



**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  
**2022**

# 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	30-52

# Corporate Information

## BOARD OF DIRECTORS

### Executive Director

Mr. Lyu Guo (*Chief Executive Officer*)

### Non-executive Directors

Mr. Peng Shou (*Chairman*)

Mr. Zhao John Huan

Mr. Zhang Jinshu

### Independent Non-executive Directors

Mr. Zhang Baiheng

Mr. Wang Yuzhong

Mr. Chen Huachen

## AUDIT COMMITTEE

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

Mr. Peng Shou

Mr. Zhang Baiheng

Mr. Wang Yuzhong

## REMUNERATION COMMITTEE

Mr. Wang Yuzhong (*Chairman of remuneration committee*)

Mr. Peng Shou

Mr. Zhang Baiheng

## NOMINATION COMMITTEE

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

Mr. Peng Shou

Mr. Wang Yuzhong

## STRATEGY COMMITTEE

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

Mr. Zhao John Huan

Mr. Lyu Guo

## SENIOR MANAGEMENT

Mr. Li Ping

Mr. Yang Hongfu

Mr. Xu Ning

Mr. He Wen

Mr. Han Liming

Ms. Kuok Yew Lee

## COMPANY SECRETARY

Ms. Kuok Yew Lee

## AUTHORISED REPRESENTATIVES

Mr. Lyu Guo

Ms. Kuok Yew Lee

## REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton, HM 12

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 SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate Services (Bermuda) Ltd

Canon's Court

22 Victoria Street

Hamilton, HM 12

Bermuda



# Corporate Information (continued)

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## LEGAL ADVISORS

*As to Hong Kong Law*  
Norton Rose Fulbright Hong Kong

*As to the People's Republic of China Law*  
Commerce & Finance Law Offices

*As to Bermuda Law*  
Appleby

## PRINCIPAL BANKERS

China Construction Bank  
Bank of Communications  
Luso International Banking Ltd.  
Bank of Shanghai  
Hua Xia Bank  
China Minsheng Bank  
Agricultural Bank of China  
China Everbright Bank  
China Development Bank  
China CITIC Bank

## AUDITORS

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

## INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group Holdings Limited

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 3300

## WEBSITE

[www.chinaglassholdings.com](http://www.chinaglassholdings.com)

# Management Discussion and Analysis

## MARKET REVIEW

In the first half of 2022, due to the recurrent outbreaks of COVID-19 worldwide, the intensified geopolitical conflicts, the rising inflationary pressures in the United States and European developed economies, the pace of world economic recovery slowed down. In the first half of the year, the economic development of the PRC faced triple pressures of “shrinking demand, supply shock, and weakened expectations” affected by the Russian-Ukrainian crisis, a new round of epidemic and the prevention and control policies, which were beyond expectations. In order to maintain the economic operation in a reasonable range, the Chinese government efficiently coordinated both prevention and control of epidemic and economic and social development, effectively implemented a package of policies and measures to stabilize the economic growth, and accelerated the resumption of work, production, business and markets.

In the first half of 2022, due to the continued influence of the national supply-side structural reform, the peak carbon dioxide emissions and carbon neutrality (“**double carbon (雙碳)**”) initiative and environmental protection policies, the production capacity of the domestic flat glass industry was stable. Affected by the combined effect of factors including the sluggish real estate industry, the recurrent outbreaks of the COVID-19, the rising cost of raw and fuel materials, etc., the domestic flat glass industry ran weakly as a whole.

## BUSINESS REVIEW

### Overview

The Group currently has 14 float glass production lines, with a daily melting capacity of 7,400 tonnes. As at 30 June 2022, the Group had 10 float glass production lines in operation. The unoperated production lines included a float glass production line in Kazakhstan in the preparation stage before production and 3 other float glass production lines which were in the cold repair stage. In addition, the Group also had 1 offline low-emission coated (“**Low-E**”) glass production line, a company specialized in engineering equipment and technical services for neutral pharmaceutical glass production lines and 1 photovoltaic glass production line in the preparation stage before production.

### Production, sales and selling price

In the first half of 2022, the Group produced approximately 21.17 million and sold 16.52 million weight cases of various types of glass products, representing an increase of 20% and a decrease of 3%, respectively, compared with the same period of last year, with a consolidated average selling price of approximately RMB116.4 per weight case, representing an increase of 1% 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 2022, the overall demand in the domestic soda ash market remained resilient, the rate of operation of soda ash enterprises fluctuated within a narrow range, and the market price continued to rise. In terms of mineral raw materials, due to the continued national environmental protection and safety supervision, rectification works and the high cost and standard of raw ore mining, the domestic mineral resources market was in short supply and the price of quartz sand remained at a high level, showing an overall trend of rising before falling.

In terms of fuel, in the first half of 2022, the energy prices of international fuel oil, natural gas, petcoke etc. fluctuated upward under the effect of a combination of factors such as energy crisis caused by geopolitical conflicts, global mismatches between supply and demand and global weather anomalies and so on.

# Management Discussion and Analysis (continued)

## MAJOR WORKS IN THE FIRST HALF OF 2022

In the first half of 2022, in the face of the complex and ever-changing external environment, with the aim of improving its operating performance, the Group focused on the float glass business and deepened the implementation of its mid- and long-term development strategy integrating “organic growth, M&A growth and going global” (“**three major strategies**”). While conscientiously proceeding with the work of “cost reduction and efficiency enhancement”, the Group proactively promoted the construction progress of new glass, new materials and new energy projects (“**three new projects**”) and deepened the unified system management covering “production, marketing, procurement, finance and investment” (“**five-in-one**”). The efforts were mainly exerted in the following aspects:

### 1. **Seizing market opportunities and adjusting procurement and marketing strategies in a timely manner**

In terms of procurement management, we paid close attention to the economic environment and fluctuations in market conditions. Taking into account of the situation, we deeply explored strategic cooperation with high-quality suppliers through centralized purchasing, off-peak purchasing, opportunistic purchasing, advance purchasing, etc., to effectively reduce the purchasing costs of raw and fuel materials. Meanwhile, we ensured the stability of raw and fuel materials supply and production safety through overall planning, field survey, intelligent monitoring, dynamic management, etc.

In respect of marketing management, we focused on strengthening management and control of the price and grasped the pace of market changes, to quickly adjust marketing strategies; we strengthened research and judgment to adjust product structure in a timely manner, to increase sales of high value-added specialty products and to fully meet market demand. Meanwhile, we balanced and coordinated customer channel relationships and promoted the improvement of customer resource quality through improving the dynamic customer contract management system, strengthening sales channel development, customer satisfaction surveys, and other measures.

### 2. **Proactively responding to market changes, tapping potential internally, and vigorously carrying out “cost reduction and efficiency enhancement”**

Every base of the Group proactively promoted the work of “cost reduction and efficiency enhancement” according to local conditions. In terms of production technology, we practically strengthened the management and control of the whole production process and reasonably adjusted the structure of raw and fuel materials on the basis of ensuring product quality and safe production, to effectively reduce the heat consumption of furnaces and comprehensive energy consumption; in respect of finance, in coordination with the headquarters and bases, we strengthened comprehensive budget management to effectively control costs. At the same time, we proactively sought for low-cost and diversified financing channels to match high-quality capital resources for the rapid expansion of the Group’s businesses.

### 3. **Adhering to technological innovation and steadily advancing the “three new projects”, striving for new breakthroughs in business development**

In response to the national “double carbon” initiative and in accordance with the relevant national policies and measures for green and low-carbon development, we relied on internal and external technology development platforms to promote the unified and collaborative management of the Group’s production technologies, to strengthen the technical differentiation of coated glass products and other featured products of CNG in the industry, to enhance the market competitiveness and promote the green development and sustainable development of the Company simultaneously.

# Management Discussion and Analysis (continued)

The new Energy Business Department newly established at the headquarters of the Group coordinated and managed the “three new projects” of the Group. Looking at the national sustainable development policy and market conditions, it comprehensively developed new energy glass, meanwhile, effectively promoted the construction progress of projects under construction. A photovoltaic glass production line of the Group in Suqian Base was in the preparation stage before production, gradually forming the new energy industry layout in Suqian.

## 4. The “going global” strategy has achieved remarkable results, boosted performance growth and enhanced the ability of overall risk-resistance of the Company

The operating results of the overseas projects achieved outstanding performance. The profitability of the project in Nigeria was significantly ahead of standard of peers in mainland China; in the project in Italy, the business scale of borosilicate pharmaceutical glass and hollow glass equipment service segment grew strongly, and the new solar energy and its technology development segment developed gradually, which is expected to become a new economic growth driver in the future; the project in Kazakhstan will be ignited soon.

## 5. Being people-oriented and giving full play to the effectiveness of the incentive mechanism

We fully implemented the “people-oriented” humanistic concept. Through further improving the performance appraisal system, organizing skills training for employees, optimizing the configuration of the senior management team, and other measures, we continuously strengthened human resource management and gave full play to its positive and incentive role.

## IMPACT OF COVID-19 PANDEMIC AND COUNTERMEASURES

In the first half of 2022, it was difficult to effectively control the pandemic abroad, and the pandemic spread in many places in the PRC. According to the national general strategy of “prevention of input from abroad, prevention of resurgence domestically” and the general policy of “dynamic zero” for pandemic prevention and control, 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 and procurement strategies based on real-time tracking of the import and export channels and personnel entry and exit policies, optimization of supply chain transportation channels, coordinated domestic and overseas production and operation and safe working environment for employees to maximize the optimal allocation of resources and deal with emergencies caused by the pandemic.

## MARKET OUTLOOK

In the second half of 2022, in light of the increased downward pressure on the world economy, the International Monetary Fund lowered the value of economic growth forecast by 0.4% to 3.2%<sup>1</sup>. With the effective control of the domestic epidemic and the steady implementation of macro support policies, China’s economy is expected to reflect a steady recovery. In the second half of the year, the glass industry will enter the traditional peak season. Under the influence of the national “double carbon” initiative and relevant policies such as “guaranteeing the delivery of buildings and stabilizing people’s livelihood”, the market demand for construction and new energy glass is expected to rebound. In addition, as the supply-side cold repair is expected to reach the peak, the glass price may usher in a rebound. However, the frequent mutation of the COVID-19, the lack of fundamental relief of geopolitical conflicts, and the overall rise in commodity prices brought about by global inflation will still pose challenges to the development of the glass industry.

<sup>1</sup> The statistical data is derived from the website of the International Monetary Fund – July 2022 World Economic Outlook



# Management Discussion and Analysis (continued)

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

In terms of raw materials, in the second half of 2022, with the effective control of domestic epidemic and the picking up of the demand for downstream glass products, it is expected that the domestic price of soda ash will fluctuate upward; and that the prices of quartz sand and other mineral raw materials will stabilize at a high level due to the support of the mining cost.

In terms of fuels, in the second half of 2022, affected by the international situation, the trend of demand for major bulk fuels will continue to grow. As affected by a combination of factors such as passive reduction in terminal demand and tight supply, natural gas prices are expected to remain at a high level, and the increase will be lower than that in the first half of the year. Coal tar, petroleum coke, etc. are expected to drop slightly from high levels due to the impacts of limited demand for international crude oil and the increasing pressure on inventories in the international market.

## WORK PLANS FOR THE SECOND HALF OF 2022

Centering on improving performance of the Company, the Group will continue to focus on the principal float glass business, expand the fields of “three new projects”, extend the upstream and downstream industry chain to achieve new breakthroughs in the development of the Company; the Company will continue to adhere to the “three major strategies”, and rely on the advantages of shareholders to build a leading manufacturer of high-quality float and special glass in the industry:

Opportunities and challenges will coexist in the glass industry in the second half of the year. The Group will research and judge the industry and economic development situation, and proactively take countermeasures:

1. We will continue to strengthen the management functions of departments and deepen “five in one” system management, and give full play to the synergy between the five systems and bases. We will proactively implement the management philosophies of “benchmarking management”, “streamlining organization, management and operation” and “differentiated operation”, strengthen the awareness of crisis, and effectively promote the work of “cost reduction and efficiency enhancement”.
2. We will proactively seize on the construction progress of “three new projects” and cold repair technical renovation projects, and contribute to new benefit drivers; focus on the construction progress and operation situation of overseas projects to further improve the benefit contribution of overseas projects.
3. We will further improve the salary increment mechanism and performance appraisal system and promote the formulation and implementation of equity-based incentive plan, to boost employees’ happiness; we will place importance on the construction of corporate culture, enhance the centripetal force and cohesion of employees; and intensify the introduction and training of talents to optimize the staff structure, and proceed to carry out the work of intelligent and digital transformation, to lay a solid foundation for the sustainable development and comprehensive transformation and development of the Company.
4. We will strengthen capital market management and promote the healthy development of the Company’s market value.
5. We will emphasize supervision and management of compliance to prevent and defuse operational risks of the Company.



# Management Discussion and Analysis (continued)

## FINANCIAL REVIEW

### Revenue

For the first six months of 2022, the revenue of the Group from its principal business increased by approximately 2% to RMB2,061,978,000 as compared to RMB2,025,214,000 in the first six months of 2021. The increase in revenue was mainly attributable to the combined effects of the increase in average unit selling price and the slight decrease in sales volume.

### Cost of sales

The Group's cost of sales increased by approximately 25% from RMB1,310,515,000 for the first six months of 2021 to RMB1,635,531,000 for the first six months of 2022. The increase in cost of sales was mainly attributable to the increase in unit cost of raw materials and fuels.

### Gross profit

The Group's gross profit decreased by approximately 40% from RMB714,699,000 for the first six months of 2021 to RMB426,447,000 for the first six months of 2022. The decrease in gross profit was mainly due to the combined effects of the slight increase in sales revenue and the significant increase in the cost of sales.

### Other income

The Group's other income increased from RMB11,134,000 for the first six months of 2021 to RMB49,598,000 for the first six months of 2022. Other income was mainly from government grants and sale of raw and scrap materials.

### Administrative expenses

For the first six months of 2022, the administrative expenses of the Group increased by approximately 22% to RMB158,350,000 as compared to RMB130,021,000 for the first six months of 2021. The increase in administrative expenses was mainly due to the acquisition of a new production line in 2021 and the inclusion of the period expenses incurred from the cold repair of the production lines in the period.

### Finance costs

For the first six months of 2022, the finance costs of the Group decreased by approximately 9% to RMB128,787,000 as compared to RMB142,011,000 in the first six months of 2021. The substantial decrease in finance costs was benefited from the relatively lower average interest rates of the new borrowings of the Group.

# Management Discussion and Analysis (continued)

## Income tax

For the first six months of 2022, the Group's income tax decreased by approximately 83% to RMB19,012,000 as compared to RMB111,097,000 in the first six months of 2021. The decrease in income tax was mainly due to the decrease in profit before taxation and ratio of profit from certain subsidiaries legally entitled to preferential tax rates increased.

## Profit for the period

For the first six months of 2022, the Group's profit decreased to RMB121,149,000 as compared to RMB302,148,000 for the first six months of 2021, which was mainly due to the combined effects of the decrease of gross profit and the increase in administrative expenses and other factors.

## Profit attributable to equity shareholders for the current period

For the first six months of 2022, the Group's profit attributable to equity shareholders of the Company decreased to RMB115,708,000 as compared to RMB273,267,000 for the first six months of 2021.

## Current assets

The Group's current assets increased by approximately 23% from RMB2,477,825,000 as at 31 December 2021 to RMB3,048,431,000 as at 30 June 2022, which was mainly attributable to the increase in cash, inventories and contract assets.

## Current liabilities

The Group's current liabilities increased by approximately 6% from RMB5,765,716,000 as at 31 December 2021 to RMB6,101,556,000 as at 30 June 2022, which was mainly attributable to the increase in short-term bank loans and other borrowings.

## Non-current liabilities

The Group's non-current liabilities increased by approximately 63% from RMB1,236,795,000 as at 31 December 2021 to RMB2,015,736,000 as at 30 June 2022, which was mainly attributable to the increase in long-term bank loans and other borrowings.

# Management Discussion and Analysis (continued)

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

As at 30 June 2022, the Group's cash on hand and at bank were RMB1,019,665,000 (31 December 2021: RMB692,935,000), of which 45% (31 December 2021: 37%) were denominated in RMB, 8% (31 December 2021: 9%) were denominated in United States Dollars ("USD"), 27% (31 December 2021: 27%) were denominated in Nigerian Naira, 1% (31 December 2021: 1%) were denominated in Hong Kong dollars ("HKD"), 1% (31 December 2021: 2%) were denominated in Kazakhstan Tenge, and 18% (31 December 2021: 24%) were denominated in Euro ("EUR"). Outstanding bank loans and other borrowings were RMB5,935,625,000 (31 December 2021: RMB4,842,558,000), of which 73.3% (31 December 2021: 68.7%) were denominated in RMB, 21.9% (31 December 2021: 26.4%) were denominated in USD, 3.8% (31 December 2021: 4.5%) were denominated in HKD and 1% (31 December 2021: 0.4%) were denominated in EUR.

As at 30 June 2022, the gearing ratio (total interest-bearing debts divided by total assets) was 0.52 (31 December 2021: 0.48). As at 30 June 2022, the Group's current ratio (current assets divided by current liabilities) was 0.5 (31 December 2021: 0.43). The Group recorded net current liabilities amounted to RMB3,053,125,000 as at 30 June 2022 (31 December 2021: RMB3,287,891,000). As at 30 June 2022, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.71 (31 December 2021: 0.67). As at 30 June 2022, 70% (31 December 2021: 80%) of the outstanding bank loans and other borrowings bear interest at fixed rates while approximately 30% (31 December 2021: 20%) bear interest at variable rates. As at 30 June 2022, 70% (31 December 2021: 79%) of the outstanding bank loans and other borrowings will mature within one year while 30% (31 December 2021: 21%) will mature after one year.

## EXCHANGE RATE FLUCTUATION RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, 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, the operating expenses and sales of an engineering equipment and technical service company in Italy were primarily denominated in EUR 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 Nigerian Naira. During the six months ended 30 June 2022, 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

During the six months ended 30 June 2022, the Group did not have any material investments or acquisitions of capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments.

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



## Other Information

The board (the “Board”) of directors (the “Directors” and each a “Director”) of China Glass Holdings Limited (the “Company”) is pleased to present the interim report together with the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022.

### INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

As at 30 June 2022, 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 Director	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares <sup>(1)</sup>	Approximate Percentage of Shareholding <sup>(2)</sup>
Mr. Lyu Guo	The Company	Beneficial owner	9,442,096(L)	0.51%

Notes:

- (1) The letter “L” denotes the Director’s long position in such securities.
- (2) As at 30 June 2022, 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 1,836,218,258.

## Other Information (continued)

Save as disclosed above, as at 30 June 2022, 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 2022, 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 <sup>(1)</sup>	Approximate Percentage of Shareholding <sup>(11)</sup>
First Fortune Enterprises Limited	Beneficial owner	272,926,000(L)	14.86%
Hony International Limited	Interest of a controlled corporation <sup>(2)</sup>	272,926,000(L)	14.86%
Easylead Management Limited	Interest of a controlled corporation <sup>(3)</sup>	272,926,000(L)	14.86%
Right Lane Limited	Interest of a controlled corporation <sup>(3) (4)</sup>	307,926,000(L)	16.77%
Mr. Cao Zhijiang	Interest of a controlled corporation <sup>(5)</sup>	272,926,000(L)	14.86%
Mr. Liu Jinduo	Interest of a controlled corporation <sup>(5)</sup>	272,926,000(L)	14.86%
Mr. Zhang Zuxiang	Interest of a controlled corporation <sup>(5)</sup>	272,926,000(L)	14.86%

## Other Information (continued)

Name of Shareholders	Capacity	Total Number of Ordinary Shares <sup>(1)</sup>	Approximate Percentage of Shareholding <sup>(11)</sup>
Legend Holdings Corporation <sup>(6)</sup>	Interest of a controlled corporation <sup>(7)</sup>	307,926,000(L)	16.77%
China Triumph International Investment Company Limited	Beneficial owner	156,424,621(L)	8.52%
凱盛科技集團有限公司 (Triumph Science & Technology Group Co., Ltd.*)	Beneficial owner/Interest of a controlled corporation <sup>(8)</sup>	416,424,621(L)	22.68%
中國建材集團有限公司 (China National Building Material Group Co., Ltd.*)	Interest of a controlled corporation <sup>(8)</sup>	416,424,621(L)	22.68%
Bank of Communications Trustee Limited	Trustee <sup>(9)</sup>	152,000,000(L)	8.28%
Ms. Sze Tan Hung	Beneficial owner	152,486,000(L)	8.30%
Mr. Tung Ching Sai	Interest of spouse <sup>(10)</sup>	152,486,000(L)	8.30%

### 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. Easylead Management Limited and Right Lane Limited are taken to be interested in the shares held by Hony International Limited by virtue of Part XV of the SFO.
- (4) Elite World Investments Limited holds 35,000,000 Shares. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited. Cheer Elite Holdings Limited is wholly-owned by Right Lane Limited. Right Lane Limited is taken to be interested in the shares held by Elite World Investments Limited by virtue of Part XV of the SFO.
- (5) Easylead Management Limited is owned as to one-third by each of Messrs. Cao Zhijiang, Liu Jinduo and Zhang Zuxiang. Each of them is taken to be interested in the shares held by Easylead Management Limited by virtue of Part XV of the SFO.
- (6) The English company name "Legend Holdings Corporation" is a direct transliteration of its Chinese company name "聯想控股股份有限公司".
- (7) Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Corporation. Legend Holdings Corporation is taken to be interested in the shares held by Right Lane Limited by virtue of Part XV of the SFO.
- (8) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Science & Technology Group Co., Ltd.\*, which is a wholly-owned subsidiary of China National Building Material Group Co., Ltd\*. Triumph Science & Technology Group Co., Ltd.\* is taken to be interested in the shares held by China Triumph International Investment Company Limited; and China National Building Material Group Co., Ltd\* is taken to be interested in the shares held by China Triumph International Investment Company Limited and Triumph Science & Technology Group Co., Ltd.\* by virtue of Part XV of the SFO.



## Other Information (continued)

- (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) Mr. Tung Ching Sai is the spouse of Ms. Sze Tan Hung. Mr. Tung Ching Sai is taken to be interested in these shares by virtue of Part XV of the SFO.
- (11) As at 30 June 2022, the total number of issued Shares is 1,836,218,258.

Save as disclosed above, as at 30 June 2022, 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 (the “Invested Entity”); (ii) any non-executive Directors (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity (collectively, the “Qualified Participants” and each, a “Qualified Participant”).

(b) The purpose of the Old Share Option Scheme

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

(c) Subscription price

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

## Other Information (continued)

(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.

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

## Other Information (continued)

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 2022, save for a total of 2,668,800 share options that have lapsed (including 2,650,000 unexercised share options lapsed at the expiry of the validity period of the share options on 12 May 2022) and 5,930,000 share options have been exercised 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 2022 are as follows:

Participant	Date of grant <sup>(1)</sup>	Exercise price per Share <sup>(2)</sup> (HK\$)	Exercise period from                      until		Held as at 1/1/2022	No. of Options		Approximate percentage interest in the Company's issued Shares
						(Exercised)/ (Cancelled)/ (Lapsed) during the six months ended	Held as at 30/6/2022	
Cui Xiangdong	13/5/2015	1.25	13/5/2016	12/5/2022	1,920,000	(1,920,000) <sup>(3)(4)</sup>	-	-
	13/5/2015	1.25	13/5/2017	12/5/2022	1,440,000	(1,440,000) <sup>(3)(4)</sup>	-	-
	13/5/2015	1.25	15/5/2018	12/5/2022	1,440,000	(1,440,000) <sup>(3)(4)</sup>	-	-
Employees	13/5/2015	1.25	13/5/2016	12/5/2022	1,519,520	(1,519,520) <sup>(5)(7)</sup>	-	-
	13/5/2015	1.25	13/5/2017	12/5/2022	1,139,640	(1,139,640) <sup>(6)(7)</sup>	-	-
	13/5/2015	1.25	13/5/2018	12/5/2022	1,139,640	(1,139,640) <sup>(6)(7)</sup>	-	-
Total					<u>8,598,800</u>	<u>(8,598,800)</u>	<u>-</u>	

Notes:

- (1) The fair value of the share options granted during the year ended 31 December 2015 was estimated to be approximately from HK\$0.5100 to HK\$0.7102 per Share as at 13 May 2015, being the date of grant, using the Binomial Model. The accounting policy adopted in relation to share options is in accordance with the same accounting policy adopted in the 2015 annual financial statements.
- (2) The closing price of the Shares on 13 May 2015 was HK\$1.25.
- (3) 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. Mr. Cui exercised all options on 31 March 2022.
- (4) The weighted average closing price of the 4,800,000 exercised options immediately before the date on which the options were exercised is HK\$1.70.
- (5) 452,000 options exercised and 1,067,520 options lapsed during the six months ended 30 June 2022.
- (6) 339,000 options exercised and 800,640 options lapsed during the six months ended 30 June 2022.
- (7) The weighted average closing price of the 1,130,000 exercised options immediately before the dates on which the options were exercised is HK\$1.67.



## 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 2022, 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 (the “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 9.86% 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.

The Share Award Scheme was originally set to expire on 12 December 2021. On 8 December 2021, the Board resolved to extend the term of the Share Award Scheme for another 10 years expiring on 12 December 2031, subject to any early termination as may be determined by the Board by a resolution of the Board (the "Extension"). Save as the aforesaid, all other material terms of the Share Award Scheme remain unchanged and valid. The Share Award Scheme (as extended under the Extension) does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules.

During the six months ended 30 June 2022, 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 19(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 2022, 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 2022 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 2022, the Group employed a total of approximately 3,788 employees within and outside the People's Republic of China (the "PRC") (31 December 2021: about 3,822 employees). The slight decrease in staff number of the Group as at 30 June 2022 as compared to 31 December 2021 was mainly attributable to the Group's enhancement of employment efficiency and the suspension of production and cold repair of the production lines of individual production bases.

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 2022.

### IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

### CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, as notified to the Company, the changes in information of Directors subsequent to the date of the 2021 Annual Report of the Company are set out below:

Director	Details of changes
Mr. Zhao John Huan	Resigned as a non-executive director of Eros Media World PLC (formerly known as Eros STX Global Corporation) (a company listed on the New York Stock Exchange) on 22 April 2022
	Resigned as a non-executive director of Shanghai Jin Jiang International Hotels Co., Ltd. (a company listed on the Shanghai Stock Exchange) on 20 May 2022
	Appointed as the chief executive officer of Goldstream Investment Limited (a company listed on the Stock Exchange) on 31 May 2022
	Resigned as a non-executive director of ENN Natural Gas Co., Ltd. (a company listed on the Shanghai Stock Exchange) on 25 July 2022

### 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 2022.



## 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 2022, 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 2022.

### 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, 29 August 2022

# 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 52 which comprises the consolidated statement of financial position of China Glass Holdings Limited as of 30 June 2022 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 2022 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

29 August 2022

# Consolidated Statement of Profit or Loss

for the six months ended 30 June 2022 – unaudited  
(Expressed in Renminbi (“RMB”))

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>RMB'000</b>	RMB'000
	Note		
<b>Revenue</b>	4	<b>2,061,978</b>	2,025,214
Cost of sales		<b>(1,635,531)</b>	(1,310,515)
<b>Gross profit</b>	4	<b>426,447</b>	714,699
Other income	5	<b>49,598</b>	11,134
Distribution costs		<b>(48,578)</b>	(39,908)
Administrative expenses		<b>(158,350)</b>	(130,021)
Impairment losses on receivables and contract assets		<b>(169)</b>	(648)
<b>Profit from operations</b>		<b>268,948</b>	555,256
Finance costs	6(a)	<b>(128,787)</b>	(142,011)
<b>Profit before taxation</b>	6	<b>140,161</b>	413,245
Income tax	7	<b>(19,012)</b>	(111,097)
<b>Profit for the period</b>		<b>121,149</b>	302,148
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>115,708</b>	273,267
Non-controlling interests		<b>5,441</b>	28,881
<b>Profit for the period</b>		<b>121,149</b>	302,148
<b>Earnings per share (RMB cent)</b>	8		
Basic		<b>6.881</b>	16.480
Diluted		<b>6.880</b>	16.431

The notes on pages 30 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 19.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2022 – unaudited  
(Expressed in RMB)

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>121,149</b>	302,148
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
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)	<b>65</b>	(34)
Item that may be reclassified subsequently to profit or loss:		
– exchange differences on translation	<b>(37,910)</b>	(9,324)
<b>Total comprehensive income for the period</b>	<b>83,304</b>	292,790
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>77,859</b>	263,911
Non-controlling interests	<b>5,445</b>	28,879
<b>Total comprehensive income for the period</b>	<b>83,304</b>	292,790

The notes on pages 30 to 52 form part of this interim financial report.



# Consolidated Statement of Financial Position

at 30 June 2022  
(Expressed in RMB)

		<b>(Unaudited)</b> <b>At 30 June</b> <b>2022</b> <b>RMB'000</b>	(Audited) At 31 December 2021 RMB'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>7,343,817</b>	6,750,142
Investment property		<b>20,583</b>	21,240
Right-of-use assets	10	<b>543,867</b>	560,577
Intangible assets		<b>64,809</b>	66,762
Other non-current assets		<b>138,698</b>	182,006
Goodwill		<b>124,572</b>	127,215
Interest in joint ventures		<b>5,951</b>	5,685
Equity securities designated at FVOCI		<b>1,697</b>	1,610
Deferred tax assets	18	<b>203,557</b>	187,472
		<b>8,447,551</b>	7,902,709
<b>Current assets</b>			
Inventories	11	<b>1,221,933</b>	832,908
Contract assets		<b>47,700</b>	35,190
Trade and bills receivables	12	<b>185,144</b>	194,244
Other receivables	13	<b>338,639</b>	353,534
Prepayments		<b>231,464</b>	364,922
Prepaid income tax		<b>3,886</b>	4,092
Cash on hand and at bank	14	<b>1,019,665</b>	692,935
		<b>3,048,431</b>	2,477,825
<b>Current liabilities</b>			
Trade and bills payables	15	<b>493,148</b>	462,072
Accrued charges and other payables	16	<b>988,930</b>	1,051,983
Contract liabilities		<b>281,705</b>	204,926
Bank loans and other borrowings	17(a)	<b>4,133,880</b>	3,826,420
Lease liabilities		<b>10,278</b>	14,200
Income tax payable		<b>193,615</b>	206,115
		<b>6,101,556</b>	5,765,716
<b>Net current liabilities</b>		<b>(3,053,125)</b>	(3,287,891)
<b>Total assets less current liabilities</b>		<b>5,394,426</b>	4,614,818

The notes on pages 30 to 52 form part of this interim financial report.

# Consolidated Statement of Financial Position (continued)

at 30 June 2022  
(Expressed in RMB)

	(Unaudited) At 30 June 2022 RMB'000	(Audited) At 31 December 2021 RMB'000
Note		
<b>Non-current liabilities</b>		
Bank loans and other borrowings	1,801,745	1,016,138
Lease liabilities	67,911	73,423
Deferred tax liabilities	136,642	137,583
Other non-current liabilities	9,438	9,651
	<b>2,015,736</b>	1,236,795
<b>NET ASSETS</b>	<b>3,378,690</b>	3,378,023
<b>CAPITAL AND RESERVES</b>		
19		
Share capital	85,951	85,703
Reserves	2,567,375	2,562,081
<b>Total equity attributable to equity shareholders of the Company</b>	<b>2,653,326</b>	2,647,784
<b>Non-controlling interests</b>	<b>725,364</b>	730,239
<b>TOTAL EQUITY</b>	<b>3,378,690</b>	3,378,023

The notes on pages 30 to 52 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022– 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
<b>Balance at 1 January 2021</b>	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
<b>Changes in equity for the six months ended 30 June 2021</b>												
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)
<b>Balance at 30 June 2021</b>	<b>84,867</b>	<b>1,780,249</b>	<b>(75,689)</b>	<b>33,198</b>	<b>40,785</b>	<b>(444,792)</b>	<b>(7,703)</b>	<b>408</b>	<b>865,345</b>	<b>2,276,668</b>	<b>178,639</b>	<b>2,455,307</b>
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
<b>Balance at 1 July 2021</b>	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
<b>Changes in equity for the six months ended 31 December 2021</b>												
Profit for the period	-	-	-	-	-	-	-	-	463,092	463,092	36,707	499,799
Other comprehensive income	-	-	-	-	-	-	(42,562)	(1,065)	-	(43,627)	(17)	(43,644)
Total comprehensive income	-	-	-	-	-	-	(42,562)	(1,065)	463,092	419,465	36,690	456,155
Shares issued under share option scheme (Note 19(b)(i))	836	29,636	-	(9,584)	-	-	-	-	-	20,888	-	20,888
Acquisition of a subsidiary with NCI	-	-	-	-	-	-	-	-	-	-	333,200	333,200
Deemed capital injection from NCI of a subsidiary	-	-	-	-	-	-	-	-	-	-	181,710	181,710
Disposal of FVOCI	-	-	-	-	-	-	-	852	(852)	-	-	-
Transferred from share premium to accumulated loss account of the Company	-	(134,999)	-	-	-	-	-	-	134,999	-	-	-
Distributions approved in respect of the current year	-	(75,451)	-	-	-	6,214	-	-	-	(69,237)	-	(69,237)
	836	(180,814)	-	(9,584)	-	6,214	-	852	134,147	(48,349)	514,910	466,561
<b>Balance at 31 December 2021</b>	<b>85,703</b>	<b>1,599,435</b>	<b>(75,689)</b>	<b>23,614</b>	<b>40,785</b>	<b>(438,578)</b>	<b>(50,265)</b>	<b>195</b>	<b>1,462,584</b>	<b>2,647,784</b>	<b>730,239</b>	<b>3,378,023</b>

The notes on pages 30 to 52 form part of this interim financial report.

# Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2022– 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 2022	85,703	1,599,435	(75,689)	23,614	40,785	(438,578)	(50,265)	195	1,462,584	2,647,784	730,239	3,378,023
<b>Changes in equity for the six months ended 30 June 2022</b>												
Profit for the period	-	-	-	-	-	-	-	-	115,708	115,708	5,441	121,149
Other comprehensive income	-	-	-	-	-	-	(37,910)	61	-	(37,849)	4	(37,845)
Total comprehensive income	-	-	-	-	-	-	(37,910)	61	115,708	77,859	5,445	83,304
Shares issued under share option scheme (Note 19(b)(i))	248	8,797	-	(2,845)	-	-	-	-	-	6,200	-	6,200
Dividends approved in respect of the previous year (Note 19(a))	-	-	-	-	-	-	-	-	(78,517)	(78,517)	-	(78,517)
Dividends approved to equity owners of subsidiaries	-	-	-	-	-	-	-	-	-	-	(10,320)	(10,320)
	248	8,797	-	(2,845)	-	-	-	-	(78,517)	(72,317)	(10,320)	(82,637)
Balance at 30 June 2022	85,951	1,608,232	(75,689)	20,769	40,785	(438,578)	(88,175)	256	1,499,775	2,653,326	725,364	3,378,690

The notes on pages 30 to 52 form part of this interim financial report.



# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2022 – unaudited  
(Expressed in RMB)

		<b>Six months ended 30 June</b>	
	Note	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Operating activities</b>			
Cash generated from operations		<b>610,854</b>	476,185
Income tax paid		<b>(47,931)</b>	(69,459)
<b>Net cash generated from operating activities</b>		<b>562,923</b>	406,726
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment and land use rights		<b>(429,974)</b>	(642,290)
Other cash flows (used in)/arising from investing activities		<b>(126,701)</b>	17,971
<b>Net cash used in investing activities</b>		<b>(556,675)</b>	(624,319)
<b>Financing activities</b>			
Capital element of lease rentals paid		<b>(3,420)</b>	(9,216)
Interest element of lease rentals paid		<b>(3,164)</b>	(1,475)
Proceeds from bank loans and other borrowings		<b>2,644,034</b>	1,769,285
Repayment of bank loans and other borrowings		<b>(2,193,735)</b>	(1,609,843)
Payment for the redemption of convertible bonds		–	(16,345)
Proceeds from shares issued under share option scheme		<b>6,200</b>	–
Other cash flows used in financing activities		<b>(205,753)</b>	(111,513)
<b>Net cash generated from financing activities</b>		<b>244,162</b>	20,893
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>250,410</b>	(196,700)
<b>Cash and cash equivalents at 1 January</b>	14	<b>565,977</b>	698,114
<b>Effect of foreign exchange rates changes</b>		<b>11,843</b>	(4,017)
<b>Cash and cash equivalents at 30 June</b>	14	<b>828,230</b>	497,397

The notes on pages 30 to 52 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 2022 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 29 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any 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 2021 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.

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 2 BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2021 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 2022.

As at 30 June 2022, the Group had net current liabilities of RMB3,053,125,000 (31 December 2021: RMB3,287,891,000). Notwithstanding the net current liabilities as at 30 June 2022, 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 of a cash flow forecast of the Group for the next twelve months ending 30 June 2023 prepared by the management, which has taken into account:

- the Group has unutilised bank facilities of RMB791.1 million;
- the Group has newly financed and refinanced bank loans and other borrowings of RMB1,867.9 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 RMB496.7 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 2023; 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.

Based on the cash flow forecast, 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:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
– sales of glass products	<b>1,922,756</b>	1,954,402
– revenue from service contracts	<b>122,762</b>	62,082
– sales of spare parts	<b>16,460</b>	8,730
	<b>2,061,978</b>	2,025,214
Disaggregated by geographical location of customers		
– The Mainland China and Hong Kong (place of domicile)	<b>1,400,117</b>	1,562,782
– Nigeria	<b>226,815</b>	173,011
– Middle East	<b>128,812</b>	85,885
– Ghana	<b>56,086</b>	27,373
– Other countries	<b>250,148</b>	176,163
	<b>661,861</b>	462,432
	<b>2,061,978</b>	2,025,214

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 2022 and 2021 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 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2022	Six months ended 30 June 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>												
– point in time	1,037,403	979,543	247,167	321,084	507,591	424,718	130,595	233,020	16,460	8,730	1,939,216	1,967,095
– over time	–	–	–	–	–	–	–	–	122,762	58,119	122,762	58,119
<b>Revenue from external customers</b>	1,037,403	979,543	247,167	321,084	507,591	424,718	130,595	233,020	139,222	66,849	2,061,978	2,025,214
<b>Inter-segment revenue</b>	–	49,468	–	116	–	2,349	–	–	–	–	–	51,933
<b>Reportable segment revenue</b>	1,037,403	1,029,011	247,167	321,200	507,591	427,067	130,595	233,020	139,222	66,849	2,061,978	2,077,147
<b>Reportable segment gross profit</b>	75,851	329,863	79,190	127,199	212,007	175,387	25,164	69,513	34,235	12,737	426,447	714,699

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 5 OTHER INCOME

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Government grants	31,516	2,740
Net gain from sale of raw and scrap materials	11,682	6,235
Interest income	3,690	3,461
Rental income from investment property	545	938
Net gain/(loss) on disposals of property, plant and equipment	67	(1,594)
Net loss on disposal of a subsidiary	–	(5,158)
Others	2,098	4,512
	<b>49,598</b>	<b>11,134</b>

## 6 PROFIT BEFORE TAXATION

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

### (a) Finance costs

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	107,908	90,225
Interest on lease liabilities	3,164	1,475
Finance charges on convertible bonds	–	21
Bank charges and other finance costs	34,257	20,757
Total borrowing costs	145,329	112,478
Less: amounts capitalised into property, plant and equipment (Note)	(20,784)	(16,468)
Net borrowing costs	124,545	96,010
Net foreign exchange losses	4,242	46,001
	<b>128,787</b>	<b>142,011</b>

Note: The borrowing costs have been capitalised at 5.68% per annum for the six months ended 30 June 2022 (5.82% per annum for the six months ended 30 June 2021).

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION (continued)

### (b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Cost of inventories (Note 11)	1,635,531	1,310,515
Depreciation and amortisation charge		
– property, plant and equipment and intangible assets	170,547	132,541
– investment property	657	578
– right-of-use assets	11,938	10,031
Research and development costs (other than capitalised costs and related amortisation)	601	484

## 7 INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current taxation:		
– provision for Corporate Income Tax on the estimated taxable profits for the period	24,715	90,292
– PRC Withholding Tax	11,033	–
– over-provision of Corporate Income Tax in respect of prior years	–	(28)
	35,748	90,264
Deferred taxation (Note 18)	(16,736)	20,833
	19,012	111,097

The Hong Kong Profits Tax rate for the six months ended 30 June 2022 is 16.5% (six months ended 30 June 2021: 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.

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 2022 (six months ended 30 June 2021: 25%).

# 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 Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2022 (six months ended 30 June 2021: 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's corporate income taxes.

A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (six months ended 30 June 2021: 27.9%).

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

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit attributable to ordinary equity shareholders of the Company of RMB115,708,000 (six months ended 30 June 2021: RMB273,267,000) and the weighted average of 1,681,551,000 ordinary shares, taking into the effect of shares purchased under a share award scheme set out in Note 19(b)(ii) (six months ended 30 June 2021: 1,658,147,000 shares) in issue during the six months ended 30 June 2022.

Weighted average number of ordinary shares

	2022 '000	2021 '000
Issued ordinary shares at 1 January	1,678,288	1,658,147
Effect of share options exercised	3,263	–
Weighted average number of ordinary shares at 30 June	<u>1,681,551</u>	<u>1,658,147</u>

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2022 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB115,708,000 (six months ended 30 June 2021: RMB272,471,000) and the weighted average number of ordinary shares (diluted) of 1,681,746,000 (six months ended 30 June 2021: 1,658,314,000 shares).



# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 8 EARNINGS PER SHARE (continued)

### (b) Diluted earnings per share (continued)

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Profit attributable to ordinary equity shareholders	115,708	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)
Profit attributable to ordinary equity shareholders (diluted)	<b>115,708</b>	<b>272,471</b>

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

	2022	2021
	'000	'000
Weighted average number of ordinary shares at 30 June	1,681,551	1,658,147
Effect of conversion of convertible bonds	–	167
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	195	–
Weighted average number of ordinary shares (diluted) at 30 June	<b>1,681,746</b>	<b>1,658,314</b>

## 9 PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and disposals

During the six months ended 30 June 2022, the Group incurred capital expenditure on property, plant and equipment and construction in progress with a cost of RMB760.0 million (six months ended 30 June 2021: RMB534.3 million). Items of property, plant and equipment with a net book value of RMB17.4 million were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB15.4 million).

Prepayments for property, plant and equipment are presented as “other non-current assets” in the consolidated statement of financial position.

### (b) Secured for bank loans and other borrowings

At 30 June 2022, the aggregate carrying value of the secured property, plant and equipment, for the Group's bank loans and other borrowings is RMB1,594.0 million (31 December 2021: RMB1,665.4 million).

# 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 2022, the Group entered into a number of lease agreements for use of buildings, motor vehicles and therefore recognised the additions to right-of-use assets of RMB1.7 million (six months ended 30 June 2021: RMB42.8 million). The Group early terminated leasing certain right-of-use assets with a net book value of RMB6.5 million during the six months ended 30 June 2022 (six months ended 30 June 2021: RMBNil).

At 30 June 2022, the aggregate carrying value of the secured right-of-use assets for the Group's bank loans and other borrowings is RMB171.2 million (31 December 2021: RMB87.2 million).

## 11 INVENTORIES

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Raw materials	<b>371,460</b>	445,433
Work in progress and finished goods	<b>810,167</b>	348,304
Racks, spare parts and consumables	<b>47,748</b>	47,432
	<b>1,229,375</b>	841,169
Less: write-down of inventories	<b>(7,442)</b>	(8,261)
	<b>1,221,933</b>	832,908

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

	<b>Six months ended 30 June</b>	
	<b>2022 RMB'000</b>	2021 RMB'000
Carrying amount of inventories sold/used in service contracts	<b>1,635,531</b>	1,310,515

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

At 30 June 2022, the aggregate carrying value of the secured inventories for the Group's short-term bank loans is RMB22.7 million (31 December 2021: RMB22.7 million).

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 12 TRADE AND BILLS RECEIVABLES

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Trade receivables from:		
– third parties	<b>253,557</b>	211,804
– Triumph Group's related parties	<b>1,253</b>	1,610
– affiliates of non-controlling equity owners of subsidiaries	<b>–</b>	15,069
	<b>254,810</b>	228,483
Less: loss allowance	<b>(125,763)</b>	(126,807)
Financial assets measured at amortised cost	<b>129,047</b>	101,676
Bills receivable	<b>56,097</b>	92,568
	<b>185,144</b>	194,244

All of the trade and bills receivables are expected to be recovered 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.

### Ageing analysis

The ageing analysis (based on the invoice date) of trade and bills receivables (net of loss allowance for doubtful debts) as of the end of the reporting period is as follows:

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Within 1 month	<b>68,912</b>	118,000
More than 1 month but less than 3 months	<b>59,168</b>	39,374
More than 3 months but less than 6 months	<b>43,203</b>	21,054
More than 6 months but less than 1 year	<b>13,603</b>	10,720
Over 1 year	<b>258</b>	5,096
	<b>185,144</b>	194,244

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 13 OTHER RECEIVABLES

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Amounts due from related companies:		
– an equity shareholder of the Company (Note (i))	<b>13</b>	12
– non-controlling equity owners of a subsidiary (Note (i))	<b>51,345</b>	38,358
	<b>51,358</b>	38,370
Deposits and other debtors (Note (ii))	<b>365,599</b>	370,992
Less: loss allowance	<b>(165,432)</b>	(165,432)
	<b>200,167</b>	205,560
Financial assets measured at amortised cost	<b>251,525</b>	243,930
Value added tax refundable	<b>87,114</b>	109,604
	<b>338,639</b>	353,534

Notes:

- (i) The amounts are non-interest bearing, have no fixed terms of repayment, and are secured by the equity interests of the subsidiary held by these non-controlling equity owners.
- (ii) As at 30 June 2022, the amounts of RMB87.0 million (31 December 2021: RMB87.0 million) is the remaining receivables from the local government authority for relocation of production plants.

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

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 14 CASH ON HAND AND AT BANK

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Cash on hand and at bank	<b>828,230</b>	565,977
Time deposits	<b>191,435</b>	126,958
Cash on hand and at bank in the consolidated statement of financial position	<b>1,019,665</b>	692,935
Less: time deposits	<b>(191,435)</b>	(126,958)
Cash and cash equivalents in the condensed consolidated cash flow statement	<b>828,230</b>	565,977

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.

## 15 TRADE AND BILLS PAYABLES

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Trade payables to:		
– third parties	<b>354,605</b>	365,966
– Triumph Group's related parties	<b>263</b>	606
Bills payable	<b>138,280</b>	95,500
	<b>493,148</b>	462,072

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

The ageing analysis (based on the maturity date) of trade and bills payable as of the end of the reporting period is as follows:

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Due within 1 month or on demand	<b>356,018</b>	407,572
Due after 1 month but within 6 months	<b>135,408</b>	39,500
Due after 6 months but within 1 year	<b>1,722</b>	15,000
	<b>493,148</b>	462,072



# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 16 ACCRUED CHARGES AND OTHER PAYABLES

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Amounts due to related parties:		
– Triumph Group and its related parties (Note)	<b>340,431</b>	349,437
– a non-controlling equity owner of a subsidiary	–	134,316
	<b>340,431</b>	483,753
Accrued charges and other payables	<b>610,056</b>	524,263
Financial liabilities measured at amortised cost	<b>950,487</b>	1,008,016
Payables for miscellaneous taxes	<b>38,443</b>	42,787
Provision for legal claims	–	1,180
	<b>988,930</b>	1,051,983

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

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

## 17 BANK LOANS AND OTHER BORROWINGS

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

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Bank loans	<b>1,461,852</b>	1,209,373
Loans from Triumph Group and its related parties	<b>1,778,007</b>	1,553,489
	<b>3,239,859</b>	2,762,862
Add: current portion of long-term bank loans and other borrowings (Note 17(b))	<b>894,021</b>	1,063,558
	<b>4,133,880</b>	3,826,420

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 17 BANK LOANS AND OTHER BORROWINGS (continued)

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

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

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Bank loans:		
– pledged by bank bills	<b>114,000</b>	39,500
– secured and/or guaranteed (Note (i))	<b>1,222,852</b>	1,104,873
– unguaranteed and unsecured	<b>125,000</b>	65,000
	<b>1,461,852</b>	1,209,373
Loans from a related party of Triumph Group:		
– unguaranteed and unsecured	–	315,920
Other borrowings:		
– financial assistance from Triumph Group		
– secured (Notes (i) and (iii))	<b>100,000</b>	235,000
– unguaranteed and unsecured (Notes (ii) and (iii))	<b>1,678,007</b>	1,002,569
	<b>1,778,007</b>	1,237,569
	<b>3,239,859</b>	2,762,862

Notes:

- (i) These loans and borrowings are secured by the Group's property, plant and equipment, right-of-use assets, inventories, trade receivables and/or guaranteed by Triumph Group, a director or a key management of the Company.
- (ii) The amounts are unsecured, with fixed interest rate from 3.30% to 4.25% (31 December 2021: 3.00% to 4.25%) and repayable within one year.
- (iii) These borrowings are financial assistance through which the Group obtain financing from certain banks under the financing facilities Triumph Group owned in these banks.

At 30 June 2022, the aggregate carrying value of the pledged trade receivables (including intercompany balance) for the Group's short-term bank loans is RMB100.0 million (31 December 2021: RMB235.0 million).

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 17 BANK LOANS AND OTHER BORROWINGS (continued)

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

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Bank loans	<b>1,100,014</b>	972,424
Loans from financial institutions	<b>1,595,752</b>	1,107,272
	<b>2,695,766</b>	2,079,696
Less: current portion of long-term bank loans and other borrowings (Note 17(a))	<b>(894,021)</b>	(1,063,558)
	<b>1,801,745</b>	1,016,138

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

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Within 1 year or on demand	<b>894,021</b>	1,063,558
After 1 year but within 2 years	<b>1,008,923</b>	542,729
After 2 years but within 5 years	<b>426,881</b>	373,375
After 5 years	<b>365,941</b>	100,034
	<b>2,695,766</b>	2,079,696

At 30 June 2022, the Group's long-term bank loans and other borrowings are secured as follows:

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Bank loans:		
– secured and/or guaranteed (Note)	<b>1,100,014</b>	972,424
Loans from financial institutions:		
– secured and/or guaranteed (Note)	<b>1,565,357</b>	1,076,877
– unguaranteed and unsecured	<b>30,395</b>	30,395
	<b>1,595,752</b>	1,107,272
	<b>2,695,766</b>	2,079,696

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

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 17 BANK LOANS AND OTHER BORROWINGS (continued)

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

At 30 June 2022, the aggregate carrying value of the pledged trade receivables (including intercompany balance) for the Group's long-term bank loans is RMB33.6 million (31 December 2021: RMB53.7 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 2022, the Group's banking facilities amounted to RMB3,171.8 million (31 December 2021: RMB1,859.7 million) were utilised to the extent of RMB2,380.7 million (31 December 2021: RMB1,521.6 million).

## 18 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, impairment losses on property, plant and equipment 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	
<b>Deferred tax arising from:</b>							
<b>At 1 January 2021</b>	100,463	1,017	51,074	84,228	236,782	(39,887)	196,895
(Charged)/credited to the consolidated statement of profit or loss	(58,939)	907	(939)	7,842	(51,129)	4,184	(46,945)
Additions through acquisition of subsidiaries	2,279	-	-	-	2,279	(103,775)	(101,496)
Credited to reserves	-	-	-	-	-	88	88
Exchange adjustments	-	(86)	(111)	(263)	(460)	1,807	1,347
<b>At 31 December 2021 and 1 January 2022</b>	<b>43,803</b>	<b>1,838</b>	<b>50,024</b>	<b>91,807</b>	<b>187,472</b>	<b>(137,583)</b>	<b>49,889</b>
Credited/(charged) to the consolidated statement of profit or loss (Note 7)	19,011	(193)	(348)	(2,279)	16,191	545	16,736
Credited to reserves	-	-	-	-	-	(22)	(22)
Exchange adjustment	-	(38)	(25)	(43)	(106)	418	312
<b>At 30 June 2022</b>	<b>62,814</b>	<b>1,607</b>	<b>49,651</b>	<b>89,485</b>	<b>203,557</b>	<b>(136,642)</b>	<b>66,915</b>

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 19 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 do not recommend the payment of an interim distribution for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$0.05 per share).

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$0.05 per ordinary share (six months ended 30 June 2021: HK\$Nil)	78,517	–

### (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. Under the Share Option Scheme, 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 the expiry date of 13 May 2022.

During the six months ended 30 June 2022, 5,930,000 share options granted under the Share Option Scheme were exercised before its expiry to subscribe for ordinary shares in the Company at a consideration of HK\$7,412,500 (six months ended 30 June 2021: Nil). As at 13 May 2022, the outstanding 2,650,000 share options granted under the Share Option Scheme were expired without exercise.

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 2022 (six months ended 30 June 2021: 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)

## 19 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:

	No. of shares held '000	Value RMB'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	152,000	75,689

During the six months ended 30 June 2022, no ordinary share was purchased for the Share Award Scheme (six months ended 30 June 2021: Nil). No shares have been awarded to any selected employee as at the date of this interim financial report.

## 20 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 2022.

### (a) Transactions with Triumph Group and its related parties

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Purchase of raw materials	236,143	234,786
Engineering services received	372,142	352,981
Net increase/(decrease) in guarantees received for the Group's loans	89,188	(334,265)
Net increase in loan's principal from Triumph Group and its related parties	224,518	310,296
Interest and financial charges in relation to interest-bearing loans from Triumph Group and its related parties	34,407	10,839

### (b) Transactions with a joint venture of the Group

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net increase in interest-bearing receivables granted to a joint venture	-	11,413
Interest income	-	877

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 20 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net increase in guarantees received for the Group's bank loans and other borrowings	-	40,000

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Net decrease in guarantees received for the Group's bank loans and other borrowings	-	10,000

### (e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Short-term employee benefits	2,338	2,063
Contributions to defined contribution retirement plans	62	153
	<b>2,400</b>	<b>2,216</b>

# Notes to the Unaudited Interim Financial Report (continued)

(Expressed in RMB unless otherwise indicated)

## 21 COMMITMENTS

### Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	<b>At 30 June 2022 RMB'000</b>	At 31 December 2021 RMB'000
Commitments in respect of land and buildings, and machinery and equipment		
– contracted for	<b>932,529</b>	1,216,847
– authorised but not contracted for	<b>1,914,955</b>	1,901,475
	<b>2,847,484</b>	3,118,322

## 22 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 equity securities. 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)

## 22 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 2022 RMB'000	Fair value measurements as at 30 June 2022 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>			
Financial assets:			
Equity securities	–	–	1,697
Bills receivable (Note 12)	–	56,097	–
<b>56,097</b>	<b>–</b>	<b>56,097</b>	<b>–</b>

Fair value at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>			
Financial assets:			
Equity securities	–	–	1,610
Bills receivable (Note 12)	–	92,568	–
<b>92,568</b>	<b>–</b>	<b>92,568</b>	<b>–</b>

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

##### *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)

## 22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Unlisted equity instruments	Market comparable companies	Discount for lack of marketability	50% to 70% (2021: 50% to 70%)

The fair value of unlisted equity instruments is determined using the price/book value ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2022, 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 RMB198,000 (six months ended 30 June 2021: RMB168,000).

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

	2022 RMB'000	2021 RMB'000
Unlisted equity instruments:		
At 1 January	1,610	2,953
Disposal	–	(139)
Net unrealised gain/(loss) recognised in other comprehensive income during the period	87	(1,204)
At 30 June	1,697	1,610

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.

### (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 2021 and 30 June 2022 except for the following financial instruments, for which their carrying amounts and fair values are disclosed below:

	At 30 June 2022		At 31 December 2021	
	Carrying amounts RMB'000	Fair value RMB'000	Carrying amounts RMB'000	Fair value RMB'000
Long-term bank loans and other borrowings	1,801,745	1,754,292	1,016,138	990,832