



CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

INTERIM REPORT 2021

*For identification purpose only

Contents

Corporate Information	2-3
Management Discussion and Analysis	4-10
Other Information	11-21
Review Report to the Board of Directors of China Glass Holdings Limited	22
Consolidated Statement of Profit or Loss	23
Consolidated Statement of Profit or Loss and Other Comprehensive Income	24
Consolidated Statement of Financial Position	25-26
Consolidated Statement of Changes in Equity	27-28
Condensed Consolidated Cash Flow Statement	29
Notes to the Unaudited Interim Financial Report	30-56

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Lyu Guo (*Chief Executive Officer*)

Non-executive Directors

Mr. Peng Shou (*Chairman*)

Mr. Zhou Cheng (*Honorary Chairman*)
(*resigned on 27 August 2021*)

Mr. Zhao John Huan

Mr. Zhang Jinshu

Independent Non-executive Directors

Mr. Zhang Baiheng

Mr. Chen Huachen

Mr. Wang Yuzhong (*appointed on 22 June 2021*)

AUDIT COMMITTEE

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

Mr. Peng Shou

Mr. Zhang Baiheng

Mr. Wang Yuzhong (*appointed on 22 June 2021*)

REMUNERATION COMMITTEE

Mr. Wang Yuzhong (*Chairman of remuneration committee*)
(*appointed on 22 June 2021*)

Mr. Peng Shou

Mr. Zhang Baiheng

NOMINATION COMMITTEE

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

Mr. Zhou Cheng (*resigned on 27 August 2021*)

Mr. Wang Yuzhong (*appointed on 22 June 2021*)

STRATEGY COMMITTEE

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

Mr. Zhao John Huan

Mr. Zhou Cheng (*resigned on 27 August 2021*)

Mr. Lyu Guo

SENIOR MANAGEMENT

Mr. Li Ping

Mr. Yang Hongfu

Mr. Xu Ning

Mr. Han Liming

Ms. Kuok Yew Lee

COMPANY SECRETARY

Ms. Kuok Yew Lee

AUTHORISED REPRESENTATIVES

Mr. Lyu Guo

Ms. Kuok Yew Lee

REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2608, 26/F, West Tower

Shun Tak Centre

168-200 Connaught Road

Central

Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

F21, A Tower Ziguang Building

No.11 HuiXin Dongjie

Chaoyang District

Beijing 100029

PRC

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 Co., Ltd.
Ping An Bank Co., Ltd.
Bank of Shanghai Co., Ltd.
Luso International Banking Ltd.
The Export-import Bank of China
Hua Xia Bank Co., Ltd.
China Development Bank
Bank of Communications Co., Ltd.
China CITIC Bank Co., Ltd.
Agricultural Bank of China 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

Management Discussion and Analysis

MARKET REVIEW

In the first half of 2021, with the impact of COVID-19 pandemic in Europe and the United States diminishing and vaccination accelerating, the general liquidity of the global financial market remained abundant, and the world economy continued to recover amidst volatility, regardless of the significant regional economic disparity. In the first half of the year, China continued its efforts to consolidate and expand its achievements in the prevention and control of COVID-19 pandemic and economic and social development while unremittingly implementing its well-targeted macro policies, resulting in continuous rebound of production demand, and a stable uprising momentum of its economy.

In the first half of 2021, the supply-side structural reform of the domestic flat glass industry yielded remarkable results, which, together with China's initiative to achieve "carbon emissions peak and carbon neutrality" as well as the tightening of its environmental protection policies, further optimized its industrial structure and effectively alleviated the contradiction of overcapacity on the supply side. Benefiting from the accelerated completion of the downstream real estate projects, the rapid development of new energy vehicles, and the upgrade of home furnishings and appliance consumption, the flat glass market was subject to robust demand, resulting in "high project kick-off rate, low inventory, increase in both volume and price, and steady improvement in operating results". As for pharmaceutical glass, driven by the widespread vaccination of the COVID-19 vaccine and standardized evaluation policies, the progress of neutral borosilicate glass substitution was speeding up, showing relatively huger market potential.

BUSINESS REVIEW

Overview

As at 30 June 2021, the Group had 12 float glass production lines, and had all 12 float glass production lines in operation. As at the date of this report, the Group had successfully completed the acquisition of Fujian Longtai Industries Company Limited* (福建龍泰實業有限公司) ("Fujian Longtai"). Currently, the Group has 13 float glass production lines, with a daily melting capacity of 6,900 tonnes. In addition, the Group owned one offline low-emission ("Low-E") coated glass production line, one production line for ultra-thin photovoltaic encapsulating material for bi-facial modules, and a company specialized in neutral pharmaceutical glass production line technologies and services.

Production, sales and selling price

In the first half of 2021, the Group produced approximately 17.58 million and sold 17.06 million weight cases of various types of glass products, representing an increase of 2% and 15%, respectively, compared with the same period of last year, with a consolidated average selling price of approximately RMB114.5 per weight case, representing an increase of 51% compared with the same period of last year.

Prices of raw and fuel materials, and production costs

In terms of raw materials, in the first half of 2021, driven by the strong demand in the glass market, the soda ash price in the domestic market showed a stable and rising trend, the fluctuation of which was slightly lagging behind that of the glass price, but the overall trend remained consistent. In terms of mineral raw materials, the prices of domestic silica sand, limestone and dolomite rose slightly during the first half of 2021.

In terms of fuel, fuel oil price rebounded from a low level in the first half of 2021 due to the significant increase in crude oil price, showing an overall upward trend with fluctuation. Benefiting from the robust market demand, the price of low-sulfur fuel oil was rising most notably. Natural gas prices declined slightly in the first half of the year, but still remained at a high level, representing a significant year-on-year increase, mainly due to the economic recovery in the international market and the increase in market demand.

* For identification purpose only

Management Discussion and Analysis (continued)

MAJOR WORKS IN THE FIRST HALF OF 2021

1. **Implementing and deepening the three major strategies to improve performance and focusing on the float glass industry to achieve refinement, precision and reinforcement**

In terms of “organic growth”, we took advantage of the industry recovery opportunity, optimized product structure, adhered to product differentiation, improved product added value, and sought the best production cost while ensuring production safety and product quality; at the same time, we captured historical opportunities, accelerated the construction of new energy material projects, and drove our business to achieve greater breakthroughs. In terms of “M&A and restructuring”, we have strategically expanded our presence in the South China market, with our focus in the first half of the year on advancing the acquisition of Fujian Longtai; at the same time, we actively explored potential high-quality projects according to the Group’s strategic planning. In terms of “going global”, we closely monitored the impact of the local pandemic in Nigeria and Italy on our production operations and strengthened our management and control; closely monitored the construction progress of the Kazakhstan project, which is expected to reach ignition and production in 2021.

2. **Optimizing the functions of headquarters and deepening “five-in-one” management**

We optimized the “five-in-one” business management model covering “production, marketing, procurement, finance and investment” and optimized the management mechanism under a dedicated committee to coordinate the Group’s human, capital, technology, information and other resources so as to maximize resource utilization.

3. **Adhering to technology innovation and continuously expanding into new glass, new materials and new energy fields**

In line with the national low-carbon, green, energy-saving and environmental protection development concept, we leveraged internal and external technology development platforms to promote product technical differentiation, accelerate conversion between old and new production capacity and facilitate green and sustainable development. In the first half of the year, we successfully developed a new online coated technology with thin-flow, multi-layer, co-doping and common coupling; successfully developed online Sun-E[®] energy-saving coated glass (crystal blue) products with stable production; as well as developed the float online film coloring and rapid color switching technology, resolved the worldwide technical problems of film layer interference coloring and difficulty in controlling color uniformity over a large area.

4. **Capturing market opportunities accurately and adjusting marketing policies in a timely manner**

We responded to the market fluctuations by strengthening the analysis and judgment of market development, leading the market trend and adjusting the marketing strategy in a timely manner. With an emphasis on market channel development, through analysis of product and customer structures and target markets, we selected and accumulated customer resources carefully, diversified customer base, and balanced and coordinated customer channel relationships.

5. **Building “CNG” brand and enhancing capital market management**

Aiming to build “CNG” brand in all aspects, internally, it is required to penetrate the brand building into personal work; externally, we enhanced capital market management, actively utilized investor relationships and media resources, combined with the Company’s major developments, investment projects and other strategic implementation and dynamics to enhance the Company’s exposure and brand awareness.

Management Discussion and Analysis (continued)

IMPACT OF COVID-19 PANDEMIC

In the first half of 2021, the domestic pandemic was under effective control, while the foreign pandemic was not optimistic. The Group struck to make good efforts on pandemic prevention and closely monitored the impact of the pandemic on the domestic and overseas glass markets, flexibly adjusted its marketing strategies according to the import and export channels and personnel entry and exit policies and coordinated domestic and overseas production and operation, supply chain transportation and safe working environment for employees to maximize the optimal allocation of resources. In the first half of the year, there were no COVID-19 infection cases found in the Group's domestic and overseas bases.

THE GLASS MARKET OUTLOOK

The International Monetary Fund predicts that the world economy will grow at an annual rate of approximately 6% in 2021 and the global economic recovery will continue to show a diverging trend, while China's stable and improving economic recovery process may experience even greater challenges. In the second half of the year, the glass industry will enter its traditional peak season, the current boom of the industry is expected to be maintained. On the supply side, new production capacity will be limited due to the deepening supply-side structural reform plus the "double carbon (雙碳)" environmental protection policy; on the demand side, as the property industry's rigid demand is stable and the industry is under its completion cycle, it is expected that supply and demand will remain in a tight balance in the second half of the year, with price growth drivers still exist. Pharmaceutical glass, new energy glass, new energy automotive glass and green energy-saving building glass will be the major growth drivers for the industry demand in the future. However, the mutation of COVID-19, international trade disputes, anti-globalization trend, below expected performance in real estate investment and completion, and the regulation risk from commodity policies in the post-COVID-19 era will bring some uncertainties to the development of the glass industry.

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

In terms of raw materials, it is expected that in the second half of 2021, as a result of the robust demand for downstream glass products, the price of soda ash will have strong upward impetus and may remain fluctuate at a high level. It is expected that the prices of silica sand, limestone, dolomite and other mineral raw materials are on an upward trend as the supply of raw ore decreases and demand exceeds supply due to the impact of the strict control by national environmental protection and safety policies.

In terms of fuels, it is expected that fuel oil prices will continue to rise due to the continuing tight balance between crude oil supply and demand; low sulfur fuel oil prices are expected to be more flexible; and natural gas prices are expected to remain fluctuated at a high level in the second half of the year as a result of the increasing demand in the domestic market and tight supply in the international market.

Management Discussion and Analysis (continued)

WORK PLANS FOR THE SECOND HALF OF 2021

1. We will focus on the float glass industry to improve performance, with emphasis on promoting the construction of Kazakhstan project and Longyan B line (龍巖B線), pushing forward the construction of new energy and new material projects, and actively facilitating the Company's strategic layout process in pharmaceutical glass market.
2. We will optimize the management functions of headquarters and deepen "five in one" management; enhance "benchmarking" management and accomplish in promoting management and efficiency by "benchmarking"; and continue to implement the management philosophy of "streamlining organization, management and operation" to reduce non-profit-making companies, lower operating costs.
3. We will care about the growth of our employees and promote a younger management team; as well as practically improve the performance incentive and equity incentive mechanism which enable us to provide market competitive salary for our employees.
4. We will enhance our capital market management level and fully leverage external publicity channels to increase the brand awareness and influence of "CNG".
5. We will continue to implement COVID-19 prevention measures, strengthen safe inventory management and flexibly respond to unexpected outbreaks.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

For the first six months of 2021, the revenue of the Group from its principal business increased by approximately 73% to RMB2,025 million as compared to RMB1,173 million in the first six months of 2020. The increase in revenue was mainly attributable to the combined effects of the increase in average unit selling price and the increase of sales volume.

Cost of sales

The Group's cost of sales increased by approximately 33% from RMB986 million for the first six months of 2020 to RMB1,311 million for the first six months of 2021. The increase in cost of sales was mainly attributable to the combined effects of the increase in sales volume and the increase in unit cost of raw materials and fuels.

Gross profit

The Group's gross profit increased by approximately 283% from RMB187 million for the first six months of 2020 to RMB715 million for the first six months of 2021. The increase in gross profit was mainly attributable to the combined effects of the increase in market prices of glass products and the increase in unit cost of raw materials and fuels in line with market.

Other income

The Group's other income increased from RMB10 million for the first six months of 2020 to RMB11 million for the first six months of 2021. Other income was mainly net gain from sale of raw and scrap materials.

Administrative expenses

For the first six months of 2021, the administrative expenses of the Group decreased by approximately 1% to RMB130 million as compared to RMB131 million for the first six months of 2020. The decrease in administrative expenses was mainly due to the decrease of sundry expenses, which was attributable to the improvement of administrative working efficiency.

Finance costs

For the first six months of 2021, the finance costs of the Group increased by approximately 4% to RMB142 million as compared to RMB137 million in the first six months of 2020. The increase in finance costs was mainly attributable to the increase of the Group's net foreign exchange loss.

Management Discussion and Analysis (continued)

Income tax

For the first six months of 2021, the Group's income tax increased by approximately 192% to RMB111 million as compared to RMB38 million in the first six months of 2020. The increase in income tax was mainly due to the increase of the Group's profit before taxation.

Profit for the period

For the first six months of 2021, the Group recorded a profit of RMB302 million, as compared to the loss of RMB277 million for the first six months of 2020, which represented a significant turn from a net loss position to a net profit position, and was mainly due to the increase in gross profit and the decrease in expected credit losses.

Profit attributable to equity shareholders for the current period

For the first six months of 2021, the Group recorded profit attributable to equity shareholders of the Company of RMB273 million from loss attributable to equity shareholders of RMB248 million for the first six months of 2020.

Current assets

The Group's current assets decreased by approximately 12% from RMB2.151 billion as at 31 December 2020 to RMB1.886 billion as at 30 June 2021, which was mainly attributable to the decrease in cash, trade and other receivables and contract assets.

Current liabilities

The Group's current liabilities increased slightly from RMB3.753 billion as at 31 December 2020 to RMB3.756 billion as at 30 June 2021, which was mainly attributable to the increase in short-term bank and other loans.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 17% from RMB1.281 billion as at 31 December 2020 to RMB1.058 billion as at 30 June 2021, which was mainly attributable to the decrease in long-term bank and other loans.

Management Discussion and Analysis (continued)

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

As at 30 June 2021, the Group's cash and cash equivalents were RMB583 million (31 December 2020: RMB806 million), of which 73% (31 December 2020: 81%) were denominated in RMB, 3% (31 December 2020: 6%) were denominated in United States Dollars ("USD"), 8% (31 December 2020: 6%) were denominated in Nigeria Naira, 1% (31 December 2020: 1%) were denominated in Hong Kong dollars ("HKD"), and 15% (31 December 2020: 6%) were denominated in Euro ("EUR"). Outstanding bank and other loans were RMB3.585 billion (31 December 2020: RMB3.440 billion), of which 63.9% (31 December 2020: 56.8%) were denominated in RMB, 29.3% (31 December 2020: 36.1%) were denominated in USD, 6.2% (31 December 2020: 6.5%) were denominated in HKD and 0.6% (31 December 2020: 0.6%) were denominated in EUR.

As at 30 June 2021, the gearing ratio (total interest-bearing debts divided by total assets) was 0.49 (31 December 2020: 0.49). As at 30 June 2021, the Group's current ratio (current assets divided by current liabilities) was 0.50 (31 December 2020: 0.57). The Group recorded net current liabilities amounted to RMB1.869 billion as at 30 June 2021 (31 December 2020: RMB1.602 billion). As at 30 June 2021, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.66 (31 December 2020: 0.70). As at 30 June 2021, 73% (31 December 2020: 62%) of the outstanding bank and other loans bear interest at fixed rates while approximately 27% (31 December 2020: 38%) bear interest at variable rates. As at 30 June 2021, 72% (31 December 2020: 65%) of the outstanding bank and other loans will mature within one year while 28% (31 December 2020: 35%) will mature after one year.

EXCHANGE RATE FLUCTUATION RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR, USD and Naira. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, operating expenses and sales of a subsidiary incorporated in Nigeria were primarily denominated in Naira, 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 exchange rate of RMB and Nigeria Naira. During the six months ended 30 June 2021, the Group did not purchase any derivatives for hedging purposes.

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

Save as disclosed below, during the six months ended 30 June 2021, 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 6 May 2021, CNG Investment Company Limited* (中玻投資有限公司) (as the purchaser and an indirect wholly-owned subsidiary of the Company) entered into the equity transfer agreement (the "Equity Transfer Agreement") with Fujian Longtai Jiahao Investment Company Limited* (福建龍泰嘉豪投資有限公司) (as the seller) for the acquisition of 55% equity interest in Fujian Longtai. The Equity Transfer Agreement had been approved by the shareholders of the Company in the special general meeting held on 16 July 2021. The completion of the Equity Transfer Agreement took place on 16 July 2021 (the "Completion") and Fujian Longtai had become a 55%-owned subsidiary of the Company following the Completion (the "Fujian Longtai Acquisition").

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

* For identification purpose only

Other Information

The board (the “Board”) of directors (the “Directors” and each a “Director”) of China Glass Holdings Limited (the “Company”) is pleased to present the interim report together with the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

DISTRIBUTION

As announced by the Company in an announcement dated 27 August 2021, the Board has resolved to propose a distribution of HK\$0.05 per ordinary share in the issued share capital of the Company out of the contributed surplus account of the Company after the 2021 interim period (the “Distribution”) (six months ended 30 June 2020: Nil). The Distribution is conditional upon (including but not limited to) (i) the approval of the shareholders of the Company at the special general meeting; and (ii) compliance with the relevant requirements under the Companies Act 1981 of Bermuda and the bye-laws of the Company.

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

As at 30 June 2021, 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 of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares ^{(1) (4)}	Approximate Percentage of Shareholding ⁽²⁾
Mr. Lyu Guo	The Company	Beneficial owner	8,412,096(L) ⁽³⁾	0.46%
Mr. Zhou Cheng	The Company	Beneficial owner	22,672,633(L)	1.25%

Notes:

- (1) The letter “L” denotes the Director’s long position in such securities.
- (2) As at 30 June 2021, 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”) is 1,810,147,058.
- (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.

Other Information (continued)

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware, as at 30 June 2021, the interests and/or short positions of the shareholders of the Company (the "Shareholders"), other than Directors and chief executive of the Company, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Total Number of Ordinary Shares ⁽¹⁾	Approximate Percentage of Shareholding ⁽¹⁰⁾
First Fortune Enterprises Limited	Beneficial owner	272,926,000(L)	15.08%
Hony International Limited	Interest of a controlled corporation ⁽²⁾	272,926,000(L)	15.08%
Mei Long Developments Limited	Beneficial owner	104,750,740(L)	5.79%
Easylead Management Limited	Interest of a controlled corporation ⁽³⁾	377,676,740(L)	20.86%
Right Lane Limited	Interest of a controlled corporation ^{(3) (4)}	412,676,740(L)	22.80%
Mr. Cao Zhijiang	Interest of a controlled corporation ⁽⁵⁾	377,676,740(L)	20.86%
Mr. Liu Jinduo	Interest of a controlled corporation ⁽⁵⁾	377,676,740(L)	20.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation ⁽⁵⁾	377,676,740(L)	20.86%

Other Information (continued)

Name of Shareholders	Capacity	Total Number of Ordinary Shares ⁽¹⁾	Approximate Percentage of Shareholding ⁽¹⁰⁾
Legend Holdings Corporation ⁽⁶⁾	Interest of a controlled corporation ⁽⁷⁾	412,676,740(L)	22.80%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621(L)	8.64%
凱盛科技集團有限公司 (Triumph Science & Technology Group Co., Ltd.*)	Beneficial owner/Interest of a controlled corporation ⁽⁸⁾	416,424,621(L)	23.01%
中國建材集團有限公司 (China National Building Material Group Co., Ltd.*)	Interest of a controlled corporation ⁽⁸⁾	416,424,621(L)	23.01%
Bank of Communications Trustee Limited	Trustee ⁽⁹⁾	152,000,000(L)	8.40%

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.

Other Information (continued)

- (8) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Science & Technology Group Co., Ltd.*, which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd*. Triumph Science & Technology Group Co., Ltd.* is taken to be interested in the shares held by China Triumph International Investment Company Limited; and China National Building Material Group Co., Ltd* is taken to be interested in the shares held by China Triumph International Investment Company Limited and Triumph Science & Technology Group Co., Ltd.* by virtue of Part XV of the SFO.
- (9) Bank of Communications Trustee Limited has been appointed as the Trustee (as defined herein below) of the Share Award Scheme (as defined herein below). Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing Shares of the Company will be purchased by the Trustee on the market out of cash contributed by the Group and be held in trust for the employees of the Group until such Shares are vested with the relevant Selected Employee(s) (as defined herein below) in accordance with the scheme rules. The Trustee is taken to have a duty of disclosure in relation to such Shares by virtue of Part XV of the SFO.
- (10) As at 30 June 2021, the total number of issued Shares is 1,810,147,058.

Save as disclosed above, as at 30 June 2021, 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.

Other Information (continued)

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

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

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

The original maximum number of Shares in respect of which options may be granted under the Old Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the listing date, which was 36,000,000 Shares. As a result of the division of shares in 2011, the maximum number of Shares in respect of which options may be granted under the Old Share Option Scheme and other share option schemes of the Company was adjusted to 72,000,000 Shares. The Old Share Option Scheme was expired on 22 June 2015. No further options will be granted under the Old Share Option Scheme.

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 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.

Other Information (continued)

(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 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 18(b)(i) to the Unaudited Interim Financial Report.

The Old Share Option Scheme was expired on 22 June 2015. All outstanding options granted under the Old Share Option Scheme will continue to be valid and exercisable in accordance with the terms of the Old Share Option Scheme. No further options will be granted under the Old Share Option Scheme. During the six months ended 30 June 2021, save for a total of 1,320,000 share options that have lapsed during this period, no share options were exercised, cancelled or lapsed under the Old Share Option Scheme.

Particulars of outstanding options granted under the Old Share Option Scheme at the beginning and at the end of the six months ended 30 June 2021 are as follows:

Participant	Date of grant ⁽¹⁾	Exercise price per Share ⁽²⁾ (HK\$)	Exercise period from	until	Held as at 1/1/2021	No. of Shares		Approximate percentage interest in the Company's issued Shares
						Granted/ Exercised/ (Cancelled)/ (Lapsed) during the six months ended 30/6/2021	Held as at 30/6/2021	
Cui Xiangdong	13/5/2015	1.25	13/5/2016	12/5/2022	1,920,000	-	1,920,000 ⁽³⁾	0.11%
	13/5/2015	1.25	13/5/2017	12/5/2022	1,440,000	-	1,440,000 ⁽³⁾	0.08%
	13/5/2015	1.25	15/5/2018	12/5/2022	1,440,000	-	1,440,000 ⁽³⁾	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	9,544,000	(528,000) ⁽⁴⁾	9,016,000	0.50%
	13/5/2015	1.25	13/5/2017	12/5/2022	7,158,000	(396,000) ⁽⁴⁾	6,762,000	0.37%
	13/5/2015	1.25	13/5/2018	12/5/2022	7,158,000	(396,000) ⁽⁴⁾	6,762,000	0.37%
Total					<u>30,060,000</u>	<u>(1,320,000)</u>	<u>28,740,000</u>	

Notes:

- 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.
- The closing price of the Shares on 13 May 2015 was HK\$1.25.
- Mr. Cui Xiangdong retired as an executive Director with effect from 1 April 2021 as he had reached the age of retirement. Hence, Mr. Cui is entitled within a period of 12 months from the date of retirement to exercise his entitlement of 4,800,000 share options.
- Options lapsed during the six months ended 30 June 2021.

Other Information (continued)

B. The New Share Option Scheme

The Company adopted the new share option scheme (the “New Share Option Scheme”) at its special general meeting held on 19 February 2016. During the six months ended 30 June 2021, no share options were granted, exercised, cancelled or lapsed under the New Share Option Scheme. The following is a summary of the principal terms of the rules of the New Share Option Scheme:

(a) Who may join

The Board may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest (“Invested Entity”); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, the “Qualified Participants” and each, a “Qualified Participant”).

(b) The purpose of the New Share Option Scheme

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

(c) Subscription price

The subscription price shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date on which the option is offered to a Qualified Participant (the “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 (the “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.

Other Information (continued)

- (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 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.

- (g) Life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of such period shall continue to be valid and exercisable after the end of such period in accordance with the terms of the New Share Option Scheme.

SHARE AWARD SCHEME

The Board approved the adoption of the share award scheme of the Company (the “Share Award Scheme”) on 12 December 2011 (the “Adoption Date”). The Share Award Scheme would operate in parallel with the Old Share Option Scheme and the New Share Option Scheme. The following is a summary of the principal terms of the rules of the Share Award Scheme:

- (a) Who may join

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the Share Award Scheme (the “Selected Employee(s)”). Selected Employees can be any employee of the Group or Directors of the Company. If any grant of awarded shares is proposed to be made to Director (including an independent non-executive Director) of the Company, such grant must first be approved by all the members of the remuneration committee of the Company (the “Remuneration Committee”), or in the case where the grant is proposed to be made to any member of the Remuneration Committee, by all of the other members of the Remuneration Committee. In addition, where any grant of awarded shares is proposed to be made to any Director or any other person who is a connected person within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders’ approval requirements, unless otherwise exempted under the Listing Rules.

Other Information (continued)

(b) The purpose of the Share Award Scheme

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

(c) Operation of the Share Award Scheme

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

(d) Life of the Share Award Scheme

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

During the six months ended 30 June 2021, 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 18(b)(ii) to the Unaudited Interim Financial Report.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Listing Rules during the six months ended 30 June 2021 and up to the latest practicable date prior to the issue of this report.

Other Information (continued)

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2021, the Group employed approximately a total of 3,436 employees within and outside the People's Republic of China (the "PRC") (31 December 2020: about 3,391 employees). The slight increase in staff number of the Group as at 30 June 2021 as compared to 31 December 2020 is a natural consequence of business growth.

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 abroad participate in the benefit schemes meeting requirements of local labour laws and regulations, respectively. No contribution to the above schemes were forfeited for the six months ended 30 June 2021.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save for the Distribution and the completion of Fujian Longtai Acquisition, there have been no important events affecting the Group that have occurred since the end of the reporting period.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2020 Annual Report of the Company are set out below:

On 26 May 2021, Mr. Zhang Jinshu was redesignated as the director of the securities department of Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司), a substantial shareholder of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established with written terms of reference in compliance with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhang Baiheng and Mr. Wang Yuzhong as members, has reviewed, together with the participation of the Company's management and the external auditors, KPMG, the accounting principles and practices adopted by the Group, and has discussed operational, risk management and internal control, and financial reporting matters and systems of the Group, including the review of the unaudited interim report of the Group for the six months ended 30 June 2021.

* For identification purpose only

Other Information (continued)

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Throughout the six months ended 30 June 2021, the Company applied the principles and complied with the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2021.

INVESTOR RELATIONS AND COMMUNICATIONS

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

By Order of the Board
Peng Shou
Chairman

Hong Kong, 27 August 2021

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

(Incorporated in Bermuda with limited liability)



INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 56 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

27 August 2021

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi (“RMB”))

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
	Note		
Revenue	4	2,025,214	1,173,300
Cost of sales		(1,310,515)	(986,342)
Gross profit	4	714,699	186,958
Other income	5	11,134	9,661
Distribution costs		(39,908)	(37,286)
Administrative expenses		(130,021)	(131,377)
Impairment losses on receivables and contract assets		(648)	(118,391)
Other operating expenses	6(b)	–	(11,673)
Profit/(loss) from operations		555,256	(102,108)
Finance costs	6(a)	(142,011)	(136,976)
Share of profits less losses of joint ventures		–	(171)
Profit/(loss) before taxation	6	413,245	(239,255)
Income tax	7	(111,097)	(38,052)
Profit/(loss) for the period		302,148	(277,307)
Attributable to:			
Equity shareholders of the Company		273,267	(247,518)
Non-controlling interests		28,881	(29,789)
Profit/(loss) for the period		302,148	(277,307)
Earnings/(loss) per share (RMB cent)	8		
Basic		16.48	(14.70)
Diluted		16.43	(14.70)

The notes on pages 30 to 56 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 18.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) for the period	302,148	(277,307)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– equity securities at fair value through other comprehensive income (FVOCI) – net movement in fair value reserve (non-recycling)	(34)	–
Item that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	(9,324)	(6,950)
Total comprehensive income for the period	292,790	(284,257)
Attributable to:		
Equity shareholders of the Company	263,911	(254,468)
Non-controlling interests	28,879	(29,789)
Total comprehensive income for the period	292,790	(284,257)

The notes on pages 30 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2021
(Expressed in RMB)

		(Unaudited) At 30 June 2021 RMB'000	(Audited) At 31 December 2020 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	9	4,623,822	4,265,335
Investment property		21,885	22,463
Right-of-use assets	10	338,230	323,091
Intangible assets		81,041	93,750
Goodwill		96,113	100,349
Interest in joint ventures		5,843	5,919
Equity securities designated at FVOCI		2,413	2,953
Deferred tax assets	17	213,696	236,782
		5,383,043	5,050,642
Current assets			
Inventories	11	507,797	490,138
Contract assets		8,882	29,071
Trade and other receivables	12	782,510	821,319
Prepaid income tax		3,999	3,936
Cash on hand and in bank	13	583,165	806,137
		1,886,353	2,150,601
Current liabilities			
Trade and other payables	14	766,404	1,194,924
Contract liabilities		208,741	133,655
Bank and other loans	15(a)	2,586,112	2,227,735
Lease liabilities		12,324	17,491
Convertible bonds	16	–	17,355
Income tax payable		182,227	161,361
		3,755,808	3,752,521
Net current liabilities		(1,869,455)	(1,601,920)
Total assets less current liabilities		3,513,588	3,448,722

The notes on pages 30 to 56 form part of this interim financial report.

Consolidated Statement of Financial Position (continued)

at 30 June 2021
(Expressed in RMB)

	(Unaudited) At 30 June 2021 RMB'000	(Audited) At 31 December 2020 RMB'000
Note		
Non-current liabilities		
Bank and other loans	999,009	1,212,148
Lease liabilities	10,986	15,426
Deferred tax liabilities	37,026	39,887
Other non-current liabilities	11,260	13,265
	1,058,281	1,280,726
NET ASSETS	2,455,307	2,167,996
CAPITAL AND RESERVES		
18		
Share capital	84,867	84,867
Reserves	2,191,801	1,925,537
Total equity attributable to equity shareholders of the Company	2,276,668	2,010,404
Non-controlling interests	178,639	157,592
TOTAL EQUITY	2,455,307	2,167,996

The notes on pages 30 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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
Changes in equity for the six months ended 30 June 2020												
Loss for the period	-	-	-	-	-	-	-	-	(247,518)	(247,518)	(29,789)	(277,307)
Other comprehensive income	-	-	-	-	-	-	(6,950)	-	-	(6,950)	-	(6,950)
Total comprehensive income	-	-	-	-	-	-	(6,950)	-	(247,518)	(254,468)	(29,789)	(284,257)
Shares purchased under the share award scheme (Note 18(b))	-	-	(11,436)	-	-	-	-	-	-	(11,436)	-	(11,436)
Contributions from non-controlling interests ("NCI") of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,882	2,882
Acquisition of NCI of a subsidiary	-	-	-	-	-	394	-	-	-	394	(394)	-
	-	-	(11,436)	-	-	394	-	-	-	(11,042)	2,488	(8,554)
Balance at 30 June 2020	<u>84,867</u>	<u>1,780,249</u>	<u>(75,689)</u>	<u>33,198</u>	<u>40,785</u>	<u>(447,145)</u>	<u>(34,394)</u>	<u>469</u>	<u>429,273</u>	<u>1,811,613</u>	<u>145,295</u>	<u>1,956,908</u>

Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2020	84,867	1,780,249	(75,689)	33,198	40,785	(447,145)	(34,394)	469	429,273	1,811,613	145,295	1,956,908
Changes in equity for the six months ended 31 December 2020												
Profit for the period	-	-	-	-	-	-	-	-	162,805	162,805	16,024	178,829
Other comprehensive income	-	-	-	-	-	-	36,015	(29)	-	35,986	(2)	35,984
Total comprehensive income	-	-	-	-	-	-	36,015	(29)	162,805	198,791	16,022	214,813
Dividends approved to equity owners of a subsidiary	-	-	-	-	-	-	-	-	-	-	(3,725)	(3,725)
Balance at 31 December 2020	<u>84,867</u>	<u>1,780,249</u>	<u>(75,689)</u>	<u>33,198</u>	<u>40,785</u>	<u>(447,145)</u>	<u>1,621</u>	<u>440</u>	<u>592,078</u>	<u>2,010,404</u>	<u>157,592</u>	<u>2,167,996</u>

The notes on pages 30 to 56 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

Attributable to equity shareholders of the Company

	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	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
Changes in equity for the six months ended 30 June 2021												
Profit for the period	-	-	-	-	-	-	-	-	273,267	273,267	28,881	302,148
Other comprehensive income	-	-	-	-	-	-	(9,324)	(32)	-	(9,356)	(2)	(9,358)
Total comprehensive income	-	-	-	-	-	-	(9,324)	(32)	273,267	263,911	28,879	292,790
Acquisition of NCI of a subsidiary	-	-	-	-	-	2,353	-	-	-	2,353	(7,832)	(5,479)
Balance at 30 June 2021	84,867	1,780,249	(75,689)	33,198	40,785	(444,792)	(7,703)	408	865,345	2,276,668	178,639	2,455,307

The notes on pages 30 to 56 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2021 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
Note	2021	2020	
	RMB'000	RMB'000	
Operating activities			
	476,185	148,215	
Cash generated from operations			
	(69,459)	(20,257)	
Income tax paid			
Net cash generated from operating activities	406,726	127,958	
Investing activities			
	(642,290)	(123,629)	
Payment for the purchase of property, plant and equipment and land use rights			
	–	26,590	
Proceeds from relocation of production line			
	17,971	45,984	
Other cash flows arising from investing activities			
Net cash used in investing activities	(624,319)	(51,055)	
Financing activities			
	(9,216)	(14,114)	
Capital element of lease rentals paid			
	(1,475)	(2,972)	
Interest element of lease rentals paid			
	1,769,285	1,778,384	
Proceeds from new bank and other loans			
	(1,609,843)	(1,426,510)	
Repayment of bank and other loans			
	(16,345)	(17,338)	
Payment for the redemption of convertible bonds			
	–	(11,436)	
Payment for purchase of shares under share award scheme			
	(111,513)	(244,382)	
Other cash flows used in financing activities			
Net cash generated from financing activities	20,893	61,632	
Net (decrease)/increase in cash and cash equivalents	(196,700)	138,535	
Cash and cash equivalents at 1 January	698,114	565,188	13
Effect of foreign exchange rates changes	(4,017)	(3,046)	
Cash and cash equivalents at 30 June	497,397	700,677	13

The notes on pages 30 to 56 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

China Glass Holdings Limited (the “Company”) was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 June 2005. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in joint ventures. The Group is principally involved in the production, marketing and distribution of glass and glass products, designing and installation of production lines of pharmaceutical glass, and the development of glass production technology.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issue on 27 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the board of directors (the “Directors”) of the Company is included on page 22.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2021.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (continued)

As at 30 June 2021, the Group had net current liabilities of RMB1,869,455,000 (31 December 2020: RMB1,601,920,000). Notwithstanding the net current liabilities as at 30 June 2021, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group for the next twelve months ending 30 June 2022 prepared by the management, which has taken into account:

- unutilised bank facilities of RMB124.1 million, the Group's newly financed and refinanced bank and other loans of RMB406.9 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 RMB1,046.0 million, and the directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the twelve months ending 30 June 2022; and
- financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.* (“凱盛科技集團有限公司”, the “Triumph Group”), a wholly-owned subsidiary of China National Building Material Group Co., Ltd., which is a central state-owned enterprise.

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

3 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by products and services. In a manner consistent with the way in which the information 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 operating segments. No operating segments have been aggregated to form the following reportable segments:

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– sales of glass products	1,954,402	1,131,691
– revenue from service contracts	62,082	31,642
– sales of spare parts	8,730	9,967
	2,025,214	1,173,300
Disaggregated by geographical location of customers		
– The Mainland China and Hong Kong (place of domicile)	1,562,782	845,172
– Nigeria	173,011	83,049
– Middle East	85,885	79,591
– Ghana	27,373	3,112
– Other countries	176,163	162,376
	462,432	328,128
	2,025,214	1,173,300

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Design and installation service		Total	
	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000
Disaggregated by timing of revenue recognition												
- point in time	979,543	478,004	321,084	150,249	424,718	359,259	233,020	144,179	8,730	9,967	1,967,095	1,141,658
- over time	-	-	-	-	-	-	-	-	58,119	31,642	58,119	31,642
Revenue from external customers	979,543	478,004	321,084	150,249	424,718	359,259	233,020	144,179	66,849	41,609	2,025,214	1,173,300
Inter-segment revenue	49,468	26,296	116	786	2,349	2,281	-	-	-	-	51,933	29,363
Reportable segment revenue	1,029,011	504,300	321,200	151,035	427,067	361,540	233,020	144,179	66,849	41,609	2,077,147	1,202,663
Reportable segment gross profit	329,863	57,880	127,199	25,552	175,387	79,497	69,513	20,403	12,737	3,626	714,699	186,958

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

5 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net gain from sale of raw and scrap materials	6,235	1,425
Interest income	3,461	2,770
Government grants	2,740	2,170
Rental income from investment property	938	917
Net (loss)/gain on disposals of property, plant and equipment	(1,594)	203
Net loss on disposal of a subsidiary	(5,158)	–
Others	4,512	2,176
	11,134	9,661

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest on bank and other loans	90,225	109,994
Interest on lease liabilities	1,475	2,972
Finance charges on convertible bonds (Note 16)	21	3,810
Bank charges and other finance costs	20,757	33,088
Total borrowing costs	112,478	149,864
Less: amounts capitalised into property, plant and equipment (Note)	(16,468)	(9,043)
Net borrowing costs	96,010	140,821
Changes in fair value on the derivative component of convertible bonds (Note 16)	–	(999)
Net foreign exchange loss/(gain)	46,001	(2,846)
	142,011	136,976

Note: The borrowing costs have been capitalised at 5.82% per annum for the six months ended 30 June 2021 (5.53% per annum for the six months ended 30 June 2020).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

6 PROFIT/(LOSS) BEFORE TAXATION (continued)

(b) Other operating expenses

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Impairment losses on property, plant and equipment (Note 9(b))	-	11,673

(c) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cost of inventories (Note 11)	1,310,515	986,342
Depreciation and amortisation charge		
– property, plant and equipment and intangible assets	132,541	125,051
– investment property	578	578
– right-of-use assets	10,031	12,750
Short-term lease charges	1,076	1,364
Research and development costs (other than capitalised costs and related amortisation)	484	448

7 INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current taxation:		
– provision for Corporate Income Tax on the estimated taxable profits for the period	90,292	8,971
– (over)/under-provision of Corporate Income Tax in respect of prior years	(28)	22
	90,264	8,993
Deferred taxation (Note 17)	20,833	29,059
	111,097	38,052

The Hong Kong Profits Tax rate for the six months ended 30 June 2021 is 16.5% (six months ended 30 June 2020: 16.5%).

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

7 INCOME TAX (continued)

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).

The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2021 (six months ended 30 June 2020: 30%).

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.

A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (six months ended 30 June 2020: 27.9%).

A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20% (six months ended 30 June 2020: 20%).

A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25% (six months ended 30 June 2020: 25%).

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of RMB273,267,000 (six months ended 30 June 2020 is based on the loss attributable to ordinary equity shareholders of the Company of RMB247,518,000) and the weighted average of 1,658,147,000 ordinary shares, taking into the effect of shares purchased under a share award scheme set out in Note 18(b)(ii) (six months ended 30 June 2020: 1,683,807,000 shares) in issue during the six months ended 30 June 2021.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB272,471,000 and the weighted average number of ordinary shares (diluted) of 1,658,314,000.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

8 EARNINGS/(LOSS) PER SHARE (continued)

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

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

	Six months ended 30 June 2021 RMB'000
Profit attributable to ordinary equity shareholders	273,267
After tax effect of effective interest on the liability component of convertible bonds	21
After tax effect of net gain on redemption of convertible bonds	(817)
	<hr/>
Profit attributable to ordinary equity shareholders (diluted)	272,471

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

	2021 '000
Weighted average number of ordinary shares at 30 June	1,658,147
Effect of conversion of convertible bonds (Note 16)	167
	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	1,658,314

There were no dilutive potential ordinary shares for the six months ended 30 June 2020. The Group's convertible bonds (see Note 16) were not included in the calculation of dilutive earnings per share for the six months ended 30 June 2020 because they were anti-dilutive.

9 PROPERTY, PLANT AND EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2021, the Group incurred capital expenditure on property, plant and equipment and construction in progress with a cost of RMB534.3 million (six months ended 30 June 2020: RMB190.6 million). Items of property, plant and equipment with a net book value of RMB16.2 million were reclassified from right-of-use assets during the six months ended 30 June 2021. Items of property, plant and equipment with a net book value of RMB15.4 million were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB0.4 million).

(b) Impairment losses

During the six months ended 30 June 2020, the Group considered the value of certain property, plant and equipment were impaired and therefore assessed the recoverable amounts of these assets. As a result, a provision of RMB11.7 million was made in respect of these property, plant and equipment with the carrying amount of RMB11.7 million as at 30 June 2020. The recoverable amount of these assets were estimated based on their value in use. No provision was made during the six months ended 30 June 2021.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

10 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of buildings, land use rights and therefore recognised the additions to right-of-use assets of RMB42.8 million (six months ended 30 June 2020: RMB29.9 million). Items of right-of-use assets with a net book value of RMB16.2 million were reclassified to the property, plant and equipment during the six months ended 30 June 2021.

11 INVENTORIES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Raw materials	210,815	191,427
Work in progress and finished goods	245,052	262,639
Racks, spare parts and consumables	56,978	50,129
	512,845	504,195
Less: write-down of inventories	(5,048)	(14,057)
	507,797	490,138

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold/used in service contracts	1,310,515	982,983
Write-down of inventories	-	3,359
	1,310,515	986,342

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables from (Note (a)):		
– third parties	282,739	182,198
– Triumph Group's related parties	6,395	6,677
– affiliates of non-controlling equity owners of subsidiaries	15,069	15,069
	304,203	203,944
Less: loss allowance (Note (b))	(141,177)	(140,516)
	163,026	63,428
Amounts due from related companies:		
– an equity shareholder of the Company (Note (i))	12	13
– non-controlling equity owners of a subsidiary (Note (i))	150	150
– a joint venture (Note (ii))	35,614	23,324
	35,776	23,487
Other debtors (Note (iii))	358,655	466,199
Less: loss allowance (Note (b))	(154,141)	(154,401)
	204,514	311,798
Financial assets measured at amortised cost	403,316	398,713
Bills receivable	146,058	264,422
Prepayments and value added tax refundable	233,136	158,184
	782,510	821,319

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 30 June 2021, the amounts of RMB87.0 million (31 December 2020: RMB87.0 million) is the remaining receivables from the local government authority for relocation of production plants.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (continued)

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

(a) Ageing analysis

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	137,316	63,859
More than 1 month but less than 3 months	39,808	103,557
More than 3 months but less than 6 months	94,919	116,284
More than 6 months but less than 1 year	14,924	32,698
Over 1 year	22,117	11,452
	309,084	327,850

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

The movement in the loss allowance account in respect of trade and other receivables during the past six months ended 30 June 2021 is as follows:

	Six months ended 30 June 2021 RMB'000	Year ended 31 December 2020 RMB'000
At 1 January	294,917	172,202
Impairment losses recognised	648	122,739
Exchange adjustment	(247)	(24)
At 30 June/31 December	295,318	294,917

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

13 CASH ON HAND AND IN BANK

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash on hand and in bank	497,397	698,114
Time deposits and restricted deposits with banks	85,768	108,023
Cash on hand and in bank in the consolidated statement of financial position	583,165	806,137
Less: time deposits and restricted deposits to secure the bank bills	(85,768)	(108,023)
Cash and cash equivalents in the condensed consolidated cash flow statement	497,397	698,114

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.

14 TRADE AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables to:		
– third parties	287,271	323,716
– Triumph Group's related parties	174	258,563
– affiliates of non-controlling equity owners of subsidiaries	49	599
Bills payable	31,650	83,785
	319,144	666,663
Amounts due to related parties:		
– Triumph Group and its related parties (Note)	41,626	48,161
– Companies under common significant influence (Note)	11	11
	41,637	48,172
Accrued charges and other payables	378,300	414,589
Financial liabilities measured at amortised cost	739,081	1,129,424
Payables for miscellaneous taxes	27,323	65,500
	766,404	1,194,924

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 Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

14 TRADE AND OTHER PAYABLES (continued)

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Due within 1 month or on demand	302,459	351,280
Due after 1 month but within 6 months	14,753	183,379
Due after 6 months but within 1 year	1,932	132,004
	319,144	666,663

15 BANK AND OTHER LOANS

(a) Short-term bank and other loans

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans	1,268,243	1,104,249
Loans from a financial institution	–	101,533
Loans from Triumph Group and its related parties	470,296	160,000
	1,738,539	1,365,782
Add: current portion of long-term bank and other loans (Note 15(b))	847,573	861,953
	2,586,112	2,227,735

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

15 BANK AND OTHER LOANS (continued)

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

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– pledged by bank bills	421,781	110,000
– secured and/or guaranteed (Note (i))	825,462	955,249
– unguaranteed and unsecured	21,000	39,000
	1,268,243	1,104,249
Loan from a financial institution:		
– secured and guaranteed (Note (i))	–	101,533
Loans from Triumph Group and its related parties:		
– secured (Note (i))	135,000	–
– unguaranteed and unsecured (Note (ii))	335,296	160,000
	470,296	160,000
	1,738,539	1,365,782

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 and repayable within one year.

At 30 June 2021, the aggregate carrying value of the secured property, plant and equipment, land use rights for the Group's short-term bank loans is RMB545.5 million (31 December 2020: RMB729.8 million).

At 30 June 2021, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB22.7 million (31 December 2020: RMB20.0 million).

At 30 June 2021, the aggregate carrying value of the pledged trade receivables (including intercompany balance) for the Group's short-term bank loans is RMB135.0 million (31 December 2020: RMB101.5 million).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

15 BANK AND OTHER LOANS (continued)

(b) Long-term bank and other loans

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans	974,571	1,062,821
Loans from financial institutions	872,011	1,011,280
	1,846,582	2,074,101
Less: current portion of long-term bank and other loans (Note 15(a))	(847,573)	(861,953)
	999,009	1,212,148

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year or on demand	847,573	861,953
After 1 year but within 2 years	826,432	978,289
After 2 years but within 5 years	169,739	233,859
After 5 years	2,838	–
	1,846,582	2,074,101

At 30 June 2021, the Group's long-term bank and other loans are secured as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
– secured and/or guaranteed (Note)	974,571	1,062,821
Loans from financial institutions:		
– secured and/or guaranteed (Note)	842,632	1,011,070
– unguaranteed and unsecured	29,379	210
	872,011	1,011,280
	1,846,582	2,074,101

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

15 BANK AND OTHER LOANS (continued)

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

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

At 30 June 2021, the aggregate carrying value of the pledged trade receivables (including intercompany balance) for the Group's long-term bank loans is RMB73.9 million (31 December 2020: RMB120.9 million).

At 30 June 2021, 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 RMB992.5 million (31 December 2020: RMB926.8 million).

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

At 30 June 2021, the Group's banking facilities amounted to RMB1,241.2 million (31 December 2020: RMB1,589.7 million) were utilised to the extent of RMB1,117.1 million (31 December 2020: RMB1,312.9 million).

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 of RMB33.6 million as at 30 June 2021 (31 December 2020: RMB54.8 million), waiver was granted by the bank. Except this, none of the covenants relating to the bank and other loans had been breached.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

16 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2020	44,503	3,832	48,335
Accrued finance charges for the year	5,717	–	5,717
Interest paid	(2,404)	–	(2,404)
Fair value changes on the derivative component	–	(490)	(490)
Partial redemption of convertible bonds	(30,453)	(2,219)	(32,672)
Exchange adjustments	(1,049)	(82)	(1,131)
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	16,314	1,041	17,355
Accrued finance charges for the period (Note 6(a))	21	–	21
Interest paid	(205)	–	(205)
Redemption of convertible bonds	(16,125)	(1,037)	(17,162)
Exchange adjustments	(5)	(4)	(9)
	<hr/>	<hr/>	<hr/>
At 30 June 2021	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 fourth 25% of total outstanding principal of the convertible bonds on 1 July 2019, 3 January 2020, 1 July 2020 and 4 January 2021 separately. As at 30 June 2021, all the convertible bonds had been redeemed by the Bondholder.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

17 DEFERRED TAX ASSETS AND LIABILITIES

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

	Assets				Liabilities		Net RMB'000
	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	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	
Deferred tax arising from:							
At 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	(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 and 1 January 2021	100,463	1,017	51,074	84,228	236,782	(39,887)	196,895
(Charged)/credited to the consolidated statement of profit or loss (Note 7)	(29,541)	(56)	(575)	7,295	(22,877)	2,044	(20,833)
Credited to reserves	-	-	-	-	-	11	11
Exchange adjustment	-	(12)	(54)	(143)	(209)	806	597
At 30 June 2021	70,922	949	50,445	91,380	213,696	(37,026)	176,670

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends/distributions

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

The directors of the Company have proposed an interim distribution after the interim period of HK\$0.05 per share (six months ended 30 June 2020: HK\$Nil) or approximately RMB75.3 million (six months ended 30 June 2020: RMBNil), based on the existing 1,810,147,058 ordinary shares in issue as at 30 June 2021. The aggregate amounts to be paid to shareholders will be determined based on the number of ordinary shares as at the record date for determination of entitlement to the distribution.

The interim distribution has not been recognised as a liability at the end of the reporting period.

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

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2020: HK\$Nil).

(b) Equity-settled share-based transactions

- (i) Share option scheme

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

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

No share options were granted to the directors and employees of the Group under the Share Option Scheme 2016 during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

No share options issued under the Share Option Scheme were exercised during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

- (ii) Share award scheme

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

18 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (continued)

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

(ii) Share award scheme (continued)

Details of the shares held under the Share Award Scheme are set out below:

	Average purchase price HK\$	No. of shares held '000	Value RMB'000
At 1 January 2020		115,620	64,253
Shares purchased during the year	0.401	36,380	11,436
At 31 December 2020 and 30 June 2021		<u>152,000</u>	<u>75,689</u>

During the six months ended 30 June 2021, no ordinary share was purchased for the Share Award Scheme (six months ended 30 June 2020: 36,380,000 ordinary shares with an average purchase price of HK\$0.401 per share). No shares have been awarded to any selected employee as at the date of this interim financial report.

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2021.

(a) Transactions with Triumph Group and its related parties

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Purchase of raw materials	234,786	201,613
Purchase of property, plant and equipment	317,112	5,522
Construction service received	35,869	–
Net (decrease)/increase in guarantees received for the Group's loans	(334,265)	137,578
Net increase in loan's principal from Triumph Group and its related parties	310,296	–
Interest and financial charges in relation to interest-bearing loans from Triumph Group and its related parties	10,839	12,812
Service provided	–	1,929

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with a joint venture of the Group

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net increase in interest-bearing receivables granted to a joint venture	11,413	–
Interest income receivables	877	–

(c) Transactions with a director of the Company

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net increase/(decrease) in guarantees received for the Group's bank and other loans	40,000	(16,169)

(d) Transactions with a key management of the Company

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net decrease in guarantees received for the Group's bank and other loans	10,000	–

(e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Short-term employee benefits	2,063	2,540
Contributions to defined contribution retirement plans	153	182
	2,216	2,722

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

20 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– contracted for	57,043	313,263
– authorised but not contracted for	–	487,290
	57,043	800,553

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

Fair value at 30 June 2021 RMB'000	Fair value measurements as at 30 June 2021 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements			
Financial assets:			
Equity securities	2,413	-	2,413
Bills receivable (Note 12)	146,058	146,058	-

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
Recurring fair value measurements			
Financial assets:			
Equity securities	2,953	-	2,953
Bills receivable (Note 12)	264,422	264,422	-
Liabilities:			
Derivative component of the convertible bonds (Note 16)	1,041	1,041	-

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

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

Derivative component of the convertible bonds

The estimate of the fair value of the derivative component of the convertible bonds were measured based on a Monte Carlo option pricing model. Details of the assumptions used as at 31 December 2020 are as follows:

	At 31 December 2020
Share price (HK\$)	0.90
Exercise price (HK\$)	1.28
Expected volatility (Note)	121.50%
Dividend yield (Note)	0.35%
Maturity period	0.09 years
Conversion period	0.07 years
Discount rate (Note)	<u>11.04% – 11.35%</u>

Note: The discount rate used was 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 was based on the historical volatility. Dividend yield are based on historical dividends.

Bills receivable

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 Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Equity securities	Market comparable companies	Discount for lack of marketability	50% to 70% (2020: 50% to 70%)

The fair value of equity securities is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2021, 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 RMB168,000 (six months ended 30 June 2020: RMB151,000).

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

	2021 RMB'000	2020 RMB'000
Equity securities:		
At 1 January	2,953	2,994
Disposal	(495)	–
Net unrealised loss recognised in other comprehensive income during the period	(45)	–
At 30 June	2,413	2,994

Any gains or losses arising from the remeasurement of the Group's 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 Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2020 and 30 June 2021 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2021		At 31 December 2020	
	Carrying amounts RMB'000	Fair value RMB'000	Carrying amounts RMB'000	Fair value RMB'000
Long-term bank and other loans	999,009	997,542	1,212,148	1,207,215
Liability component of convertible bonds	-	-	16,314	16,249

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) On 6 May 2021, the Group and Fujian Longtai Jiahao Investment Company Limited* (“福建龍泰嘉豪投資有限公司”, “Fujian Jiahao”) entered into an equity transfer agreement, pursuant to which the Group agreed to acquire and Fujian Jiahao conditionally agreed to sell, a 55% equity interest in Fujian Longtai Industries Company Limited* (“福建龍泰實業有限公司”), at a consideration of RMB444.18 million (the “Acquisition”). The Acquisition was approved by the special general meeting of the Group held on 16 July 2021 and all the conditions has been satisfied after then. The directors of the Company have engaged Zhongjing Minxin (Beijing) Assets Appraisal Co., Ltd.* (中京民信(北京)資產評估有限公司), an independent professional valuer, to value the fair values of the identifiable assets and liabilities as at the completion date of the Acquisition. Up to the date of this report, the valuation is still on progress.
- (ii) On 27 August 2021, the directors of the Company have proposed an interim distribution. Further details are disclosed in Note 18(a).

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