the delivery of the main equipment, (iii) 30% within 10 days after completion of installation, (iv) 15% within 10 days after the inspection-based check and acceptance of the project, and (v) 5% within the thirteenth month after the inspection-based check and acceptance of the project.

It is the Company’s mission to continuously improve its efforts in environmental protection. The Group has been upgrading its production lines to become more environmental friendly, such as the installation of various flue gas treatment systems. The installation of the flue gas treatment system of the 600T/D Glass Production Line is in line with the Group’s continuous efforts on environmental protection and ensure the 600T/D Glass Production Line’s compliance of environmental protection laws. The installation of the waste heat power generation system to the 600T/D Glass Production Line will increase the energy efficiency of the production line and contributes to the Company’s efforts on energy saving and environmental protection.

Triumph Group Company (a substantial shareholder of the Company) is a connected person of the Company under the Listing Rules. Each of Shenzhen Triumph Technology Engineering and CNBMEP is an associate of Triumph Group Company under the Listing Rules. Accordingly, the Jiangsu Waste Heat Generation Contracts and the Jiangsu Flue Gas Treatment Contracts 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 (the "Procurement Transactions").

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 of procuring from Huaguang Group with the cost of procuring from independent third parties.

\* For identification purpose only

## Report of the Directors (continued)

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 year ended 31 December 2020, and for the years ending 31 December 2021 and 31 December 2022, respectively. During the year ended 31 December 2020, the Group purchased Raw and Fuel Materials amounting to RMB387 million (including taxes) from Huaguang Group for the Procurement Transactions.

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 (the "Continuing Connected Transaction") under Chapter 14A of the Listing Rules.

The Continuing Connected Transaction has been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors of the Company have confirmed that for the year 2020 the Continuing Connected Transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor had issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter had been submitted by the Company to the Stock Exchange.

## Report of the Directors (continued)

Pursuant to Rule 14A.56 of the Listing Rules, the auditor of the Company confirmed that nothing has come to their attention that causes them to believe that the Procurement Transactions:

- (1) had not been approved by the Board;
- (2) were not, in all material respects, in accordance with the pricing policies of the Group for the transactions;
- (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) had exceeded the Annual Cap disclosed in the previous announcement dated 25 October 2019.

Save as mentioned above, there was no other disclosable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the year ended 31 December 2020.

The material related party transactions are set out in Note 30 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.

To the extent the above transactions constituted connected transactions or continuing connected transactions (as defined in the Listing Rules), the Company has complied with the relevant requirements under Chapter 14A of the Listing Rules.

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.



# Report of the Directors (continued)

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

During the year ended 31 December 2020, save for the Purchase of Shares for the Share Award Scheme, 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 2020.

## **IMPORTANT EVENTS AFTER THE REPORTING PERIOD**

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

## **BUSINESS REVIEW**

In accordance with Schedule 5 of the Companies Ordinance of Hong Kong, a fair review of the Group's business during the year, a description of the principal risks and uncertainties that the Group may be facing, and a discussion on the prospect of the Group's future business development are provided in the Chairman's Statement on page 5 and the Management Discussion and Analysis on pages 6 to 13 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 10 to 12 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.

# Report of the Directors (continued)

## 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 feedback 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 39 to 54 of this Annual Report.

## Compliance with Laws and Regulations

During the year ended on 31 December 2020 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 39 to 54 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 2020.

# Report of the Directors (continued)

## 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 2021, 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 2020. 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 2021" on page 9 of this Annual Report.

The Group is also subject to other financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk, in the normal course of the Group's business. Particulars of financial risk management of the Group are set out in Note 32 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 2020 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 2021

# 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 glass for 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 Guide”, 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 Guide. Important contents closely related to the Group’s business are provided as follows:

## I. WORK ENVIRONMENT

The Group always adheres to the employment philosophy of “putting people first and tapping their full potential”, upholds the employment principle of “promoting the capable, demoting the incapable, and replacing the mediocre”, implements mechanisms such as multi-channel selection, multi-level appraisal, job competition, and job rotation, and provides market-oriented compensation and performance-based incentives for employees. Meanwhile, the Group vigorously recruits and cultivates market-oriented, international and young talents to meet the needs of its mid- and long-term strategic development. The Group encourages management personnel to build a close relationship of mutual trust and support with employees, and creates a positive, healthy and progressive cultural atmosphere and working environment for employees.

### (I) Employment

The Group strictly adheres to the Labour Law of the PRC, the Labour Contract Law of the PRC and other relevant applicable laws and regulations. Besides, the Group complies with the principle of “adapting to the market environment, actualising values of talents and bringing out the full effects of incentives” to provide a competitive remuneration mechanism, pays for employees’ social insurance and provides benefits such as transportation and communication subsidies, high temperature subsidies and meal allowance. The Group provides national statutory holidays and paid leave, such as annual leave, maternity leave, marriage leave, and funeral leave, etc.; and its production departments implement a shift system.

As at 31 December 2020, the Group had a total of 3,391 employees, all of whom were full-time employees with labour contracts aged mainly ranging from 35 to 60, comprising those from production, sales, technology research and development and management teams. The main reasons for the decrease in the Group’s employees in 2020 are continuous improvement in workforce efficiency, reduction in employees arising from production line suspension in several production bases, and increase in the number of retired workers.

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

Year	Total number of employees	Age group			Geographical region					Gender	
		Below 35	35-60	Above 60	Shandong	Shaanxi	Jiangsu	Inner Mongolia	Others	Male	Female
2020	3,391	647	2,729	15	1,088	497	1,127	266	413	2,882	509
2019	3,419	583	2,830	6	1,111	509	1,173	284	342	2,906	513



# Environmental, Social and Governance Report (continued)

## (II) Health and Safety

The Group strictly adheres to the people-orientated approach in terms of employees' occupational health and production safety, fully complies 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 thoroughly implements the policy of "putting safety first and carrying out prevention before treatment, and implementing treatment by comprehensive management measures". Furthermore, the Group has internally set up the Production Safety Standard Management System (GB/T33000-2016), and Occupational Health and Safety Management System (ISO45001-2018), setting out a series of safety measures required to be taken. In particular, the main person in charge of each production base of the Group is fully responsible for the production safety of the base, and department heads are fully responsible for the production safety of their respective departments. Production must meet safety requirements to achieve safe production and civilized production. The implementation process is monitored by a committee designated by the senior management through regular inspections and spot checks to ensure the health and safety of employees in the production process. During the year, the Group had no work-related fatalities.

The occupational health and safety measures taken by the Group in 2020 are as follows:

- Setting up a occupational health and safety management organization
- Putting in place occupational health and safety management personnel
- Setting targets and KPIs for occupational health and safety
- Ensuring investment of resources related to occupational health and production safety
- Strengthening training on the standardised technical operation and maintenance procedures for production equipment
- Reinforcing the management and control of the production site and production process
- Establishing and improving a file management system for occupational health and employee health monitoring
- Setting up an emergency response agency and team
- Conducting emergency training and drills regularly

# Environmental, Social and Governance Report (continued)

The Group puts great emphasis on the prevention and control of occupational diseases. In accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other relevant laws and regulations, the Group develops internal measures and methods for occupational health management, upholds the policy of "prevention first, treatment and cure combined", carries out classified management and comprehensive governance, strengthens and implements the responsibilities of each production and operation unit, conducts regular occupational health training, and accepts government regulation and social supervision.

In 2020, as the COVID-19 pandemic hit the world, the operations of the Group's domestic and overseas production bases faced severe challenges. In China, the Group strictly abided by the guidance documents issued by the state on the prevention and control of COVID-19, such as a series of measures and notices including the Plan for Prevention and Control of COVID-19 and the Notice on Issuing Guidelines for Emergency Psychological Crisis Intervention for the COVID-19 Outbreak. The Group's base offices were disinfected regularly every day, and the health status of employees was dynamically tracked. In the meantime, the Group arranged for employees to receive physical examination and distributed anti-epidemic supplies such as masks and disinfectants free of charge, in an effort to reduce the risk of COVID-19 infection as far as possible.

Overseas, our Nigerian and Italian bases carried out epidemic prevention measures to eliminate the adverse impact of COVID-19. Specifically, the Nigerian base formulated the Emergency Notice on Strengthening the Prevention of COVID-19, the Emergency Plan for Prevention and Control of COVID-19 and other epidemic prevention measures, such as reducing the flow of personnel, intensifying body temperature measurement, requiring all staff to wear masks, introducing distanced dining mechanism, etc. Meanwhile, the Nigerian and Italian bases intensified the stock-up of food, medicine and epidemic prevention supplies, and coordinated with the Group's domestic bases in the PRC to acquire supplies in short supply by air and sea, so as to ensure the health and safety of employees.

After such efforts, the Group had zero confirmed cases of COVID-19 in 2020.

# Environmental, Social and Governance Report (continued)

## (III) Development and Training

The Group attaches great importance to the improvement of comprehensive quality and expertise of the staff, and works out training schemes in a scientific manner for the employees of each position based on their business needs. In 2020, the Company invited professionals to hold training seminars, provided (i) orientation training for new employees; (ii) skills training for in-service and transferred employees; (iii) skills enhancement and technical backbone training for professional posts; (iv) internal trainer training; (v) special training for overseas staff; and (vi) comprehensive skills training for senior executives and middle-level managers, and offered excellent employees learning and exchange opportunities such as academic seminars and external training.

As at 31 December 2020, the Group's statistics of staff training by staff category completed during the year are set out below:

Staff Category	High Level Management	Middle Level Management	Base Level Management	Technical Staff	Marketing staff	Production staff	Others	Total
Staff size (persons)	96	317	363	224	103	1,833	455	3,391
Average number of persons trained	92	309	362	210	94	1,785	440	3,293
Percent of employees trained	95.8%	97.5%	99.7%	93.8%	91.3%	97.4%	96.7%	97.1%

In 2020, the average training hours of male and female employees were comparable. The percentages of employees trained exceeded 97% for both genders.

## (IV) Employee Care

In order to enrich employees' life and promote the shaping of its corporate culture, the Group carried out various cultural and sports activities at its bases, including tug-of-war, basketball, table tennis, rope skipping and singing events, and launched a series of activities including the Most Admirable Workers photo solicitation, the safety production knowledge contest and the Quick Walking event. These varied activities not only enriched the cultural life of employees, but also increased the cohesion of the Company.

Meanwhile, the Group took the initiative to provide assistance to employees in need. In 2020, our bases offered consolation allowances and subsidies to needy employees, and secured aid funds from superior trade unions for employees on vacation as a relief.

# Environmental, Social and Governance Report (continued)

## (V) Labour Standards

The Group strictly complies with the Labour Law of the PRC and the Labour Contract Law of the PRC for its 90% China-based staff and the relevant requirements of applicable laws and regulations for its overseas staff. The Group also strictly complies with the relevant requirements of national laws and regulations in staff recruitment and clarifies the relationship of work allocation between the enterprise and employees from the perspective of systems and mechanisms to safeguard employees' legal rights and interests. The Group conducts comprehensive self-examination on staff recruitment from time to time to prevent and timely remedy potential violations, and adheres to the following guidelines:

- (1) Recruiting workers by the principles of fairness, openness, and willingness, signing the Labour Contract in accordance with regulations, and imposing no forced work to our staff.
- (2) Providing workers with wages and compensation for overtime no lower than the local minimum wage requirements, as well as related benefits.
- (3) Providing workers with rest days and statutory paid holidays according to the provisions in China and relevant nations.
- (4) Recruiting adults aged 18 and above, and rigorously forbidding child and forced labour.
- (5) Applying the principle of diversity to provide open and fair training and promotion opportunities for all employees without discrimination on gender, age, religion, region and race, etc.
- (6) Making reference to requirements of the Labour Law of the PRC and laws and regulations of the country where overseas production bases are located to compute the working hours on a consolidated basis.

In 2020, the Group had no cases in violation of the relevant laws, regulations and standards above.



# Environmental, Social and Governance Report (continued)

## II. ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT

In order to implement the green development concept of Made in China 2025, the Group carried out green manufacturing projects, established green manufacturing systems, played a leading role model in green manufacturing, and observed energy conservation and comprehensive use of energy to build a green manufacturing company.

### (I) Environmental Management System

The Group has developed the Environmental Management Measures and implements the environmental management policy of “prevention first combining with treatment, and implemented by comprehensive management measures” in accordance with the Environmental Protection Law of the People’s Republic of China, the Air Pollution Prevention and Control Law of the People’s Republic of China, the Water Pollution Prevention and Control Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the 13th Five Year Work Plan for Controlling Greenhouse Gas Emissions, the Technical Guidelines for Formulating Emergency Emission Reduction Measures for Key Industries in Heavy Pollution Weather (2020 Revision) and other relevant laws, regulations, standards and policies. Pursuant to the local environmental laws, regulations and policies and actual conditions, each base has developed environmental management measures and policies and hazardous waste management measures in line with its own conditions, continuously enhances its manufacturing facilities and processes and improves its environmental management systems and measures, so as to ensure balanced economic, social and environmental performance.

The environmental management systems of the bases are audited by the Group and a third party every year, and improvement measures are adopted based on the audit results. In 2020, all bases of the Group had passed the ISO14001 environmental management system certification.

The Group has sound environmental protection systems in place. The headquarters has established a special management team responsible for environmental protection and energy-saving matters. Each manufacturing base has responsible staff in charge of the 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 that the emissions meet the national and local emission standards.

# Environmental, Social and Governance Report (continued)

## (II) Environmental Protection

The Group strictly requires all production bases to follow the requirements for environmental impact assessment and clean production. For new construction projects, the bases are required to strictly abide by the “three simultaneous” system for environmental protection, supervise the operation of environmental facilities, and invest sufficiently in environmental governance. Furthermore, the Group develops circular economy by increasing waste heat power generation, roof photovoltaic power generation and wastewater recycling; boosts the rate of waste usage by improving waste gas treatment facilities and processes; engages qualified companies to dispose of hazardous waste; and implements the ISO14001 environmental management system to ensure that the discharge of waste gas, wastewater and waste residue is up to standard.

In 2020, our Suqian base was rated as green grade under Jiangsu Province’s environmental credit evaluation for enterprises and public institutions, included in the positive list for environmental law enforcement in Suqian, accredited as a trusted green enterprise, certified as the only grade-B enterprise in the industry in Suqian, and included in the exemption list for emergency control on heavy pollution days in autumn and winter.

## (III) Emission Management on Exhaust, Wastewater and Solid Waste

The Group strictly abides by the emission standards and requirements for flat glass production, and has built environmental facilities such as flue gas desulphurisation and denitration in glass melting furnaces, integrated dust removal systems, and wastewater recycling systems. In 2020, the operating cost of the Group’s environmental facilities was approximately RMB83.35 million, an increase of 14% from that of 2019; environmental facilities were renovated at a total cost of approximately RMB40 million, which was mainly related to addition of standby systems to ensure that flue gas emission is up to standard.

### 1. Exhaust Emission

A major portion of air pollutants during the glass production included sulphur 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, desulphurisers, bag-type dust collectors, etc. The main process is as follows: After being 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 desulphurisation by the desulphurisation system, the fume from the boiler enters the bag for dust collection and finally is introduced into the chimney for discharge.

# Environmental, Social and Governance Report (continued)

In 2020, Dongtai Base and Wuhai Base implemented the Emission Standard of Air Pollutants for Flat Glass Industry (GB26453-2011) and Sugian Base implemented the Emission Standard of Air Pollutants for Electronic Glass Industry (GB29495-2013); Weihai Base and Linyi Base implemented the Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province (DB37/2373-2018); Shaanxi Base implemented the Emission Standard of Air Pollutants for Key Industries in Central Shaanxi Region (DB61/941-2018).

Emissions	Particulate matter	Sulphur dioxide	Nitrogen oxide
Emission Standard of Air Pollutants for Flat Glass Industry GB26453-2011	≤50 mg/m <sup>3</sup>	≤400 mg/m <sup>3</sup>	≤700 mg/m <sup>3</sup>
Emission Standard of Air Pollutants for Electronic Glass Industry GB29495-2013	≤50 mg/m <sup>3</sup>	≤400 mg/m <sup>3</sup>	≤700 mg/m <sup>3</sup>
Emission Standard of Air Pollutants for Building Materials Industry in Shandong Province DB37/2373-2018	≤20 mg/m <sup>3</sup>	≤100 mg/m <sup>3</sup>	≤200 mg/m <sup>3</sup>
Emission Standard of Air Pollutants for Key Industries in Central Shaanxi Region DB61/941-2018	≤20 mg/m <sup>3</sup>	≤100 mg/m <sup>3</sup>	≤500 mg/m <sup>3</sup>

Each production base of the Group paid great attention to environmental management, implemented the Special Work Plan for Exhaust Control, and increased investment in technical renovation to ensure normal and stable operation of environmental protection equipment. In 2020, the air pollutants of each production base were discharged in compliance with emissions standards.

The Group's total emissions of sulphur dioxide, nitrogen oxide and particulate matter in 2020 decreased as compared with the figures for 2019; in particular, emissions of nitrogen oxide decreased by more than 20%.

The details of total emission of air pollutants by each base in 2020 is shown in the table below:

No.	Name of emissions	2020						(Unit: Tonne)	
		Sugian Base	Weihai Base	Shaanxi Base	Wuhai Base	Dongtai Base	Linyi Base	2020 Total	2019 Total
1	Sulphur dioxide	18.2	101.8	24.8	120.8	168.9	2.2	437	494
2	Nitrogen oxide	20.6	339.9	184.1	505.6	259.6	13.3	1,323	1,720
3	Particulate matter	1.7	45.4	1.8	26.0	22.9	4.8	102	103

## 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 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 system for environmental protection to ensure compliance with emissions standards.

## 3. Hazardous Wastes

The Group generated an aggregate of approximately 140 tonnes of denitration waste catalysts in 2020. The waste 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%.

# Environmental, Social and Governance Report (continued)

## 4. Non-Hazardous Waste

In 2020, the Group generated a total of (i) approximately 7,000 tonnes of desulfurization waste residue; (ii) approximately 600 tonnes of domestic waste; and (iii) approximately 1,900 tonnes of waste material packaging bags. Each base has recycled non-hazardous waste by themselves or by entrusting qualified agencies in accordance with local environmental protection requirements and the Company's environmental management regulations. In 2020, the Group did not add any new cold-repair production lines, and therefore did not generate any waste refractory materials.

## (IV) Greenhouse Gas Emission Management

During the production of glass, greenhouse gas emission processes mainly include fossil fuel combustion, toner oxidation in raw materials, carbonate decomposition of raw materials, net electricity purchase, etc. In accordance with the General Rules for Auditing and Reporting of Greenhouse Gas Emission in Industrial Enterprises (GB/T32150-2015) and the Requirements of the Greenhouse Gas Emission Accounting and Reporting – Part 7: Flat Glass Enterprise (GB/T321517.7-2015) issued by General Administration of Quality Supervision, Inspection and Quarantine of the PRC, the statistics of greenhouse gas emissions arising from the glass production process in each base in 2020 are as follows:

Unit: tCO <sub>2</sub>	Emission from fossil fuel combustion	Emission from toner oxidation in raw materials	Emission from carbonate decomposition of raw materials	Emission from net electricity purchase
Dongtai Base	199,022	381	757,289	1,762
Weihai Base	328,979	0	93,922	64,765
Suqian Base	20,958	81	20,690	1,617
Linyi Base	88,788	0	35,302	11,057
Wuhai Base	106,757	281	44,309	23,117
Shaanxi Base	127,848	132	32,142	16,891

The statistics of total greenhouse gas emissions in each base from 2018 to 2020 are as follows:

Unit: tCO <sub>2</sub>	2020 total	2019 total	2018 total
Dongtai Base	276,894	287,102	282,900
Weihai Base	487,666	421,675	522,000
Suqian Base	43,345	65,764	87,400
Linyi Base	135,146	137,413	162,700
Wuhai Base	174,525	176,380	167,000
Shaanxi Base	177,012	174,561	294,000
Total	1,294,588	1,262,895	1,516,000
Density (tCO <sub>2</sub> /t)	0.80	0.75	0.81



# Environmental, Social and Governance Report (continued)

## (V) Low Carbon Operation and Sustainable Development

The Group adheres to the principle of sustainability, accelerates the elimination and transformation of backward processes and equipment leveraging technology advances, and enhances product mix and process and equipment structure through modern processes and equipment evolution; promotes a rational and enhanced energy structure; stresses energy conservation and consumption reduction in the production process, improves labour productivity, environmental protection and resource recycling and comprehensive use, and focuses on efficient energy use while performing energy conservation management, so as to rationally and effectively make use of energy resources.

The Group has developed the Energy Conservation Management Measures in accordance with the Energy Conservation Law of the People's Republic of China, the Measures for the Administration of Energy Conservation of Major Energy-Consuming Entities (2018 Revision), the Energy Consumption Limit Per Unit Product of Flat Glass (GB21340-2013), the Measures for the Administration of Industrial Energy Conservation and other relevant laws and regulations.

The Group has established energy management systems in all bases, vigorously promoted technological and efficiency innovations through various means such as eliminating outdated production capacity and updating fuel types, and achieved social and corporate co-development through reasonable and efficient energy use. In order to reduce costs and increase efficiency, the Group encourages employees to put forward reasonable suggestions for energy conservation and emission reduction through various forms of activities.

### 1. Energy Use

The Group always upholds the green development concept of energy conservation and emission reduction, adjusts its product mix in an all-round way, integrates and improves the green industry chain, and expands into the fields of energy-saving glass and renewable energy. The Group focuses on the development, production, and sales of a series of coated glass for the construction industry and glass for energy conservation and new energy fields, and occupies a leading position in terms of glass for energy conservation and new energy fields in the PRC. The Group strives to contribute to building a green and energy-saving society through continuous product innovation.

To further reduce energy consumption and save manufacturing cost, 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 the furnace energy consumption, thus using 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 fuel heating in production or heat supply for use in daily life. Such electricity is used by the Group, which significantly lessens the glass production cost, turns waste into wealth, saves energy and creates a sound cycle of energy use for the enterprise.

# Environmental, Social and Governance Report (continued)

In 2020, the overall energy consumption and furnace heat consumption of all bases of the Group met the standards. The unit comprehensive energy consumption was 12.65kg standard coal/weight case, very close to the level in 2019, and the total rate of finished products increased from 89.8% in 2019 to 91.04% in 2020. The Group has strengthened the assessment of resource consumption indicators, and will further reduce the overall energy consumption per unit product through technological innovation in the future.

The Group's production lines in Dongtai and Wuhai bases use the coke oven gas discharged by local coking companies as the main fuel to help drastically reduce air pollution caused by the direct emission of such gas, and increase the use of clean energy such as natural gas to improve the energy structure.

Name of energy	Unit	Energy consumption in each base in 2020					
		Suqian Base	Weihai Base	Shaanxi Base	Wuhai Base	Dongtai Base	Linyi Base
Coke oven gas	0'000m <sup>3</sup>	0	0	0	12,696.23	15,310.10	0
Petroleum coke powder	Tonne	0	98,176.24	0	0	0	0
Fuel oil	Tonne	5,565.33	9,265.59	0	9,214.80	20,966.82	0
Natural gas	0'000m <sup>3</sup>	1,720.09	0	0	0	0	4,453.50
Electricity	0'000kWh	2,300.90	9,799.02	2,616.19	2,854.16	2,794.14	2,235.80
Nitrogen	0'000m <sup>3</sup>	0	0	0	2,378.16	4,376.47	1,659.02
Coal	Ton	0	0	53,050.05	0	0	0

Name of energy	Unit	Total energy consumption of the Group from 2018 to 2020		
		2020 total	2019 total	2018 total
Coke oven gas	0'000m <sup>3</sup>	28,006	27,138	27,182
Petroleum coke powder	Tonne	96,176	88,080	102,064
Fuel oil	Tonne	45,013	40,197	34,856
Natural gas	0'000m <sup>3</sup>	6,174	5,471	4,941
Electricity	0'000kWh	22,610	18,067	21,740
Nitrogen	0'000m <sup>3</sup>	8,413	—	—
Coal	Tonne	53,050	53,082	96,924

# Environmental, Social and Governance Report (continued)

## 2. Environment and Natural Resources

- (1) Wood resources: In order to save resources and reduce the cost, all bases of the Group actively explore 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 appliances 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 bases have strengthened the management of water usage, established the water usage management system, and used the water as planned. All production lines have employed the closed-loop circulation system for recycled water, with the circulation rate of the indirect cooling water system reaching above 98%. For instance, Dongtai Base was awarded the title of Water Conservation Company in Jiangsu Province.

Statistics of water consumption in each base in 2020

Unit	Suqian Base	Weihai Base	Shaanxi Base	Wuhai Base	Dongtai Base	Linyi Base	Total
10,000 tonnes	9.6	68.24	42.97	44.22	74.33	44.36	283.72

## 3. Climate Change

Climate change is widely considered globally as a long-term systemic risk facing human beings. China has promised to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060.

In accordance with the 2020 Report on Addressing Climate Change: Promoting Climate Action (《應對氣候變化報告2020：提升氣候行動力》) released by the Ministry of Ecology and Environment of the PRC, and a series of policies and regulations issued by the State during the period of the 14th Five-Year Plan, such as 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 the Energy Conservation Law, the Group has set up functional departments for rigorous assessment of compliance with limits of carbon emission and indexes of reduction rate per unit product, and comprehensively adjusted product and energy structure by adopting corresponding energy-saving measures and low-carbon technology.

To help achieve the goal of carbon neutrality by 2060, the Group actively promotes low-carbon economy solutions, bases its development on environmental protection, vigorously advocates the use of clean energy and renewable resources, formulates energy-saving and emission-reduction plans, and adjusts product mix and energy structure by increasing investment in research and development of energy-saving products such as online Low-E coated glass, online Sun-E<sup>®</sup> energy-saving coated glass and photovoltaic glass, so as to reduce the Group's impact on global climate change as far as possible.

# Environmental, Social and Governance Report (continued)

## III. CORPORATE GOVERNANCE

### (I) Product Responsibility

#### 1. *Product Quality and Assurance*

The Group values product quality as the survival basis, pursues technology-driven development, gives top priority to quality improvement and product upgrading, and carries out full-process quality control from product design and manufacturing to after-sale services. The headquarters of the Group carries out unified quality supervision and control through an information platform, and all our production bases implement the Standards of High-quality Product Manufacturers and the Product Quality Inspection and Control Regulations which are more stringent than the national standards and operate in accordance with the Quality Management System (ISO9001-2015). In addition, the headquarters of the Group conducts surprise quality inspection on online products and inventory products of each production base from time to time, understands customers' genuine feedback on the quality of our products, and arranges the production department of each base to timely carry out analysis and rectification based on the feedback, so as to continuously improve quality control.

In 2020, none of the products sold by the Group needed to be recalled for safety and health reasons.

#### 2. *Product Development and Innovation*

In recent years, the Group has been comprehensively adjusting its product mix, integrating and improving its green industry chain, and expanding into the fields of energy-saving glass and renewable energy. It is devoted to the research and development of high-end energy-saving products, and possesses dozens of self-developed national and international patents on glass products.

The Group has established a technology research and development department at the headquarters to enhance the Group's ability to introduce, digest, absorb, re-innovate and integrate-and-innovate core technologies. Also, it has formulated a strict core technology management system to centrally manage related technical personnel and technical documents, and uses patent applications and other legal weapons to protect core technologies as necessary.

In 2020, the Group insisted on independent research and development and product differentiation through featured products, and achieved good results: (i) The project of A Complete Set of Technologies and Applications for Efficient Preparation of Float Online Oxide Series Functional Films jointly developed by Weihai CNG New Material Technology R&D Co., Ltd. and Zhejiang University won the second prize of National Technology Invention Award; (ii) Weihai base achieved mass production of online Low-E glass products with emissivity  $\leq 0.13$  and world-leading energy-saving performance; (iii) the project titled Development of Key Technology for Smart Glass and High-Safety Functional Glass undertaken by the Group under the National Key Research and Development Scheme of the 13th Five-Year Plan was completed and passed acceptance inspection; and (iv) the Group obtained the patent on Multi-colour Low-radiation Solar-control Coated Glass and its Preparation Method.



# Environmental, Social and Governance Report (continued)

Our bases in Dongtai, Weihai and Shaanxi vigorously develop and produce high-tech energy-saving glass—online Low-E coated glass and online Sun-E<sup>®</sup> energy-saving coated glass, while our Suqian base manufactures high value-added products such as automotive glass, automotive mirrors, photovoltaic backplanes and electronic glass.

PRODUCT	UNIT	Production quantity of energy-saving glass and high value-added glass in 2020			TOTAL
		DONGTAI BASE	WEIHAI BASE	SUQIAN BASE	
ONLINE LOW-E COATING	10,000 tonnes	1.19	0.39	0	1.58
ONLINE SUN-E <sup>®</sup> ENERGY SAVING COATING	10,000 tonnes	7.10	4.67	0	11.77
AUTOMOBILE/CAR MIRROR/ELECTRONICS/PHOTOVOLTAIC GLASS	10,000 tonnes	0	0	6.29	6.29

## (II) 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 favourable competitive environment for the suppliers. The Group obtains competitive advantage by improving upstream and downstream supply chain relationship, integrating and improving the information flow, logistics and fund flow in the supply chain.

As at 31 December 2020, the Group procured raw materials, fuel and production line equipment from over 200 appraised and qualified suppliers, of which over 140 suppliers supplied raw materials, over 30 suppliers supplied fuel, and over 30 suppliers supplied production line equipment; all of which were independent third parties and located in China. Given the Group's strategic goal of cost reduction and efficiency enhancement, our selected suppliers are mostly concentrated in North China and Northwest China, which greatly lowers transportation costs and facilitates procurement control. The Group procures raw materials, fuel and spare parts for its equipment from many other suppliers, and does not rely on any specific suppliers.

In order to ensure production stability and product quality, the Group implements dynamic management of suppliers in strict compliance 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 improves and integrates the supply chain when appropriate while providing good service to effectively intertwine suppliers, manufacturers, warehouses and users. Furthermore, the Group also aims at achieving continuity and stability of the supply chain by reinforcing the self-restraint mechanism in 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.

# Environmental, Social and Governance Report (continued)

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 environmental protection requirements, and the main environmental protection indexes should comply with the highest requirements.

## (III) Pre-sales and After-sales Services

The Group, through various ways including early-stage training, on-site guidance and telephone follow-up, allows customers to understand product performance, processing parameters, and other matters worthy of attention, handles customer request in a timely manner, strengthens the build-up of customer service information and systems, enhances customer service quality and strives to excel in sales service:

### (1) *Leveraging Information Technology for Customer Service*

In 2020, the Group continued to enhance and integrate its sales management system. In an effort to provide customers with better sales services, the Group upgraded the customer purchase information service system to enable integrated control of the whole purchase process from order confirmation to receipt of goods by customers on the desktop and mobile apps. The upgrade makes the operation process more straightforward and significantly reduces the communication cost for customer purchases, thus greatly improving their purchasing efficiency.

In order to better serve customers, the Group has established complete customer data files, assigned dedicated personnel to manage customer files, and signed confidentiality agreements with relevant management personnel.

The Group values market research, keeps abreast of market trends, adjusts and enhances its product mix, leverages the advantages of its products to make reasonable marketing plans, and improves the competitiveness of its traditional and new products, in an effort to meet the needs of customers with products having the characteristics of China Glass.

### (2) *Institutional Quality Service*

In order to improve product quality, enhance service quality, and ensure the smooth operation of marketing business, the Group has formulated the Regulations on After-sales Service Management, set up nation-wide marketing service and complaint hotlines, and established stringent feed-back mechanism for customer complaint and the relevant resolving procedures. Meanwhile, it makes full use of various effective methods to carry out information collection and analysis of customer satisfaction. Rectification and preventive measures have been put in place in a timely manner in response to quality problems raised by clients, so as to enhance customer satisfaction.

# Environmental, Social and Governance Report (continued)

The Group takes customers' concerns very seriously, carries out the collection and analysis of customer satisfaction information through various means, and develops corrective measures based on customers' constructive opinions and suggestions, and has relevant departments implement such measures.

In 2020, the Group received a total of 353 quality complaints, all of which have been dealt with and resolved through joint investigation and handling by the internal Compliance Supervision Department, and Marketing Department of the Group and the Quality Assurance Department of each production base.

## (IV) Anti-corruption

By strictly complying with relevant laws and regulations including the Anti-Money-Laundering Law of the PRC and the Articles of Association, the Group has set up an internal Compliance Supervision Department, so as to reinforce the internal monitoring system, protect company interests, and prevent and severely punish corruption practices. In addition, the Group supports internal anti-corruption whistleblowing, and has developed the Whistleblowing Management Measures of China Glass Holdings Limited to strictly protect the information of whistle-blowers and ensure the fairness, impartiality and openness of the review process. In 2020, the Group had no corruption cases.

In order to further enhance the integrity of the Company's management team, all officers above middle level and business executives of departments involving external affairs are required to sign the Integrity Undertaking for Lawful Operation by Officers, and actively cooperate with the monitoring by the staff and customers of the Company. In the meantime, the Group regularly holds video conferences on fraud prevention and governance integrity for officers, and carries out promotion of relevant laws and regulations with the theme of Preventing Job-related Crimes.

## IV. SOCIAL RESPONSIBILITY

In 2020, when the COVID-19 was raging, the Group actively rounded up epidemic prevention supplies, and gave top priority to the health of its employees. While implementing strict epidemic prevention and control measures, the Group actively undertook social responsibilities, devoted itself to public cause undertakings, encouraged all managers and employees to contribute to community causes, poverty alleviation and environmental protection, and upheld the pursuit of creating maximum value for shareholders, employees and society. Weihai base arranged party members to donate money and supplies during the event entitled In Support of Anti-COVID-19 Efforts; Linyi base donated money to help poor villagers in nearby villages; Wuhai base participated in the donation of supplies and money to out-of-school children.

The Group's overseas bases support the Belt and Road Initiative by undertaking their social responsibilities, winning praise from local governments. Our Nigerian company made an outstanding contribution to local economic development by helping local employees master production technology and increase income through teaching, helping and tutoring.

# Corporate Governance Report

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

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2020, 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 and A.5.1.

CG Code provision A.2.7 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 2020, save as certain Directors abstained from voting on the resolutions of the Board approving the connected transactions 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.

CG Code provision A.5.1 requires the Company to establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Due to the passing away of Mr. Zhao Lihua, an independent non-executive Director of the Company and a member of the nomination committee of the Board (the “NC” or the “Nomination Committee”), on 22 December 2020, the Nomination Committee only consists of one non-executive Director and one independent non-executive Director since then. Details of which please refer to the announcements of the Company dated 24 December 2020 and 22 March 2021. The Company has been actively identifying candidate(s) and assessing their suitability, experiences, skills, qualifications and independency for making of the required recommendations to the Board for filling the vacancy left by Mr. Zhao Lihua with the aim of rectifying the above-mentioned deviation as soon as possible.

## 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 2020.

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.

# Corporate Governance Report (continued)

## 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 2020, 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.



# Corporate Governance Report (continued)

## 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. On 15 June 2020, Mr. Cui Xiangdong (“Mr. Cui”, as an executive Director) was retired from the position of CEO; and Mr. Lyu Guo (previously the Vice President of the Company) was appointed as the CEO to replace Mr. Cui. During the year 2020, 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 has executive responsibilities over the business directions and operational decisions of the management.

## Board Composition

Up to the date of the Annual Report, the Board comprises a total of seven Directors, being one executive Director, four non-executive Directors and two independent non-executive Directors of which one of them has appropriate professional qualification and financial management expertise as required by Rule 3.10(2) of the Listing Rules. The number of independent non-executive Directors has fallen below the minimum number of three and the number of independent non-executive Directors cannot represent at least one-third of the Board, as respectively required under Rules 3.10(1) and 3.10A of the Listing Rules. As a result, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, an extended period of three months from 22 March 2021 to 22 June 2021 to re-comply with the requirements under Rules 3.10(1) and 3.10A of the Listing Rules. Details of which please refer to the announcements of the Company dated 24 December 2020, 22 March 2021 and 8 April 2021. 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 24 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, except for Mr. Zhao Lihua (“Mr. Zhao (deceased)”), who had passed away on 22 December 2020. The nomination committee of the Company has assessed their independence and concluded that all the independent non-executive Directors (except for Mr. Zhao (deceased)) 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.

# Corporate Governance Report (continued)

## 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, accounting and financial, and business operations 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.

# Corporate Governance Report (continued)

## 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 statutes, 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 2020 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 2020, the Directors' knowledge and skills are continuously developed and refreshed by, inter alia, the following means:

Directors	Type of trainings
<b>Executive Director</b>	
Mr. Cui Xiangdong	A, B, C
<b>Non-executive Directors</b>	
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
<b>Independent Non-executive Directors</b>	
Mr. Zhang Baiheng	A, B, C
Mr. Zhao Lihua (deceased on 22 December 2020)	A, B, C
Mr. Chen Huachen	A, B, C

- A: attending seminars and/or conferences and/or forums on subjects relating to, inter alia, optimise tax management and improve financial performance; points to note by offeree company during the offer period; and recommendations of market value management and updates on Hong Kong shares regulatory, and relevant case studies.
- 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.

# Corporate Governance Report (continued)

## BOARD COMMITTEES

The Board currently has four committees, namely the audit committee (the “AC” or the “Audit Committee”), 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 Directors

Mr. Chen Huachen (*Chairman*)

Mr. Zhang Baiheng

Mr. Zhao Lihua (*deceased on 22 December 2020*)

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 2020, 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 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 2019, and the announcement of interim results and interim report of the Group for the six months ended 30 June 2020 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 matters of the Group and reviewed their findings, recommendations and representations) and external auditors’ audit plan and strategy for the financial year ended 31 December 2020, 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 2019, the internal audit plan for 2020, the effectiveness of the Group’s internal audit function, 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.

# Corporate Governance Report (continued)

## Nomination Committee

Members:

Independent Non-executive Directors

Mr. Zhang Baiheng (*Chairman*)

Mr. Zhao Lihua (*deceased on 22 December 2020*)

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 of the Company (the "Shareholders" and each a "Shareholder") 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 2020, 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 "2020 AGM"). Details of the committee members' attendance at the Nomination Committee Meeting 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. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen should retire by rotation at the 2020 AGM and being eligible, have offered themselves for re-election at the 2020 AGM.

The Nomination Committee, having reviewed the Board's structure, size and composition, noted that pursuant to the Bye-Laws and the nomination policy of the Board (the "Nomination Policy"), Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen are eligible for nomination, and recommended Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen to the Board for the Board to recommend to the Shareholders for re-election at the 2020 AGM. 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. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen's vast and diverse business background and experience, and their contributions to the Board, and also Mr. Chen Huachen's extensive experience in the capital market and financial related background. The Nomination Committee was satisfied with Mr. Chen Huachen's independence with reference to the criteria as set out in Rule 3.13 of the Listing Rules.



# Corporate Governance Report (continued)

The Board accepted the Nomination Committee's recommendations and recommended Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen to stand for re-election by Shareholders at the 2020 AGM. The Board is of the view that Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen would bring to the Board their own perspectives, skills and experiences and resolved to recommend Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen to be re-elected as Directors at the 2020 AGM. The Board considered the re-election of Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen as Directors is in the best interest of the Company and Shareholders as a whole. Mr. Peng Shou, Mr. Zhao John Huan and Mr. Chen Huachen 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.

# Corporate Governance Report (continued)

## 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.

# Corporate Governance Report (continued)

- (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 Directors	Mr. Zhao Lihua ( <i>Former Chairman, deceased on 22 December 2020</i> ) Mr. Zhang Baiheng
Non-executive Director	Mr. Peng Shou

Following the passing away of Mr. Zhao Lihua, the chairmanship of the Remuneration Committee has become vacant and the number of independent non-executive Directors on the Remuneration Committee does not meet the majority requirement under Rule 3.25 of the Listing Rules. As a result, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, an extended period of three months from 22 March 2021 to 22 June 2021 to re-comply with the requirements under Rule 3.25 of the Listing Rules. Details of which please refer to the announcements of the Company dated 24 December 2020, 22 March 2021 and 8 April 2021.

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 2020, the Remuneration Committee met twice to review the Group's 2018 annual performance remuneration plan covering, *inter alia*, the determination of key performance indicators and performance related reward, incentive and bonus structures; and assess the performance of executive Director. The emoluments of executive Director (also act as the CEO until 14 June 2020) 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 2020 are set out in Notes 8 and 30 to the consolidated financial statements.

# Corporate Governance Report (continued)

## Strategy Committee

Members:

Non-executive Directors

Mr. Peng Shou (*Chairman*)

Mr. Zhao John Huan

Mr. Zhou Cheng

Executive Director

Mr. Lyu Guo (*appointed on 1 April 2021*)

Mr. Cui Xiangdong (*resigned on 1 April 2021*)

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 2020					
	Board Meeting <sup>(2)</sup>	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting <sup>(4)</sup>	Special General Meeting <sup>(4)</sup>
<b>Executive Director</b>						
Mr. Cui Xiangdong ( <i>ceased as CEO on 15 June 2020</i> )	4/4	-	-	-	1/1	1/1
<b>Non-executive Directors</b>						
Mr. Peng Shou ( <i>Chairman</i> )	4/4	2/2	-	2/2	0/1 <sup>(5)</sup>	0/1 <sup>(5)</sup>
Mr. Zhao John Huan	4/4 <sup>(3)</sup>	-	-	-	1/1	0/1 <sup>(5)</sup>
Mr. Zhou Cheng ( <i>Honorary Chairman</i> )	4/4	-	1/1	-	1/1	1/1
Mr. Zhang Jinshu	4/4	-	-	-	1/1	1/1
<b>Independent Non-executive Directors</b>						
Mr. Zhang Baiheng	4/4	2/2	1/1	2/2	1/1	1/1
Mr. Zhao Lihua <sup>(1)</sup>	3/4	2/2	1/1	2/2	1/1	0/1 <sup>(5)</sup>
Mr. Chen Huachen	4/4	2/2	-	-	1/1	1/1

Notes:

- 1 Ceased to be an independent non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee, and a member of the Nomination Committee following his passing away on 22 December 2020.
- 2 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.
- 3 Mr. Zhao has attended 2 meetings personally and his duly appointed representative has attended 2 meetings on his behalf.
- 4 Since all the general meetings of the Company (the "General Meetings") were held in Hong Kong, Mr. Zhang Jinshu (non-executive Director), who had been granted an exemption from section 4(1) of the Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (Cap. 599C) (the "Exemption from Compulsory Quarantine Arrangement"), had come to Hong Kong from the Mainland to chair all the General Meetings on behalf of the Chairman, who was not in a position to attend all the General Meetings held in Hong Kong due to other work commitments at that relevant times. The Exemption from Compulsory Quarantine Arrangement is only applied to inbound travellers from the Mainland to Hong Kong. Therefore, after completion of the General Meetings, for returning to the Mainland, Mr. Zhang Jinshu had to subject to the compulsory quarantine requirement imposed by the Mainland authorities. Due to such quarantine requirement, most of the Directors based in the Mainland had participated the General Meetings via teleconference to gain and develop a balanced understanding of the views of the Shareholders.
- 5 Absence of the Directors in the General Meetings were due to other work commitments at that relevant times or unforeseen circumstances which prevent him from doing so.

# Corporate Governance Report (continued)

## ACCOUNTABILITY AND AUDIT

### Accountability

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

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the financial year ended 31 December 2020, 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 2020 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 73 to 80 of this Annual Report.

During the year under review, the total fee payable to KPMG for annual audit services and interim review and other services is RMB6.98 million. The fee payable to KPMG for non-audit service is RMB0.2 million for the year ended 31 December 2020.



# Corporate Governance Report (continued)

## 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, in confidence, 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 2020. 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 2020. 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.

# Corporate Governance Report (continued)

## COMPANY SECRETARY

During 2020, 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 2020. 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:—

## Corporate Governance Report (continued)

- (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.

# Corporate Governance Report (continued)

## 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;

# Corporate Governance Report (continued)

- (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.



# Corporate Governance Report (continued)

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 2020, the Directors (including the chairman of the respective Board Committees) and the Company's external auditors attended the 2020 AGM and were available to answer questions. For the connected transactions entered into by the Group on 5 October 2020, 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. All IBC members, 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 24 November 2020 and were available to answer questions. Details of the Directors' attendance at the general meetings held in 2020 are set out under "Attendance at Board and Board Committees Meetings, and General Meetings" of this report. The 2021 annual general meeting ("2021 AGM") will be held on 3 June 2021. The notice of 2021 AGM will be sent to Shareholders at least 20 clear business days before the 2021 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's website ([www.chinaglassholdings.com](http://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](http://www.hkexnews.hk)).

# Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA GLASS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

### OPINION

We have audited the consolidated financial statements of China Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 182, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 ("HKSA") 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.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (continued)

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

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

#### The Key Audit Matter

As at 31 December 2020 the Group had net current liabilities of RMB1,601,920,000. 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.

#### How the matter was addressed in our audit

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.

# Independent Auditor's Report (continued)

## 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.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (continued)

### Potential impairment of property, plant and equipment

Refer to Note 12 to the consolidated financial statements and the accounting policies of Note 2(n).

#### The Key Audit Matter

As at 31 December 2020, 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 2020 because certain CGUs have sustained losses and, consequently, management prepared impairment assessments of the loss-making CGUs by assessing their recoverable amounts using value in use calculations based on discounted cash flow forecasts.

The preparation of discounted cash flow forecasts involves significant management judgement, particularly in estimating future production and sales volumes and future unit selling prices and unit costs for the relevant CGUs in different locations and in determining the discount rates applied, all of which may be inherently uncertain.

We identified assessing potential impairment of property, plant and equipment as a key audit matter because of its significance to the consolidated financial statements and because the determination of the recoverable amount of each CGU involves significant management judgement which is inherently uncertain and could be subject to management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment included the following:

- challenging the evidence on which management based its assessment as to whether indicators of impairment existed by comparing historical performance with the current financial performance and considering changes in market conditions;
- assessing management's identification of CGUs and the allocation of assets and liabilities to these CGUs with reference to the requirements of the prevailing accounting standards;
- engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast for each CGU with reference to the requirements of the prevailing accounting standards;
- challenging the key assumptions adopted in the discounted cash flow forecasts, including future production and sales volumes and future unit selling prices and unit costs by comparing these inputs with the historical results of each CGU and economic and industry forecasts;
- evaluating the discount rates adopted in the discounted cash flow forecasts by comparison with those of similar entities in the same industry; and
- performing sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts and the discount rates applied and assessing the impact of changes in the key assumptions and the discount rates to the conclusions reached in the impairment assessments and whether there were any indicators of management bias in the process.



# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (continued)

### Assessing potential goodwill impairment

Refer to Note 17 to the consolidated financial statements and the accounting policies of Notes 2(f) and 2(n).

#### The Key Audit Matter

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 2020, 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.

#### How the matter was addressed in our audit

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.

# Independent Auditor's Report (continued)

## 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 HKSAAs 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.

# Independent Auditor's Report (continued)

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

As part of an audit in accordance with HKSAAs, 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, actions taken to eliminate threats or safeguards applied.

# Independent Auditor's Report (continued)

## 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 2021

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

(Expressed in Renminbi ("RMB"))

	Note	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>3,158,567</b>	2,369,230
Cost of sales		<b>(2,419,843)</b>	(2,084,588)
<b>Gross profit</b>	4	<b>738,724</b>	284,642
Other income	5	<b>30,413</b>	319,597
Distribution costs		<b>(77,515)</b>	(67,325)
Administrative expenses		<b>(287,656)</b>	(241,128)
Impairment losses on receivables and contract assets	32(a)	<b>(122,739)</b>	(20,528)
Other operating expenses	6(c)	<b>(11,673)</b>	–
<b>Profit from operations</b>		<b>269,554</b>	275,258
Finance costs	6(a)	<b>(263,674)</b>	(185,728)
Share of profits less losses of joint ventures		<b>(725)</b>	(102)
<b>Profit before taxation</b>	6	<b>5,155</b>	89,428
Income tax	7	<b>(103,633)</b>	(16,724)
<b>(Loss)/profit for the year</b>		<b>(98,478)</b>	72,704
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(84,713)</b>	82,570
Non-controlling interests		<b>(13,765)</b>	(9,866)
<b>(Loss)/profit for the year</b>		<b>(98,478)</b>	72,704
<b>(Loss)/earnings per share (RMB cent)</b>			
Basic	11(a)	<b>(5.07)</b>	4.87
Diluted	11(b)	<b>(5.07)</b>	4.87

The notes on pages 89 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 29(b).



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
<b>(Loss)/profit for the year</b>		<b>(98,478)</b>	72,704
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>	10		
Item that will not be reclassified to profit or loss:			
– equity securities at FVOCI – net movement in fair value reserve (non-recycling)		<b>(31)</b>	(191)
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		<b>29,065</b>	(9,840)
<b>Total comprehensive income for the year</b>		<b>(69,444)</b>	62,673
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(55,677)</b>	72,542
Non-controlling interests		<b>(13,767)</b>	(9,869)
<b>Total comprehensive income for the year</b>		<b>(69,444)</b>	62,673

The notes on pages 89 to 182 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	4,265,335	4,180,455
Investment property	13	22,463	22,079
Right-of-use assets	14	323,091	309,783
Intangible assets	16	93,750	109,734
Goodwill	17	100,349	97,730
Interests in joint ventures	18	5,919	7,074
Equity securities		2,953	2,994
Deferred tax assets	28(b)	236,782	281,472
		<b>5,050,642</b>	<b>5,011,321</b>
<b>Current assets</b>			
Inventories	19	490,138	549,830
Contract assets	20(a)	29,071	30,861
Trade and other receivables	21	821,319	1,004,960
Prepaid income tax	28(a)	3,936	7,100
Cash on hand and in bank	22(a)	806,137	584,039
		<b>2,150,601</b>	<b>2,176,790</b>
<b>Current liabilities</b>			
Trade and other payables	23	1,194,924	1,307,955
Contract liabilities	20(b)	133,655	96,291
Bank and other loans	24(a)	2,227,735	1,898,383
Lease liabilities	25	17,491	31,650
Convertible bonds	26	17,355	35,317
Income tax payable	28(a)	161,361	152,230
		<b>3,752,521</b>	<b>3,521,826</b>
<b>Net current liabilities</b>		<b>(1,601,920)</b>	<b>(1,345,036)</b>
<b>Total assets less current liabilities</b>		<b>3,448,722</b>	<b>3,666,285</b>

The notes on pages 89 to 182 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position (continued)

At 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current liabilities</b>			
Bank and other loans	24(b)	1,212,148	1,313,543
Convertible bonds	26	—	13,018
Lease liabilities	25	15,426	30,131
Deferred tax liabilities	28(b)	39,887	45,300
Other non-current liabilities		13,265	14,574
		<b>1,280,726</b>	1,416,566
<b>NET ASSETS</b>		<b>2,167,996</b>	2,249,719
<b>CAPITAL AND RESERVES</b>	29		
Share capital		84,867	84,867
Reserves		1,925,537	1,992,256
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,010,404</b>	2,077,123
<b>Non-controlling interests</b>		<b>157,592</b>	172,596
<b>TOTAL EQUITY</b>		<b>2,167,996</b>	2,249,719

Approved and authorised for issue by the board of directors on 30 March 2021.

**Peng Shou**  
Chairman

**Cui Xiangdong**  
Director

The notes on pages 89 to 182 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(Expressed in RMB)

	Attributable to equity shareholders of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Statutory reserve RMB'000 (Note 29(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 29(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 29(d)(vi))	Retained profits RMB'000	Total RMB'000		
<b>Balance at 1 January 2019</b>	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)
<b>Total comprehensive income</b>	-	-	-	-	-	-	(9,840)	(188)	82,570	72,542	(9,869)	62,673
Transferred between share premium account and accumulated loss account of the Company (Note 29(e))	-	(269,029)	-	-	-	-	-	-	269,029	-	-	-
Distributions approved in respect of the current year (Note 29(b)(iii))	-	(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)
<b>Balance at 31 December 2019</b>	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

The notes on pages 89 to 182 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

(Expressed in RMB)

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 (Note 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Statutory reserve RMB'000 (Note 29(d)(iv))	Other reserve RMB'000	Exchange reserve RMB'000 (Note 29(d)(v))	Fair value reserve (non-recycling) RMB'000 (Note 29(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	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
Loss for the year	-	-	-	-	-	-	-	-	(84,713)	(84,713)	(13,765)	(98,478)
Other comprehensive income	-	-	-	-	-	-	29,065	(29)	-	29,036	(2)	29,034
Total comprehensive income	-	-	-	-	-	-	29,065	(29)	(84,713)	(55,677)	(13,767)	(69,444)
Shares purchased under the share award scheme (Note 27(b))	-	-	(11,436)	-	-	-	-	-	-	(11,436)	-	(11,436)
Contributions from non-controlling interests ("NCI") of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,882	2,882
Dividends approved by a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,725)	(3,725)
Acquisition of NCI of a subsidiary	-	-	-	-	-	394	-	-	-	394	(394)	-
	-	-	(11,436)	-	-	394	-	-	-	(11,042)	(1,237)	(12,279)
Balance at 31 December 2020	84,867	1,780,249	(75,689)	33,198	40,785	(447,145)	1,621	440	592,078	2,010,404	157,592	2,167,996

The notes on pages 89 to 182 form part of these consolidated financial statements.



# Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
<b>Operating activities</b>			
Profit before taxation		5,155	89,428
Adjustments for:			
Depreciation and amortisation	6(d)	282,678	237,382
Net gain on relocation of production plants	5	–	(221,214)
Net gain on disposal of property, plant and equipment	5	(1,209)	(2,439)
Impairment losses on property, plant and equipment	6(c)	11,673	–
Interest income	5	(4,506)	(4,363)
Interest expenses and other borrowing costs	6(a)	263,810	205,340
Changes of fair value on the derivative components of convertible bonds	6(a)	(490)	(6,621)
Share of profits less losses of joint ventures		725	102
Dividend income from an equity investment		–	(711)
Changes in working capital:			
Decrease/(increase) in inventories		59,692	(78,616)
Decrease/(increase) in contract assets		1,790	(28,511)
Decrease in trade and other receivables		20,052	46,778
Increase/(decrease) in trade and other payables		5,128	(96,751)
Increase in contract liabilities		37,364	18,306
<b>Cash generated from operations</b>		<b>681,862</b>	<b>158,110</b>
Income tax paid	28(a)	(52,485)	(19,766)
<b>Net cash generated from operating activities</b>		<b>629,377</b>	<b>138,344</b>
<b>Investing activities</b>			
Payments for the purchase of property, plant and equipment		(447,291)	(702,880)
Payments for investment property		(1,536)	–
Payments for the purchase of right-of-use assets		(48,204)	(3,887)
Proceeds from relocation of production plants and disposals of property, plant and equipment and land use rights		211,376	438,150
Acquisition consideration refunded		–	9,600
Payment for development of intangible assets		(4,120)	(2,809)
Loan to a joint venture		(23,113)	–
Dividends received from an equity investment		–	711
Payment for purchase of equity securities		–	(325)
Payment for investment in a joint venture		–	(624)
Net (increase)/decrease in time deposits and restricted deposits	22(a)	(89,172)	17,149
Interest received		4,295	4,363
<b>Net cash used in investing activities</b>		<b>(397,765)</b>	<b>(240,552)</b>

The notes on pages 89 to 182 form part of these consolidated financial statements.

# Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
<b>Financing activities</b>			
Capital element of lease rentals paid	22(b)	(29,740)	(26,597)
Interest element of lease rentals paid	22(b)	(4,733)	(5,804)
Proceeds from bank and other loans	22(b)	2,921,770	3,062,777
Repayment of bank and other loans	22(b)	(2,662,972)	(2,648,248)
Payment for the redemption of convertible bonds	22(b)	(34,997)	(17,174)
Payments for purchase of shares under share award scheme	27(b)	(11,436)	–
Dividends paid to ordinary equity shareholders of the Company	29(b)	–	(32,634)
Dividends paid to NCI of a subsidiary		–	(2,251)
Borrowing costs paid	22(b)	(262,508)	(235,851)
<b>Net cash (used in)/generated from financing activities</b>		<b>(84,616)</b>	94,218
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>146,996</b>	(7,990)
<b>Cash and cash equivalents at 1 January</b>	22(a)	<b>565,188</b>	570,832
<b>Effect of foreign exchange rate changes</b>		<b>(14,070)</b>	2,346
<b>Cash and cash equivalents at 31 December</b>	22(a)	<b>698,114</b>	565,188

The notes on pages 89 to 182 form part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

## 1 CORPORATE INFORMATION

China Glass Holdings Limited (the “Company”) was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2020 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 amendments to 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 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 value.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As at 31 December 2020, the Group has net current liabilities of RMB1,601,920,000 (31 December 2019: RMB1,345,036,000). Notwithstanding the net current liabilities as at 31 December 2020, 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 2021 prepared by the management, which has taken into account:

- unutilised bank facilities of RMB276.8 million, the Group's newly financed and refinanced bank and other loans of RMB340.0 million;
- the Group has maintained long-term strong business relationship with its major banks to get their continuing support and is actively discussing with these banks for renewal of bank loans or new facilities amounting to RMB1,141.9 million, and the directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the year ending 31 December 2021; and
- financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.<sup>1</sup> ("凱盛科技集團有限公司", the "Triumph Group"), a wholly-owned subsidiary of China National Building Material Group Co., Ltd., which is a central state-owned enterprise.

The directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The 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.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

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

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

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

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

Non-controlling interests represent the equity 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(u).



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

### (e) Joint ventures

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 a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(n)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. 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 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 joint venture (after applying the ECL model to such other long-term interests where applicable (see Note 2(n)(i))).

Unrealised profits and losses resulting from transactions between the Group and its 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 a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have 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 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)).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

### (g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries 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 32(e). These investments are subsequently accounted for as follows, depending on their classification.

#### *Equity investments*

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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(l)) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(n)(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(x)(iii).

### (j) Property, plant and equipment

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

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

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

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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(z)), where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(n)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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

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

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

Both the period and method of amortisation are reviewed annually.

### (l) 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

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (I) Leased assets (continued)

#### (i) As a lessee (continued)

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.

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(n)(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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Leased assets (continued)

#### (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(x)(iii).

### (m) Trade and other receivables

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

### (n) Credit losses and impairment of assets

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

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

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and deposits and other receivables); and
- contract assets as defined in HKFRS 15 (see Note 2(p));

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) 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(x)(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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) 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, joint ventures in the Company's statement of financial position.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) 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.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) 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(n)(i) and (ii)).

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

### (o) Inventories and other contract costs

#### (i) *Inventories*

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Inventories and other contract costs (continued)

#### (ii) Other contract costs

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

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(x).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Contract assets and contract liabilities

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

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

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

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

### (q) Cash and cash equivalents

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

### (r) Convertible bonds

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

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

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Interest-bearing borrowings

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

### (t) Employee benefits

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

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

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

#### (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).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) 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.

### (u) Trade and other payables

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



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Income tax

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

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

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

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Income tax (continued)

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (w) Provisions, 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Provisions, contingent liabilities and onerous contracts (continued)

#### (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.

### (x) Revenue and other income

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

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

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

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

#### (i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Revenue and other income (continued)

#### (ii) *Service contract*

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

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

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

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

#### (iii) *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(n)(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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Translation of foreign currencies

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

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

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

### (z) Borrowing costs

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

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

### (aa) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (aa) Related parties (continued)

- (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.

### (bb) Segment reporting

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

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

## 3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

#### *Going concern*

Note 2(b) contains information about the judgements made in concluding that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

#### *Determine whether an arrangement contains a lease*

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

Besides, 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 3 ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### (b) Sources of estimation uncertainty

Notes 17 and 32 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(n)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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(l), 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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:

	2020 RMB'000	2019 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
– Sales of glass products	3,024,433	2,235,985
– Revenue from service contracts	115,230	115,000
– Sales of spare parts	18,904	18,245
	<b>3,158,567</b>	<b>2,369,230</b>

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 2020 (2019: Nil). Details of concentrations of credit risk arising from customers are set out in Note 32(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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR20.0 million (2019: EUR13.8 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 (2019: next 12 months).



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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.

### (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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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 2020 and 2019 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Disaggregated by timing of revenue recognition												
– Point in time	1,367,748	864,107	443,536	319,072	810,933	556,248	402,216	496,558	18,904	18,245	3,043,337	2,254,230
– Over time	–	–	–	–	–	–	–	–	115,230	115,000	115,230	115,000
Revenue from external customers	1,367,748	864,107	443,536	319,072	810,933	556,248	402,216	496,558	134,134	133,245	3,158,567	2,369,230
Inter-segment revenue	62,521	66,259	777	3,465	–	–	–	–	–	–	63,298	69,724
Reportable segment revenue	1,430,269	930,366	444,313	322,537	810,933	556,248	402,216	496,558	134,134	133,245	3,221,865	2,438,954
Reportable segment gross profit	310,553	86,852	105,156	26,198	211,228	79,743	79,798	77,268	31,989	14,581	738,724	284,642

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
The Mainland China and Hong Kong (place of domicile)	<b>2,561,257</b>	1,960,258	<b>3,839,288</b>	3,673,729
Nigeria	<b>211,246</b>	4,261	<b>760,178</b>	824,879
Middle East	<b>105,403</b>	83,140	—	—
Bangladesh	<b>31,743</b>	43,357	—	—
Italy	<b>26,279</b>	39,936	<b>205,522</b>	221,173
Philippines	<b>21,898</b>	19,319	—	—
Peru	<b>21,199</b>	4,478	—	—
Other countries	<b>179,542</b>	214,481	<b>5,919</b>	7,074
	<b>597,310</b>	408,972	<b>971,619</b>	1,053,126
	<b>3,158,567</b>	2,369,230	<b>4,810,907</b>	4,726,855

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 5 OTHER INCOME

	2020 RMB'000	2019 RMB'000
Net gain on relocation of production plants (Note)	–	221,214
Government grants	9,144	74,603
Interest income	4,506	4,363
Net gain from sale of raw and scrap materials	5,691	6,307
Net gain on disposal of property, plant and equipment	1,209	2,439
Rental income from investment property	1,494	833
Others	8,369	9,838
	<b>30,413</b>	<b>319,597</b>

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION

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

### (a) Finance costs:

	2020 RMB'000	2019 RMB'000
Interest on bank and other loans (Note 22(b))	205,550	214,126
Finance charges on convertible bonds (Notes 22(b) and 26)	5,717	11,457
Losses incurred from the redemption of convertible bonds (Note 22(b))	2,325	1,695
Interest on lease liabilities (Note 22(b))	4,733	5,804
Bank charges and other finance costs (Note 22(b))	54,543	23,981
Total borrowing costs	272,868	257,063
Less: amounts capitalised into property, plant and equipment* (Note 22(b))	(9,058)	(51,723)
Net borrowing costs	263,810	205,340
Changes in fair value on the derivative components of convertible bonds (Notes 22(b) and 26)	(490)	(6,621)
Net foreign exchange loss/(gain)	354	(12,991)
	<b>263,674</b>	<b>185,728</b>

\* The borrowing costs have been capitalised at 5.53% per annum for the year ended 31 December 2020 (2019: 7.31% per annum).

### (b) Staff costs:

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	322,881	271,618
Contributions to defined contribution retirement plans	8,142	32,360
	<b>331,023</b>	<b>303,978</b>



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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. During the year ended 31 December 2020, the subsidiaries established in the PRC have been granted certain exemption on the contributions to defined contribution retirement plans by local government authority as a result of the COVID-19 impact for the period from February 2020 to December 2020.

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 Hong Kong dollar ("HK\$") 30,000. Contributions to the MPF Scheme vest immediately.

The employees of the subsidiaries of the Group established outside of the PRC participate in defined contribution retirement benefit schemes managed by the respective local government authorities, whereby these subsidiaries are required to contribute to the respective schemes at rates stipulated by the relevant rules and regulations of the respective jurisdictions.

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

### (c) Other operating expenses

	2020 RMB'000	2019 RMB'000
Impairment losses on property, plant and equipment (Note 12)	11,673	—

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION (continued)

### (d) Other items:

	2020 RMB'000	2019 RMB'000
Cost of inventories# (Note 19)	2,416,873	2,079,440
Auditors' remuneration	6,980	6,980
Depreciation and amortisation charge# (Notes 12, 13, 14 and 16)		
– property, plant and equipment and intangible assets	256,113	215,634
– investment property	1,152	625
– right-of-use assets	25,413	21,123
Research and development costs (other than capitalised costs and related amortisation)	1,810	–

# Cost of inventories includes RMB421.5 million (2019: RMB366.2 million) for the year ended 31 December 2020, 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:

	2020 RMB'000	2019 RMB'000
<b>Current taxation (Note 28(a))</b>		
– Provision for the year	64,847	57,486
– PRC Withholding Tax (Note (x))	–	6,000
– (Over)/under-provision in respect of prior years	(67)	44
	64,780	63,530
<b>Deferred taxation (Note 28(b))</b>		
– Origination and reversal of temporary differences	38,853	(46,806)
	103,633	16,724

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	5,155	89,428
Expected tax on profit before tax, calculated at the rates applicable in the tax jurisdictions concerned (Notes (i), (ii), (iii), (v), (vii), (viii) and (ix))	7,951	28,811
Tax effect of non-deductible expenses	15,877	9,149
Tax effect of unused tax losses and temporary differences not recognised	21,390	(193)
Tax effect of write-down of deferred tax assets (Note (xi))	66,192	13,766
Tax concessions (Notes (iv) and (vi))	(5,074)	(6,568)
Tax effect on change of tax rate (Note (iv))	(2,636)	–
Tax effect of non-taxable income	–	(24,382)
Tax effect of PRC Withholding Tax (Note (x))	–	6,000
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised	–	(9,903)
(Over)/under-provision in respect of prior years	(67)	44
Income tax	103,633	16,724

#### 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% (2019: 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% (2019: 25%).
- (iv) A subsidiary of the Group established in the PRC enjoyed a preferential PRC Corporate Income Tax rate of 15% before 2019 as it obtained the approval from the tax bureau that applied to entity under the Second Phase of Western Region Development Plan of the PRC. The subsidiary does not satisfy related criteria to apply for preferential tax rate as it is upgrading and is expected to subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2020 and the years thereafter.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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)

- (v) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2019: 30%).
- (vi) 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.
- (vii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (2019: 27.9%).
- (viii) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20% (2019: 20%).
- (ix) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25% (2019: 25%).
- (x) 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.
- (xi) The Group wrote down previously recognised deferred tax assets of RMB66.2 million (2019: RMB13.8 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 2020 and changes in estimates of future operating results of certain subsidiaries of the Group.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 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:

2020				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<b>Executive director</b>				
Mr. Cui Xiangdong	–	1,065	9	1,074
<b>Non-executive directors</b>				
Mr. Peng Shou	1	–	–	1
Mr. Zhao John Huan	–	–	–	–
Mr. Zhou Cheng	1	–	68	69
Mr. Zhang Jinshu	1	–	–	1
<b>Independent non-executive directors</b>				
Mr. Zhang Baiheng	156	–	–	156
Mr. Zhao Lihua (passed away on 22 December 2020)	156	–	–	156
Mr. Chen Huachen	156	–	–	156
	<b>471</b>	<b>1,065</b>	<b>77</b>	<b>1,613</b>

  

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
<b>Executive director</b>					
Mr. Cui Xiangdong	–	896	128	632	1,656
<b>Non-executive directors</b>					
Mr. Peng Shou	1	–	–	–	1
Mr. Zhao John Huan	–	–	–	–	–
Mr. Zhou Cheng	1	–	70	–	71
Mr. Zhang Jinshu	1	–	–	–	1
<b>Independent non-executive directors</b>					
Mr. Zhang Baiheng	159	–	–	–	159
Mr. Zhao Lihua	159	–	–	–	159
Mr. Chen Huachen	159	–	–	–	159
	<b>480</b>	<b>896</b>	<b>198</b>	<b>632</b>	<b>2,206</b>



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2019: one) is director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2019: four) individuals is as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	3,456	2,093
Discretionary bonuses	766	1,855
Retirement scheme contributions	85	383
	<b>4,307</b>	<b>4,331</b>

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:

	2020 Number of individuals	2019 Number of individuals
HK\$		
Nil – 1,000,000	2	1
1,000,001 – 2,000,000	2	3

## 10 OTHER COMPREHENSIVE INCOME

	2020			2019		
	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Equity securities at FVOCI – Net movement in fair value reserve (non-recycling)	(41)	10	(31)	(254)	63	(191)
Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	29,065	–	29,065	(9,840)	–	(9,840)
Other comprehensive income	<b>29,024</b>	<b>10</b>	<b>29,034</b>	<b>(10,094)</b>	<b>63</b>	<b>(10,031)</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 11 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss attributable to ordinary equity shareholders of the Company of RMB84,713,000 (2019: profit attributable to ordinary equity shareholders of the Company of RMB82,570,000) and the weighted average of 1,670,907,000 ordinary shares (2019: 1,694,527,000 ordinary shares) in issue during the year ended 31 December 2020, calculated as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares at 1 January	1,694,527	1,694,527
Effect of shares purchased under a share award scheme (Notes 27(b) and 29(c)(iii))	(23,620)	—
Weighted average number of ordinary shares at 31 December	<u>1,670,907</u>	<u>1,694,527</u>

### (b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares for the years ended 31 December 2020 and 2019. The Group's convertible bonds (see Note 26) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the years ended 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 12 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
<b>Cost:</b>					
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 13)	(33,976)	–	–	–	(33,976)
Disposals (Note(i))	(219,963)	(585,560)	(6,436)	–	(811,959)
Exchange adjustments	–	(3)	–	1,789	1,786
At 31 December 2019 and 1 January 2020	1,578,926	2,896,281	22,782	1,550,144	6,048,133
Additions	7,231	25,713	2,550	346,217	381,711
Transfer in/(out)	381,329	459,204	–	(840,533)	–
Reclassification from right-of-use assets (Note 14)	–	39,664	–	–	39,664
Disposals	–	(7,800)	(2,316)	–	(10,116)
Exchange adjustments	(26,074)	(32,410)	8	(3,212)	(61,688)
At 31 December 2020	1,941,412	3,380,652	23,024	1,052,616	6,397,704
<b>Accumulated depreciation and impairment losses:</b>					
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 13)	(11,272)	–	–	–	(11,272)
Written back on disposals (Note(ii))	(109,115)	(373,282)	(2,183)	–	(484,580)
Exchange adjustments	–	(6)	–	–	(6)
At 31 December 2019 and 1 January 2020	437,209	1,374,811	19,184	36,474	1,867,678
Charge for the year	55,020	177,057	1,291	–	233,368
Reclassification from right-of-use assets (Note 14)	–	30,191	–	–	30,191
Impairment losses for the year (Note (ii))	2,840	6,047	–	2,786	11,673
Written back on disposals	–	(7,353)	(1,973)	–	(9,326)
Exchange adjustments	(260)	(959)	4	–	(1,215)
At 31 December 2020	494,809	1,579,794	18,506	39,260	2,132,369
<b>Net book value:</b>					
At 31 December 2019	1,141,717	1,521,470	3,598	1,513,670	4,180,455
At 31 December 2020	1,446,603	1,800,858	4,518	1,013,356	4,265,335

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 12 PROPERTY, PLANT AND EQUIPMENT (continued)

### Reconciliation of carrying amount (continued)

Notes:

- (i) 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.
- (ii) In 2020, the Group considered the value of certain property, plant and equipment were impaired and therefore assessed the recoverable amount of these assets. As a result, a provision of RMB11.7 million (2019: RMBNil) was made in respect of these property, plant and equipment with the carrying amount of RMB11.7 million (2019: RMBNil) as at 31 December 2020. The recoverable amount of these assets has been estimated based on their value in use.

At 31 December 2020, property certificates of certain properties with an aggregate net book value of RMB408.9 million (31 December 2019: RMB567.6 million) are yet to be obtained.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 13 INVESTMENT PROPERTY

	RMB'000
<b>Cost</b>	
At 1 January 2019	–
Reclassification from property, plant and equipment (Note 12)	33,976
	<hr/>
At 31 December 2019, 1 January 2020	33,976
Additions	1,536
	<hr/>
At 31 December 2020	35,512
	<hr/>
<b>Accumulated depreciation:</b>	
At 1 January 2019	–
Reclassification from property, plant and equipment (Note 12)	11,272
Charge for the year	625
	<hr/>
At 31 December 2019 and 1 January 2020	11,897
Charge for the year	1,152
	<hr/>
At 31 December 2020	13,049
	<hr/>
<b>Net book value</b>	
At 31 December 2019	22,079
	<hr/>
At 31 December 2020	22,463
	<hr/>

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 2020 is RMB65.7 million (2019: 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:

	2020 RMB'000	2019 RMB'000
Within 1 year	1,949	1,908
After 1 year but within 5 years	7,683	7,797
After 5 years	2,632	4,467
	<hr/>	<hr/>
	12,264	14,172
	<hr/>	<hr/>



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 14 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
<b>Cost:</b>				
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 adjustments	–	–	(29)	(29)
At 31 December 2019 and 1 January 2020	293,016	111,677	28,256	432,949
Additions	43,973	–	5,142	49,115
Disposals	–	–	(3,329)	(3,329)
Reclassification to property, plant and equipment	–	(39,664)	–	(39,664)
Exchange adjustments	(1,194)	–	183	(1,011)
At 31 December 2020	335,795	72,013	30,252	438,060
<b>Accumulated depreciation:</b>				
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 adjustments	–	–	(4)	(4)
At 31 December 2019 and 1 January 2020	74,358	44,144	4,664	123,166
Charge for the year	7,880	10,147	7,386	25,413
Written back on disposals	–	–	(3,329)	(3,329)
Reclassification to property, plant and equipment	–	(30,191)	–	(30,191)
Exchange adjustments	(192)	–	102	(90)
At 31 December 2020	82,046	24,100	8,823	114,969
<b>Net book value:</b>				
At 31 December 2019	218,658	67,533	23,592	309,783
At 31 December 2020	253,749	47,913	21,429	323,091

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 14 RIGHT-OF-USE ASSETS (continued)

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

	Notes	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
Leasehold land held for own use	(i)	7,880	6,271
Plant, machinery and equipment	(ii)	10,147	10,184
Other properties leased for own use	(ii)	7,386	4,668
		<b>25,413</b>	<b>21,123</b>
Interest on lease liabilities (Note 6(a))		4,733	5,804
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December		314	3,317
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets		12	51

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 22(c) and 25, respectively. There is no lease that is not yet commenced as at 31 December 2020.

### (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. The remaining lease terms falls within the ranges of 14 years to 50 years. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities. At 31 December 2020, land use right certificates of certain land use rights with an aggregate carrying value of RMB7.2 million (31 December 2019: RMB7.6 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 15 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*(i) 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* (ii) 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
CNG Intelligent Manufacture (Weihai) Functional Glass Co., Ltd.*(i) 中玻智造(威海)功能玻璃有限公司	The PRC	Registered capital of RMB248,700,000 and paid-up capital of RMB223,200,000	99.64%	–	Production, marketing and distribution of glass and glass products
Dongtai China Glass Special Glass Company Limited* (i) 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* (ii) 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* (i) 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* (i) 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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 15 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	
Suqian CNG Electronic Glass Company Limited* (i) 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* (i) 宿遷中玻新材料有限公司	The PRC	Registered and paid-up capital of RMB100,000,000	100%	–	Production, marketing and distribution of glass and glass products
Weihai China Glass Solar Company Limited* (i) 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") (i) 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") (i) 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") (i) 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* (i) 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* (i) 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.

(i) These companies are limited liability companies established in the mainland China.

(ii) These companies are wholly owned foreign enterprises established in the mainland China.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 15 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.

	2020 RMB'000	2019 RMB'000
Revenue	<b>1,864,739</b>	1,352,963
Loss for the year	<b>(11,202)</b>	(9,672)
Attributable to NCI	<b>(13,472)</b>	(10,340)
Dividend approved by a subsidiary	–	(2,251)
Acquisition of NCI of a subsidiary	<b>394</b>	–
Non-current assets	<b>1,967,891</b>	2,081,750
Current assets	<b>1,459,468</b>	1,950,687
Current liabilities	<b>(2,100,881)</b>	(2,534,260)
Non-current liabilities	<b>(290,825)</b>	(435,209)
Net assets	<b>1,035,653</b>	1,062,968
Carrying amount of NCI	<b>122,916</b>	135,994
Cash flows from operating activities	<b>297,223</b>	(29,409)
Cash flows from investing activities	<b>(25,527)</b>	274
Cash flows from financing activities	<b>(314,863)</b>	63,443



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 16 INTANGIBLE ASSETS

	Non-competition agreement RMB'000	Technologies RMB'000	Customer relationship RMB'000	Total RMB'000
<b>Cost:</b>				
At 1 January 2019	79,325	195,410	2,567	277,302
Additions	–	2,809	–	2,809
Exchange adjustments	(322)	(204)	(11)	(537)
At 31 December 2019 and 1 January 2020	79,003	198,015	2,556	279,574
Additions	–	4,120	–	4,120
Exchange adjustments	2,118	1,421	69	3,608
At 31 December 2020	81,121	203,556	2,625	287,302
<b>Accumulated amortisation and impairment losses:</b>				
At 1 January 2019	2,644	145,347	43	148,034
Charge for the year	15,833	5,774	256	21,863
Exchange adjustments	(43)	(13)	(1)	(57)
At 31 December 2019 and 1 January 2020	18,434	151,108	298	169,840
Charge for the year	16,012	6,474	259	22,745
Exchange adjustments	706	249	12	967
At 31 December 2020	35,152	157,831	569	193,552
<b>Net book value:</b>				
At 31 December 2019	60,569	46,907	2,258	109,734
At 31 December 2020	45,969	45,725	2,056	93,750

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 17 GOODWILL

	2020 RMB'000	2019 RMB'000
At 1 January	97,730	107,936
Measurement period adjustment	–	(9,600)
Exchange adjustments	2,619	(606)
At 31 December	100,349	97,730

Impairment tests for cash-generating units containing goodwill

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

	2020 RMB'000	2019 RMB'000
Design and installation service	100,349	97,730

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 17% (2019: 15%) during the first two year and around 5% during the next three years (2019: 8% during the next two years), which are based on OGT's historical experience and Group's expectations of more business opportunities in pharmaceutical glass industry brought by Covid-19 and adjusted for other factors that are specific to the design and installation service CGU. Cash flows beyond the five-year period are extrapolated using a 1.10% (2019: 1.10% beyond the four-year period) 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 16.14% (2019: 16.40%). The discount rates used are pre-tax and reflect specific risks relating to the design and installation service CGU.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 18 INTERESTS 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 HK\$2,000,000	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.

## 19 INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	191,427	181,520
Work in progress and finished goods	262,639	340,201
Racks, spare parts and consumables	50,129	42,991
	<b>504,195</b>	564,712
Less: write-down of inventories	<b>(14,057)</b>	(14,882)
	<b>490,138</b>	549,830

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

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold/used in service contract	2,416,873	2,079,440
Write-down of inventories	4,187	5,704
Reversal of write-down of inventories	<b>(1,217)</b>	(556)
	<b>2,419,843</b>	2,084,588

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	2020 RMB'000	2019 RMB'000
<b>Contract assets</b>		
Arising from performance under service contracts	29,071	30,861
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "trade and other receivables"	16,584	19,763

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

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

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

### (b) Contract liabilities

	2020 RMB'000	2019 RMB'000
<b>Contract liabilities</b>		
Sales of glass products		
– Billings in advance of sales	106,121	82,710
Service contracts		
– Billings in advance of performance	26,770	12,521
– Billings in advance of rental	764	1,060
	133,655	96,291

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

### (b) Contract liabilities (continued)

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.

#### Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	96,291	77,985
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	(95,399)	(77,973)
Increase in contract liabilities as a result of billing in advance of rendering services and sales of goods	2,548,051	1,395,175
Decrease in contract liabilities as a result of recognising revenue	(2,415,806)	(1,298,858)
Exchange adjustment	518	(38)
Balance at 31 December	133,655	96,291

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 21 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables from (Note (a)):		
– third parties	182,198	195,533
– Triumph Group's related parties	6,677	–
– affiliates of non-controlling equity holders of subsidiaries	15,069	15,677
– a joint venture	–	2,267
	<b>203,944</b>	213,477
Less: loss allowance (Note 32(a))	<b>(140,516)</b>	(110,031)
	<b>63,428</b>	103,446
Amounts due from related companies:		
– an equity shareholder of the Company (Note (i))	13	319
– non-controlling equity holders of a subsidiary (Note (i))	150	150
– a joint venture (Note (ii))	23,324	–
	<b>23,487</b>	469
Other debtors		
– advances to third parties (Note (iii))	248,937	143,997
– receivable for disposal of land use rights	–	1,072
– receivable for disposal of property, plant and equipment	4,420	52,420
– receivable for relocation of production plants and government grants (Note (iv))	174,046	367,873
– others	38,796	35,175
	<b>466,199</b>	600,537
Less: loss allowance (Note 32(a))	<b>(154,401)</b>	(62,171)
	<b>311,798</b>	538,366
Financial assets measured at amortised cost	<b>454,441</b>	653,968
Bills receivable	<b>264,422</b>	105,478



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 21 TRADE AND OTHER RECEIVABLES (continued)

	2020 RMB'000	2019 RMB'000
Prepayments, deposits and other receivables:		
– prepayments for the purchase of inventories	41,343	92,054
– prepayments for the purchase of property, plant and equipment and land use rights		
– Triumph Group's related parties	55,728	11,687
– third parties	22,223	97,193
– value added tax refundable	38,890	56,267
	<b>158,184</b>	<b>257,201</b>
	<b>821,319</b>	<b>1,004,960</b>

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) The amounts are unsecured, with fixed interest rate of 7.00%, and fixed repayment terms before 31 December 2021.
- (iii) As at 31 December 2020, the amount of RMB100.0 million is due from the local government authority and have fixed terms of repayment before 31 December 2021.
- (iv) As at 31 December 2020, the amount of RMB87.0 million (2019: 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:

	2020 RMB'000	2019 RMB'000
Within 1 month	63,859	81,646
More than 1 month but less than 3 months	103,557	16,785
More than 3 months but less than 6 months	116,284	67,190
More than 6 months but less than 1 year	32,698	2,136
Over 1 year	11,452	41,167
	<b>327,850</b>	<b>208,924</b>

Further details on the Group's credit policy are set out in Note 32(a).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 22 CASH ON HAND AND IN BANK AND OTHER CASH FLOW INFORMATION

### (a) Cash on hand and in bank comprise:

	2020 RMB'000	2019 RMB'000
Cash on hand and in bank	698,114	565,188
Time deposits and restricted deposits with banks	108,023	18,851
Cash on hand and in bank in the consolidated statement of financial position	806,137	584,039
Less: time deposits and restricted deposits to secure the bank bills	(108,023)	(18,851)
Cash and cash equivalents in the consolidated cash flow statement	698,114	565,188

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 22 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 24)	Convertible bonds RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 25)	Interest payables RMB'000 (Note 23)	Total RMB'000
<b>At 1 January 2020</b>	3,211,926	48,335	61,781	26,262	3,348,304
<b>Changes from financing cash flows:</b>					
Proceeds from bank and other loans	2,921,770	–	–	–	2,921,770
Repayment of bank and other loans	(2,662,972)	–	–	–	(2,662,972)
Capital element of lease rentals paid	–	–	(29,740)	–	(29,740)
Interest element of lease rentals paid	–	–	(4,733)	–	(4,733)
Payment for the redemption of convertible bonds	–	(34,997)	–	–	(34,997)
Other borrowing costs paid	–	(2,404)	–	(260,104)	(262,508)
<b>Total changes from financing cash flows</b>	258,798	(37,401)	(34,473)	(260,104)	(73,180)
<b>Exchange adjustments</b>	(82,671)	(1,131)	(35)	–	(83,837)
<b>Changes in fair value</b>	–	(490)	–	–	(490)
<b>Other changes:</b>					
Increase in lease liabilities from entering into new leases during the year	–	–	911	–	911
Bank acceptance bills received for the factoring loan	47,300	–	–	–	47,300
Losses incurred from the redemption of convertible bonds (Note 6(a))	–	2,325	–	–	2,325
Finance charges on convertible bonds (Note 6(a))	–	5,717	–	–	5,717
Interest on lease liabilities (Note 6(a))	–	–	4,733	–	4,733
Interest expenses and other finance costs (Note 6(a))	4,530	–	–	246,505	251,035
Capitalised borrowing costs (Note 6(a))	–	–	–	9,058	9,058
<b>Total other changes</b>	51,830	8,042	5,644	255,563	321,079
<b>At 31 December 2020</b>	3,439,883	17,355	32,917	21,721	3,511,876

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 22 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 24)	Convertible bonds RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 25)	Interest payables RMB'000 (Note 23)	Total RMB'000
<b>At 1 January 2019</b>	2,794,383	62,881	57,888	18,980	2,934,132
<b>Changes from financing cash flows:</b>					
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)
<b>Total changes from financing cash flows</b>	<b>414,529</b>	<b>(22,200)</b>	<b>(32,401)</b>	<b>(230,825)</b>	<b>129,103</b>
<b>Exchange adjustments</b>	<b>3,014</b>	<b>1,123</b>	<b>(14)</b>	<b>–</b>	<b>4,123</b>
<b>Changes in fair value</b>	<b>–</b>	<b>(6,621)</b>	<b>–</b>	<b>–</b>	<b>(6,621)</b>
<b>Other changes:</b>					
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
<b>Total other changes</b>	<b>–</b>	<b>13,152</b>	<b>36,308</b>	<b>238,107</b>	<b>287,567</b>
<b>At 31 December 2019</b>	<b>3,211,926</b>	<b>48,335</b>	<b>61,781</b>	<b>26,262</b>	<b>3,348,304</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 22 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:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	326	3,368
Within investing cash flows	48,204	3,887
Within financing cash flows	34,473	32,401
	<b>83,003</b>	<b>39,656</b>

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	34,799	35,769
Purchase of leasehold assets	48,204	3,887
	<b>83,003</b>	<b>39,656</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 23 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables to:		
– third parties	323,716	420,725
– Triumph Group's related parties	258,563	70
– affiliates of non-controlling equity holders of subsidiaries	599	599
Bills payable	83,785	240,581
	<b>666,663</b>	661,975
Amounts due to related parties:		
– Triumph Group and its related parties (Note)	48,161	87,848
– an equity shareholder of the company	–	73
– companies under common significant influence (Note)	11	11
	<b>48,172</b>	87,932
Accrued charges and other payables:		
– payables for construction and purchase of property, plant and equipment and land use rights	231,647	299,624
– payables for staff related costs	79,059	81,268
– payables for acquisitions considerations and dividend to non-controlling interests in subsidiaries	8,676	4,969
– payables for transportation expenses	5,640	8,471
– advances from third parties	21,706	32,511
– interest payables	21,721	26,262
– others	46,140	43,081
	<b>414,589</b>	496,186
Financial liabilities measured at amortised cost	<b>1,129,424</b>	1,246,093
Payables for miscellaneous taxes	<b>65,500</b>	61,862
	<b>1,194,924</b>	1,307,955

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

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



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 23 TRADE AND OTHER PAYABLES (continued)

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

	2020 RMB'000	2019 RMB'000
Due within 1 month or on demand	351,280	408,694
Due after 1 month but within 6 months	183,379	253,281
Due after 6 months	132,004	–
	<u>666,663</u>	<u>661,975</u>

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

## 24 BANK AND OTHER LOANS

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

	2020 RMB'000	2019 RMB'000
Bank loans	1,104,249	1,189,672
Loan from a financial institution	101,533	–
Loan from Triumph Group and its related parties	160,000	–
	<u>1,365,782</u>	<u>1,189,672</u>
Add: current portion of long-term bank and other loans (Note 24(b))	861,953	708,711
	<u>2,227,735</u>	<u>1,898,383</u>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 24 BANK AND OTHER LOANS (continued)

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

At 31 December 2020, the Group's short-term bank and other loans (excluding current portion of long-term bank and other loans) are secured as follows:

	2020 RMB'000	2019 RMB'000
Bank loans:		
– pledged by bank bills	110,000	294,720
– secured and/or guaranteed (Note(i))	955,249	745,418
– unguaranteed and unsecured	39,000	149,534
	<b>1,104,249</b>	<b>1,189,672</b>
Loan from a financial institution:		
– secured and guaranteed (Note (i))	101,533	–
Loan from Triumph Group and its related parties:		
– unguaranteed and unsecured (Note (ii))	160,000	–
	<b>1,365,782</b>	<b>1,189,672</b>

Notes:

- (i) These loans are secured by the Group's property, plant and equipment, right-of-use assets, inventories, trade receivables and/or guaranteed by Triumph Group, a director or a key management of the Company.
- (ii) The amounts are unsecured, with fixed interest rate of 2.91%, and repayable within one year.

At 31 December 2020, the aggregate carrying value of the secured property, plant and equipment and right-of-use assets for the Group's short-term bank loans is RMB729.8 million (31 December 2019: RMB741.4 million).

At 31 December 2020, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB20.0 million (31 December 2019: RMBNil).

At 31 December 2020, the aggregate carrying value of the pledged trade receivables (including inter-company balance) for the Group's short-term bank loans is RMB101.5 million (31 December 2019: RMBNil).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 24 BANK AND OTHER LOANS (continued)

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

	2020 RMB'000	2019 RMB'000
Bank loans (Note 24(c))	1,062,821	972,432
Loans from financial institutions	1,011,280	1,049,822
	<b>2,074,101</b>	2,022,254
Less: current portion of long-term bank and other loans (Note 24(a))	<b>(861,953)</b>	(708,711)
	<b>1,212,148</b>	1,313,543

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

	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	861,953	708,711
After 1 year but within 2 years	987,289	801,740
After 2 years but within 5 years	233,859	511,803
	<b>2,074,101</b>	2,022,254

At 31 December 2020, the Group's long-term bank and other loans are secured as follows:

	2020 RMB'000	2019 RMB'000
Bank loans:		
– secured and/or guaranteed (Note)	1,062,821	972,432
Loans from financial institutions:		
– secured and/or guaranteed (Note)	1,011,070	1,049,612
– unguaranteed and unsecured	210	210
	<b>1,011,280</b>	1,049,822
	<b>2,074,101</b>	2,022,254

Note: These loans are secured by the Group's property, plant and equipment, right-of-use assets, equity interests of certain subsidiaries, trade receivables and/or guaranteed by Triumph Group or a director of the Company.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 24 BANK AND OTHER LOANS (continued)

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

At 31 December 2020, the aggregate carrying value of the pledged trade receivables (including intercompany balance) for the Group's long-term bank loans is RMB120.9 million (31 December 2019: RMBNil).

At 31 December 2020, the aggregate carrying value of the secured property, plant and equipment and right-of-use assets for the Group's long-term bank and other loans is RMB926.8 million (31 December 2019: RMB1,250.6 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 2020, the Group's banking facilities amounted to RMB1,589.7 million (31 December 2019: RMB1,293.3 million) were utilised to the extent of RMB1,312.9 million (31 December 2019: RMB1,125.4 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.

Although the Group has failed to fulfil certain requirement under a bank loan agreement for a long-term loan with non-current portion of RMB54.8 million as at 31 December 2020, waiver was granted by the bank. Except this, none of the covenants relating to the bank and other loans had been breached (31 December 2019: None).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 25 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:

	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Within 1 year	<b>17,491</b>	31,650
After 1 year but within 2 years	<b>6,287</b>	15,611
After 2 years but within 5 years	<b>7,744</b>	13,069
After 5 years	<b>1,395</b>	1,451
	<b>15,426</b>	30,131
	<b>32,917</b>	61,781

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 26 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 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 and 1 January 2020	44,503	3,832	48,335
Accrued finance charges for the year (Note 6(a))	5,717	–	5,717
Interest paid	(2,404)	–	(2,404)
Fair value changes on the derivative components (Note 6(a))	–	(490)	(490)
Partial redemption of convertible bonds	(30,453)	(2,219)	(32,672)
Exchange adjustments	(1,049)	(82)	(1,131)
At 31 December 2020	16,314	1,041	17,355

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, second, third and forth 25% of total outstanding principal of the convertible bonds on 1 July 2019, 3 January 2020, 1 July 2020 and 4 January 2021 separately. Up to date of these financial statements, all the convertible bonds had been redeemed by the Bondholder.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 27 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 or employees of the Group under the New Share Option Scheme during the years ended 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 27 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
<b>Options granted to a director:</b>				
– 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
<b>Options granted to employees:</b>				
– 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		<u>33,370,000</u>		

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

	2020		2019	
	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	30,390	HK\$1.25	31,490
Forfeited during the year	HK\$1.25	(330)	HK\$1.25	(1,100)
Outstanding at the end of the year	HK\$1.25	<u>30,060</u>	HK\$1.25	<u>30,390</u>
Exercisable at the end of the year	HK\$1.25	<u>30,060</u>	HK\$1.25	<u>30,390</u>

The share options outstanding at 31 December 2020 had an exercise price of HK\$1.25 (31 December 2019: HK\$1.25) and a weighted average remaining contractual life of 1.36 years (31 December 2019: 2.36 years).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 27 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 2019 and 31 December 2019		115,620	64,253
Shares purchased during the year	0.401	36,380	11,436
At 31 December 2020		152,000	75,689

During year 2020, 36,380,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK\$0.401 per share (2019: no ordinary shares were purchased). No shares have been awarded to any selected employee as at the date of these financial statements.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 RMB'000	2019 RMB'000
Balance of income tax payable (net of prepaid income tax) at 1 January	145,130	101,366
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	64,847	57,486
Provision for PRC withholding tax (Note 7(a))	–	6,000
(Over)/under-provision in respect of prior years (Note 7(a))	(67)	44
Income tax paid	(52,485)	(19,766)
Balance of income tax payable (net of prepaid income tax) at 31 December	157,425	145,130
Represented by:		
Income tax payable	161,361	152,230
Prepaid income tax	(3,936)	(7,100)
	157,425	145,130

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 28 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:

Deferred tax arising from:	Assets					Liabilities		
	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, equity securities, right-of-use assets, interest capitalisation and related depreciation RMB'000	Net RMB'000
At 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 adjustments	(7)	-	(4)	(20)	-	(31)	119	88
At 31 December 2019 and 1 January 2020	162,260	2,211	30,501	86,500	-	281,472	(45,300)	236,172
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(61,797)	(1,201)	20,540	(2,387)	-	(44,845)	5,992	(38,853)
Credited to reserves	-	-	-	-	-	-	10	10
Exchange adjustments	-	7	33	115	-	155	(589)	(434)
At 31 December 2020	100,463	1,017	51,074	84,228	-	236,782	(39,887)	196,895

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

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

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(v), the Group has not recognised deferred tax assets in respect of unused tax losses and impairment provision arising from certain subsidiaries of the Group of RMB511.5 million (31 December 2019: RMB384.6 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 2020 will expire on or before 31 December 2025.

### (d) Deferred tax liabilities not recognised

At 31 December 2020, temporary differences relating to the undistributed profits of certain subsidiaries of the Group established in the PRC amounted to RMB906.7 million (31 December 2019: RMB834.0 million). Deferred tax liabilities of RMB97.4 million (31 December 2019: RMB89.3 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.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 29 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 29(c))	Share premium RMB'000 (Note 29(d)(i))	Shares held under share award scheme RMB'000 (Note 29(d)(ii))	Capital reserve RMB'000 (Note 29(d)(iii))	Exchange reserve RMB'000 (Note 29(d)(v))	Accumulated losses RMB'000	Total RMB'000
<b>At 1 January 2019</b>	84,867	2,081,912	(64,253)	33,198	(14,931)	(226,180)	1,894,613
<b>Changes in equity for 2019:</b>							
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 29(e))	-	(269,029)	-	-	-	269,029	-
Distributions approved in respect of the current year (Note 29(b)(i))	-	(32,634)	-	-	-	-	(32,634)
	-	(301,663)	-	-	-	269,029	(32,634)
<b>At 31 December 2019 and 1 January 2020</b>	84,867	1,780,249	(64,253)	33,198	26,168	(20,881)	1,839,348
<b>Changes in equity for 2020:</b>							
Loss for the year	-	-	-	-	-	(75,140)	(75,140)
Other comprehensive income	-	-	-	-	(109,711)	-	(109,711)
Total comprehensive income for the year	-	-	-	-	(109,711)	(75,140)	(184,851)
Shares purchased under the share award scheme (Note 27(b))	-	-	(11,436)	-	-	-	(11,436)
<b>At 31 December 2020</b>	84,867	1,780,249	(75,689)	33,198	(83,543)	(96,021)	1,643,061

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 29 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

### (b) Dividends/distributions

- (i) The directors of the Company do not propose final dividends after 31 December 2020 (2019: HK\$Nil).
- (ii) No final dividend in respect of the previous financial year has been approved during the year (2019: HK\$Nil).
- (iii) Distributions approved and paid during the year

	2020 RMB'000	2019 RMB'000
Interim distributions approved and paid of HK\$Nil per ordinary share (2019: HK\$0.02 per ordinary share)	—	32,634

### (c) Share capital

- (i) Authorised and issued share capital

	2020		2019	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<b>Authorised:</b>				
At 1 January and 31 December, at HK\$0.05 each	3,600,000,000	180,000	3,600,000,000	180,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January and 31 December	1,810,147,058	84,867	1,810,147,058	84,867

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 29 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

### (c) Share capital (continued)

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

Exercise period	Exercise price	2020 Number	2019 Number
13 May 2016 to 12 May 2022	HK\$1.25	12,024,000	12,156,000
13 May 2017 to 12 May 2022	HK\$1.25	9,018,000	9,117,000
13 May 2018 to 12 May 2022	HK\$1.25	9,018,000	9,117,000
		<b>30,060,000</b>	<b>30,390,000</b>

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 27(a) to these financial statements.

(iii) *At 31 December 2020, 152,000,000 ordinary shares are held by the Company under the Share Award Scheme (31 December 2019: 115,620,000) (see Note 27(b)).*

### (d) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Shares held under share award scheme*

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

(iii) *Capital reserve*

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

(iv) *Statutory reserves*

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 29 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

### (d) Nature and purpose of reserves (continued)

#### (v) *Exchange reserve*

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

#### (vi) *Fair value reserve (non-recycling)*

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

### (e) Distributable reserves

At 31 December 2020, 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 2019: RMB1,780.2 million). The directors of the Company do not recommend final/interim distribution/dividend for the year ended 31 December 2020 (2019: recommended the payment of an interim distribution of HK\$0.02 per ordinary share).

### (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 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 29 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 was as follows:

	2020 RMB'000	2019 RMB'000
Current liabilities:		
Trade and other payables	1,194,924	1,307,955
Lease liabilities	17,491	31,650
Convertible bonds	17,355	35,317
Bank and other loans	2,227,735	1,898,383
	<u>3,457,505</u>	<u>3,273,305</u>
Non-current liabilities:		
Bank and other loans	1,212,148	1,313,543
Convertible bonds	–	13,018
Lease liabilities	15,426	30,131
Other non-current liabilities	13,265	14,574
	<u>1,240,839</u>	<u>1,371,266</u>
Total debt	4,698,344	4,644,571
Less: cash on hand and in bank	(806,137)	(584,039)
<b>Adjusted net debt</b>	<u>3,892,207</u>	<u>4,060,532</u>
<b>Total equity</b>	<u>2,167,996</u>	<u>2,249,719</u>
<b>Adjusted net debt-to-capital ratio</b>	<u>180%</u>	<u>180%</u>

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 30 MATERIAL RELATED PARTY TRANSACTIONS

At 31 December 2020, 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

	2020 RMB'000	2019 RMB'000
Purchase of raw materials	344,855	—
Purchase of property, plant and equipment	13,893	2,309
Service provided	26,750	—
Construction service expenses	30,876	47,387
Net increase/(decrease) in guarantees received for the Group's loans	404,952	(197,215)
Net increase in loan from Triumph Group and its related parties	155,470	—
Interest and financial charges in relation to Group's interest-bearing borrowings	25,840	—
Service received	401	—

### (b) Transactions with joint ventures of the Group

	Note	2020 RMB'000	2019 RMB'000
Sale of glass products		—	10,338
Interest-bearing receivables granted to a joint venture	21	23,119	—
Interest income from receivables		205	—

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

	2020 RMB'000	2019 RMB'000
Net (decrease)/increase in guarantees received for the Group's bank and other loans	(69,889)	34,281



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 30 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (d) Transactions with a key management of the Company

	2020 RMB'000	2019 RMB'000
Net increase in guarantees received for the Group's bank and other loans	30,000	—

### (e) Key management personnel remuneration

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

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	6,455	6,521
Contributions to defined contribution retirement plans	170	709
	6,625	7,230

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

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

For the year ended 31 December 2020, the related party transactions in respect of receiving guarantees and interest-bearing borrowings from and accruing related financial charges to, receiving services from and purchasing equipment from Triumph Group and its related parties and receiving guarantees from a director and a key management of the Company 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. Meanwhile, the related party transactions in respect of receiving construction services, providing financial assistance, providing services, purchasing property, plant and equipment and purchasing raw materials constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules as disclosed in Note 30(a) and are disclosed in the "Report of the Board of Directors" as required by Chapter 14A of the Listing Rules.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 31 COMMITMENTS

### Capital commitments

At 31 December 2020, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– Contracted for	313,263	119,731
– Authorised but not contracted for	487,290	923,290
	<b>800,553</b>	<b>1,043,021</b>

At 31 December 2020, 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.

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arise 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 having low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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 2020, 14.2% (31 December 2019: 5.5%) and 27.1% (31 December 2019: 12.5%) of the total trade and bills receivables and contract assets were due from the Group's largest trade debtor and the five largest trade debtors respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2020:

	<b>Expected loss rate %</b>	<b>2020 Gross carrying amount RMB'000</b>	<b>Loss allowance RMB'000</b>
Current (not past due)	0%	29,341	–
Less than 1 year past due	2%	54,570	(1,047)
More than 1 year past due	94%	149,104	(139,469)
		<b>233,015</b>	<b>(140,516)</b>

  

	<b>Expected loss rate %</b>	<b>2019 Gross carrying amount RMB'000</b>	<b>Loss allowance RMB'000</b>
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)
		<b>244,338</b>	<b>(110,031)</b>

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:

	<b>2020 RMB'000</b>	<b>2019 RMB'000</b>
Adjusted balance at 1 January	172,202	155,668
Loss allowance written off	–	(3,987)
Loss allowance recognised	122,739	20,528
Exchange adjustment	(24)	(7)
Balance at 31 December	<b>294,917</b>	<b>172,202</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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 21.

### (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 unutilised banking facilities of RMB276.8 million and newly financed and refinanced bank and other loans of RMB340.0 million;
- has maintained long-term strong business relationship with its major banks to get their continuing support and is actively discussing with these banks for renewal of bank loans or new facilities amounting to RMB1,141.9 million, and the directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the year ending 31 December 2021; and
- has obtained financial support commitment from the Company's largest shareholder.

Taking all these factors into account, 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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:

	2020								Carrying amount at 31 December RMB'000
	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	
Trade and other payables measured at amortised cost	910,620	86,800	132,004	–	–	–	–	1,129,424	1,129,424
Bank and other loans	853,162	734,704	392,634	357,979	1,058,173	244,136	–	3,640,788	3,439,883
Lease liabilities	4,702	4,702	4,702	4,702	7,109	9,528	2,708	38,153	32,917
Other non-current liabilities	–	–	–	–	12,905	685	–	13,590	13,265
Liability component of convertible bonds	19,625	–	–	–	–	–	–	19,625	16,314
	<u>1,788,109</u>	<u>826,206</u>	<u>529,340</u>	<u>362,681</u>	<u>1,078,187</u>	<u>254,349</u>	<u>2,708</u>	<u>4,841,580</u>	<u>4,631,803</u>

	2019								Carrying amount at 31 December RMB'000
	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	
Trade and other payables measured at amortised cost	1,029,243	206,850	10,000	–	–	–	–	1,246,093	1,246,093
Bank and other loans	598,885	761,411	350,056	335,665	532,019	971,332	–	3,549,368	3,211,926
Lease liabilities	8,562	8,562	8,562	8,560	18,209	16,418	2,851	71,724	61,781
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
	<u>1,654,349</u>	<u>978,785</u>	<u>386,277</u>	<u>346,187</u>	<u>581,783</u>	<u>989,161</u>	<u>2,851</u>	<u>4,939,393</u>	<u>4,578,877</u>



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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.

	2020		2019	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
<b>Fixed rate borrowings:</b>				
Lease liabilities	7.80%	32,917	8.27%	61,781
Bank and other loans	5.72%	2,120,859	5.42%	1,353,211
Liability component of convertible bonds	26.87%	16,314	26.87%	44,503
Other non-current liabilities	7.70%	13,265	7.70%	14,574
		<b>2,183,355</b>		<b>1,474,069</b>
<b>Variable rate borrowings:</b>				
Bank and other loans	6.52%	1,319,024	7.72%	1,858,715
<b>Total borrowings</b>		<b>3,502,379</b>		<b>3,332,784</b>
<b>Fixed rate borrowings as a percentage of total borrowings</b>		<b>62%</b>		<b>44%</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (c) Interest rate risk (continued)

#### (ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased the Group's retained profits by approximately RMB13.0 million (31 December 2019: decreased/increased the Group's profit after tax and the Group's retained profits by approximately RMB16.0 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 2019.

### (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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

### (d) Currency risk (continued)

#### (ii) Exposure to currency risk (continued)

	2020			
	Exposure to foreign currencies			
	USD RMB'000	RMB RMB'000	HK\$ RMB'000	Euros RMB'000
Trade and other receivables	6,330	–	–	44,782
Cash and cash equivalents	1,010	6,609	19	–
Trade and other payables	(5,054)	(1,348)	(262)	–
Bank and other loans	(504,637)	–	–	–
Gross exposure arising from recognised assets and liabilities	(502,351)	5,261	(243)	44,782

  

	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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates	(Increase)/ decrease in loss after tax and (decrease)/ increase 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% (10%)	(37,676) 37,676	10% (10%)	(30,411) 30,411
RMB	10% (10%)	526 (526)	10% (10%)	11 (11)
HK\$	10% (10%)	(18) 18	10% (10%)	(101) 101
NGN	– –	– –	10% (10%)	(1,640) 1,640
EUR	10% (10%)	4,478 (4,478)	10% (10%)	4,689 (4,689)

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 2019.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
Financial asset:				
Equity securities	2,953	–	–	2,953
Bills receivable	264,422	–	264,422	–
Liability:				
Derivative component of the convertible bonds (Note 26)	1,041	–	1,041	–

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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 measurements as at 31 December 2019 categorised into		
	Fair value at 31 December 2019 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
Financial asset:				
Equity securities	2,994	–	–	2,994
Bills receivable	105,478	–	105,478	–
Liability:				
Derivative component of the convertible bonds (Note 26)	3,832	–	3,832	–

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:

Dates of valuation	Derivative components of the Convertible Bonds	
	31/12/2020	31/12/2019
Share price (HK\$)	0.90	0.42
Exercise price (HK\$)	1.28	1.28
Expected volatility (Note (aa))	121.50%	38.48%
Dividend yield (Note (aa))	0.35%	0.35%
Maturity period	0.09 years	1.09 years
Conversion period	0.07 years	1.07 years
Discount rate (Note (aa))	11.04% – 11.35%	14.28% – 14.71%

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.

The fair value of bills receivable is determined using its cost as it approximates the present value of the cash flows to be derived from the receivables determined using discounted cash flow method.



# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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 2020, 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 RMB172,000 (2019: RMB175,000).

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

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
At 1 January	2,994	2,923
Additional securities acquired	–	325
Net unrealised loss recognised in other comprehensive income during the year	(41)	(254)
At 31 December	2,953	2,994

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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 32 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 2020 and 2019 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	2020		2019	
	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
<b>Liabilities</b>				
Long-term bank and other loans	1,212,148	1,207,215	1,313,543	1,314,034
Liability component of convertible bonds	16,314	16,249	44,503	48,536

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 2020 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 2020. The interest rates used are as follows:

	2020	2019
Long-term bank and other loans	6.77%	7.47%
Liability component of convertible bonds	11.04% – 11.35%	14.28%–14.71%

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		225	239
Investments in subsidiaries		1,067,701	1,135,873
Loans to subsidiaries		63,739	68,262
Right-of-use assets		1,315	2,491
		<b>1,132,980</b>	<b>1,206,865</b>
<b>Current assets</b>			
Other receivables		2,243,177	2,183,057
Loans to a subsidiary		33,433	33,433
Cash and cash equivalents		38,500	19,632
		<b>2,315,110</b>	<b>2,236,122</b>
<b>Current liabilities</b>			
Other payables		152,036	159,055
Bank and other loans		785,535	306,541
Convertible bonds		17,355	35,317
Lease liabilities		1,319	1,409
		<b>956,245</b>	<b>502,322</b>
<b>Net current assets</b>		<b>1,358,865</b>	<b>1,733,800</b>
<b>Total asset less current liabilities</b>		<b>2,491,845</b>	<b>2,940,665</b>
<b>Non-current liabilities</b>			
Bank and other loans		848,747	1,087,207
Convertible bonds		–	13,018
Lease liabilities		37	1,092
		<b>848,784</b>	<b>1,101,317</b>
<b>NET ASSETS</b>		<b>1,643,061</b>	<b>1,839,348</b>
<b>CAPITAL AND RESERVES</b>	29		
Share capital		84,867	84,867
Reserves		1,558,194	1,754,481
<b>TOTAL EQUITY</b>		<b>1,643,061</b>	<b>1,839,348</b>

Approved and authorised for issue by the board of directors on 30 March 2021.

**Peng Shou**  
Chairman

**Cui Xiangdong**  
Director

# Notes to the Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

## 34 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include: 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 situation evolves.

As far as the Group's businesses are concerned, due to the outbreak of COVID-19, the repayment abilities of the Group's debtors were impacted, which resulted in additional impairment losses on trade and other receivables. The directors of the Company are optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

As set in Note 2(b), based on a cash flow forecast of the Group for the next twelve months ending 31 December 2021, taking into account the subsequent actual and forecast negative impacts of COVID-19 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.

## 35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTER-PRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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, <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts — Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

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.