CNG中玻

CHINA GLASS HOLDINGS LIMITED

中 國 玻 璃 控 股 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board of directors (the "**Board**") of China Glass Holdings Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2017 together with the comparative figures for the corresponding year in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

(Expressed in Renminbi ("RMB"))

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	5	**2,556,418**	2,139,650
Cost of sales		**(2,234,842)**	(1,812,394)
Gross profit	5	**321,576**	327,256
Other income	6	**172,902**	163,389
Distribution costs		**(74,474)**	(75,599)
Administrative expenses		**(213,441)**	(214,123)
Other expenses	7(c)	**–**	(39,260)
Profit from operations		**206,563**	161,663
Share of losses of an associate		**(12)**	(69)
Finance costs	7(a)	**(106,216)**	(134,476)
Profit before taxation	7	**100,335**	27,118
Income tax	8	**(39,864)**	(6,384)
Profit for the year		**60,471**	20,734
Attributable to:			
Equity shareholders of the Company		**64,965**	21,055
Non-controlling interests		**(4,494)**	(321)
Profit for the year		**60,471**	20,734
Earnings per share (RMB cent)			
Basic	9(a)	**3.59**	1.16
Diluted	9(b)	**3.59**	1.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

(Expressed in RMB)

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**60,471**	20,734
Other comprehensive income for the year (before and after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(17,499)**	18,919
Total comprehensive income for the year	**42,972**	39,653
Attributable to:		
Equity shareholders of the Company	**47,466**	39,974
Non-controlling interests	**(4,494)**	(321)
Total comprehensive income for the year	**42,972**	39,653

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in RMB)

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**4,159,131**	3,773,797
Lease prepayments		**267,108**	267,570
Intangible assets		**–**	–
Interest in an associate		**412**	424
Interest in joint ventures		**846**	–
Available-for-sale equity instruments		**1,991**	1,991
Deferred tax assets		**224,023**	218,510
		4,653,511	4,262,292
Current assets			
Inventories		**387,151**	429,062
Trade and other receivables	10	**646,984**	563,249
Assets held-for-sale		**–**	22,829
Prepaid income tax		**23,808**	12,561
Cash and cash equivalents		**561,514**	491,644
		1,619,457	1,519,345
Current liabilities			
Trade and other payables	11	**1,460,185**	1,808,734
Bank and other loans		**1,687,456**	1,485,050
Obligations under finance leases		**25,092**	19,874
Income tax payable		**94,602**	67,252
		3,267,335	3,380,910
Net current liabilities		**(1,647,878)**	(1,861,565)
Total assets less current liabilities		**3,005,633**	2,400,727

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Non-current liabilities			
Bank and other loans		**664,802**	28,311
Convertible bonds	12	**58,311**	62,318
Obligations under finance leases		**80,192**	96,268
Deferred tax liabilities		**34,948**	33,718
Other non-current liabilities		**2,930**	3,798
		841,183	224,413
NET ASSETS		**2,164,450**	2,176,314
CAPITAL AND RESERVES			
Share capital		**84,867**	84,867
Reserves		**1,888,603**	1,886,853
Total equity attributable to equity shareholders of the Company		**1,973,470**	1,971,720
Non-controlling interests		**190,980**	204,594
TOTAL EQUITY		**2,164,450**	2,176,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in joint ventures and an associate. The Group is principally involved in the production, marketing and distribution of glass and glass products, and the development of glass production technology.

2 STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments which are stated at their fair values.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

As at 31 December 2017, the Group had net current liabilities of RMB1,647,878,000 (31 December 2016: RMB1,861,565,000). Notwithstanding the net current liabilities as at 31 December 2017, the directors of the Company consider that there are no material uncertainties related to events or conditions exist which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group prepared by the management and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in these financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production, marketing and distribution of glass and glass products, and the development of glass production technology.

Revenue represents the sales value of goods supplied to customers, net of value added tax.

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2017 (2016: one with revenue amounted to approximately RMB227.9 million).

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by products. 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 four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Clear glass products: this segment produces, markets and distributes clear glass products.

- Painted glass products: this segment produces, markets and distributes painted glass products.

- Coated glass products: this segment produces, markets and distributes coated glass products.

- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.

(i) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers and reportable segment revenue	**1,107,106**	686,559	**361,594**	461,906	**597,720**	643,803	**489,998**	347,382	**2,556,418**	2,139,650
Inter-segment revenue	**58,305**	31,591	**1,476**	5,372	**–**	–	**–**	–	**59,781**	36,963
Reportable segment revenue	**1,165,411**	718,150	**363,070**	467,278	**597,720**	643,803	**489,998**	347,382	**2,616,199**	2,176,613
Reportable segment gross profit	**130,041**	77,858	**37,896**	86,869	**92,585**	123,139	**61,054**	39,390	**321,576**	327,256

(ii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The People's Republic of China (the "PRC") (including Hong Kong) (place of domicile)	**1,969,366**	1,503,046	**3,931,503**	3,813,817
Middle East	**163,373**	181,335	**–**	–
South Korea	**119,782**	87,641	**–**	–
Nigeria	**57,411**	101,730	**495,148**	177,874
Bangladesh	**41,305**	30,145	**–**	–
India	**17,558**	13,425	**–**	–
Tanzania	**16,750**	9,956	**846**	–
Ghana	**16,686**	15,248	**–**	–
Kenya	**15,260**	15,481	**–**	–
Columbia	**14,909**	21,559	**–**	–
Ecuador	**11,810**	13,117	**–**	–
Other countries	**112,208**	146,967	**–**	–
	587,052	636,604	**495,994**	177,874
	2,556,418	2,139,650	**4,427,497**	3,991,691

6 OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Net gain on relocation of production plants (Note (i))	**80,000**	35,000
Government grants	**69,642**	14,089
Net gain on disposal of property, plant and equipment	**10,932**	63,872
Net gain on debt restructuring	**5,749**	29,636
Interest income	**4,782**	7,314
Net gain from sale of raw and scrap materials	**3,643**	3,330
Others	**(1,846)**	10,148
	172,902	163,389

Notes:

(i) The amount for year 2017 represents compensation for the incurred losses in accordance with an agreement entered into between the Group and the local government in relation to the expropriation of the land use rights of a subsidiary of the Group by the respective local government. The amount for year 2016 represented additional compensation in relation to the expropriation of the land use rights of another subsidiary of the Group by the local government in year 2014 in accordance with a supplementary agreement entered into between the Group and the local government.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**135,354**	112,896
Finance charges on convertible bonds (Note 12)	**9,853**	8,219
Finance charges on obligations under finance leases	**11,002**	11,710
Bank charges and other finance costs	**36,732**	31,765
Total borrowing costs	**192,941**	164,590
Less: amounts capitalised into property, plant and equipment*	**(74,170)**	(42,492)
Net borrowing costs	**118,771**	122,098
Changes in fair value on the derivative components of convertible bonds (Note 12)	**(5,031)**	(9,712)
Net foreign exchange (gain)/loss	**(7,524)**	22,090
	106,216	134,476

* The borrowing costs have been capitalised at 9.56% per annum for the year ended 31 December 2017 (2016: 9.00% per annum).

(b) Staff costs#:

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**231,149**	219,016
Contributions to defined contribution retirement plans	**30,728**	29,983
Equity-settled share-based payment expenses in respect of share option scheme (Note 13(a))	**2,467**	6,060
	264,344	255,059

(c) Other expenses

	2017	2016
	RMB'000	*RMB'000*
Impairment losses on property, plant and equipment	**–**	39,260

(d) Other items:

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories #	**2,235,292**	1,810,572
Auditors' remuneration – audit and other services	**6,180**	5,880
Depreciation and amortisation #	**249,343**	254,802
Impairment losses on trade and other receivables	**9,789**	1,015
Operating lease charges in respect of		
– land	**268**	153
– plant and buildings	**5,181**	4,139
– motor vehicles	**2,551**	2,495
Research and development costs (other than capitalised costs and related amortisation)	**587**	323

Cost of inventories includes RMB373.4 million (2016: RMB361.1 million) for the year ended 31 December 2017, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) to the consolidated financial statements for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017	2016
	RMB'000	*RMB'000*
Current taxation		
– Provision for the year	**43,910**	21,002
– Under-provision in respect of prior years	**237**	328
	44,147	21,330
Deferred taxation		
– Origination and reversal of temporary differences	**(14,231)**	(24,424)
– Write-down of deferred tax assets	**9,948**	9,478
	(4,283)	(14,946)
	39,864	6,384

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**100,335**	27,118
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii) and (iv))	**28,325**	8,521
Tax effect of non-deductible expenses	**8,705**	3,556
Tax effect of unused tax losses and temporary differences not recognised	**2,310**	8,055
Tax concessions (Notes (v), (vi) and (vii))	**(6,387)**	(3,160)
Tax effect of recognition and utilisation of prior years' unused tax losses previously not recognised (Note (viii))	**(3,274)**	(20,394)
Tax effect of write-down of deferred tax assets (Note (viii))	**9,948**	9,478
Under-provision in respect of prior years	**237**	328
Income tax	**39,864**	6,384

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%).

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

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2016: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2016: 30%).

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

(vi) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau that it is entitled to tax benefits applicable to entity under the Second Phase of the Western Region Development Plan of the PRC, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% (2016: 15%).

(vii) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for a period of three years, commencing from 2016, in which year the approval is obtained (2016: 15%).

(viii) The Group recognised and used previously unrecognised deferred tax assets of RMB3.3 million (2016: RMB20.4 million) regarding tax losses and wrote down previously recognised deferred tax assets of RMB9.9 million (2016: RMB9.5 million) regarding tax losses, as the utilisation of these unused tax losses have changed due to the changes of actual operating results during the year ended 31 December 2017 and changes in estimates of future operating results of certain subsidiaries of the Group.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to ordinary equity shareholders of the Company of RMB64,965,000 (2016: RMB21,055,000) and the weighted average of 1,808,969,000 ordinary shares (2016: 1,810,147,000 ordinary shares) in issue during the year ended 31 December 2017, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**1,810,147**	1,810,147
Effect of shares purchased under a share award scheme (Note 13(b))	**(1,178)**	–
Weighted average number of ordinary shares at 31 December	**1,808,969**	1,810,147

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the year ended 31 December 2017. The Group's convertible bonds (see Note 12 to the consolidated financial statements) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the year ended 31 December 2017.

The calculation of diluted earnings per share for the year ended 31 December 2016 was based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB19,562,000 and the weighted average of 1,865,063,000 ordinary shares (diluted), calculated as follows:

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

	2016
	RMB'000
Profit attributable to ordinary equity shareholders	21,055
After tax effect of effective interest on the liability component of convertible bonds	8,219
After tax effect of changes in fair value recognised on the derivative components of convertible bonds	(9,712)
Profit attributable to ordinary equity shareholders (diluted)	19,562

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

	2016
	'000
Weighted average number of ordinary shares at 31 December	1,810,147
Effect of conversion of convertible bonds (Note 12)	54,916
Weighted average number of ordinary shares (diluted) at 31 December	1,865,063

10 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables from		
– Third parties	**152,253**	183,815
– Affiliates of non-controlling equity holders of subsidiaries	**15,773**	15,880
– A company under common significant influence	**–**	2,736
Bills receivables	**166,502**	95,735
	334,528	298,166
Less: allowance for doubtful debts	**(83,676)**	(66,933)
	250,852	231,233
Amounts due from related companies:		
– Equity shareholders of the Company and their related parties	**2,965**	318
– Non-controlling equity holders of a subsidiary	**15,002**	15,002
– Companies under common significant influence	**–**	1,979
	17,967	17,299
Less: allowance for doubtful debts	**–**	(1,784)
	17,967	15,515
Prepayments, deposits and other receivables:		
– Prepayments for the purchase of inventories	**75,738**	65,582
– Prepayments for the purchase of property, plant and equipment and land use rights	**19,764**	20,613
– Value added tax refundable	**58,320**	27,466
– Advances to third parties	**158,221**	126,382
– Receivable for disposal of land use rights	**1,133**	3,129
– Receivable for disposal of property, plant and equipment	**7,920**	79,200
– Receivable for relocation of production plants	**30,451**	19,251
– Receivable for government grants	**42,000**	3,300
– Others	**40,055**	32,185
	433,602	377,108
Less: allowance for doubtful debts	**(55,437)**	(60,607)
	378,165	316,501
	646,984	563,249

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year. Cash before delivery is generally required for all 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.

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**105,510**	95,682
More than 1 month but less than 3 months	**79,019**	31,656
More than 3 months but less than 6 months	**11,306**	26,976
Over 6 months	**55,017**	76,919
	250,852	231,233

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**174,969**	98,700
Less than 1 month past due	**14,193**	42,766
More than 1 month but less than 3 months past due	**3,669**	4,657
More than 3 months but less than 6 months past due	**3,004**	8,191
More than 6 months past due	**55,017**	76,919
	75,883	132,533
	250,852	231,233

Receivables that were neither past due nor impaired relate to bills receivables from the issuing banks and customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables to:		
– Third parties	**469,148**	516,059
– An affiliate of an equity shareholder of the Company	**87**	–
– Affiliates of non-controlling equity holders of subsidiaries	**2,708**	599
– Companies under common significant influence	**–**	9,416
Bills payables	**253,887**	238,217
	725,830	764,291
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties	**74,529**	73
– Companies under common significant influence	**64**	218,930
	74,593	219,003
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**323,026**	423,845
– Payables for staff related costs	**90,172**	92,945
– Payables for acquisitions of non-controlling interests in subsidiaries	**4,359**	5,906
– Payables for miscellaneous taxes	**79,507**	53,499
– Payables for transportation expenses	**8,727**	7,948
– Advances from third parties	**17,176**	41,639
– Others	**60,943**	41,971
	583,910	667,753
Financial liabilities measured at amortised cost	**1,384,333**	1,651,047
Advances received from customers	**75,852**	157,687
	1,460,185	1,808,734

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

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

	2017	2016
	RMB'000	*RMB'000*
Due within 1 month or on demand	**443,670**	461,894
Due after 1 month but within 6 months	**282,160**	302,397
	725,830	764,291

12 CONVERTIBLE BONDS

	Liability component	**Derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	–	–	–
Convertible bonds issued	33,294	30,509	63,803
Accrued finance charges for the year (Note 7(a))	8,219	–	8,219
Interest paid	(3,831)	–	(3,831)
Fair value changes on the derivative components (Note 7(a))	–	(9,712)	(9,712)
Exchange adjustments	2,169	1,670	3,839
At 31 December 2016 and 1 January 2017	39,851	22,467	62,318
Accrued finance charges for the year (Note 7(a))	9,853	–	9,853
Interest paid	(4,678)	–	(4,678)
Fair value changes on the derivative components (Note 7(a))	–	(5,031)	(5,031)
Exchange adjustments	(2,849)	(1,302)	(4,151)
At 31 December 2017	42,177	16,134	58,311

On 4 February 2016, the Company issued unsecured convertible bonds with an aggregate face value of US$10,000,000 (equivalent to approximately RMB65,419,000), interest bearing at 7.5% per annum and maturing on 4 February 2021 to China-Africa Manufacturing Investment Co., Limited (the "Bondholder").

Upon issuance, the Bondholder could, at any time till 25 January 2021, convert the bonds into the Company's shares at HK$1.28 per share (i.e. the conversion option). The Bondholder shall have the right to require the Company to redeem the convertible bonds by depositing a notice of redemption at its face value at any time from 4 February 2019 to 4 February 2021, (i.e. the put option). If at any time till 25 January 2021, the closing price per share for each trading day of any 15 consecutive trading day period equals to or exceeds HK$2.56, the Bondholder shall be obliged to convert the bonds into the Company's shares (i.e. the forced conversion option). The conversion, put and forced conversion options are all classified as derivative financial instruments and have been included in the balance of convertible bonds in the consolidated statement of financial position.

13 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

The Company has a share option scheme(the "Share Option Scheme") which was adopted on 30 May 2005 whereby the directors of the Company are authorised, at their discretion, to invite (i) any executive director or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any person or entity that provides research, development or technological support to the Company, any member of the Group or any Invested Entity, to take up share options at HK$1.00 as consideration to subscribe for shares in the Company.

The Company granted share options to certain directors and employees on 29 February 2008 with contractual life of 7.25 years under the share option scheme. The share options granted in 2008 have lapsed on 29 May 2015 and no one has exercised the share options during its contractual life.

On 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the share option scheme. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

The Share Option Scheme was expired on 22 June 2015, and a new share option scheme (the "New Share Option Scheme") has been approved by a special general meeting of shareholders of the Company on 19 February 2016. No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the years ended 31 December 2017 and 2016.

(i) The terms and conditions of the share options granted in 2015 are as follows:

Options granted to a director:	Exercise price	Number of options	Vesting conditions	Contractual life of options
– on 13 May 2015	HK$1.25	1,920,000	One year from the date of grant	7 years
– on 13 May 2015	HK$1.25	1,440,000	Two years from the date of grant	7 years
– on 13 May 2015	HK$1.25	1,440,000	Three years from the date of grant	7 years
Options granted to employees:				
– on 13 May 2015	HK$1.25	11,428,000	One year from the date of grant	7 years
– on 13 May 2015	HK$1.25	8,571,000	Two years from the date of grant	7 years
– on 13 May 2015	HK$1.25	8,571,000	Three years from the date of grant	7 years
Total share options granted		33,370,000		

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

	2017		2016	
	Weighted average exercise price	**number of options** *'000*	Weighted average exercise price	number of options *'000*
Outstanding at the beginning of the year	**HK$1.25**	**33,010**	HK$1.25	33,370
Forfeited during the year	**HK$1.25**	**(660)**	HK$1.25	(360)
Outstanding at the end of the year	**HK$1.25**	**32,350**	HK$1.25	33,010
Exercisable at the end of the year	**HK$1.25**	**22,645**	HK$1.25	13,204

The share options outstanding at 31 December 2017 had an exercise price of HK$1.25 (31 December 2016: HK$1.25) and a weighted average remaining contractual life of 4.36 years (31 December 2016: 5.36 years).

(iii) The fair value and assumptions of the share options issued in 2015:

Fair value of share options and assumptions	Share options granted on 13 May 2015
Fair value at measurement date	HK$0.5100 to HK$0.7102
Share price	HK$1.25
Exercise price	HK$1.25
Expected volatility	65.19%
Option life	7 years
Expected dividends	0.32%
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong)	1.24%

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Model. The expected life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

(b) Share award scheme

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

Pursuant to the Share Award Scheme, the trust may purchase shares of the Company from the Stock Exchange with cash contributed by the Group, and to hold such shares until they are vested.

The directors of the Company may, from time to time, at its discretion select any employee of the Group for participation in the Share Award Scheme and grant such number of awarded shares to any selected employee of the Group at nil consideration. The directors of the Company are entitled to impose any conditions (including a period of continued service within the Group after the award) with respect to the vesting of the awarded shares. In addition, the selected employee shall not transfer or dispose of more than 50% of the awarded shares during the period of one year after the date of vesting of such awarded shares.

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

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

	Average purchase price	**No. of shares held**	**Value**
	HK$	*'000*	*RMB'000*
At 1 January 2016, 31 December 2016 and 1 January 2017		–	–
Shares purchased during the year	0.663	86,000	47,888
At 31 December 2017		86,000	47,888

On 27 December 2017, 86,000,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK$0.663 per share (equivalent to approximately RMB0.555 per share). No shares have been awarded to any selected employee as at the date of this announcement.

14 DIVIDENDS

(i) The directors of the Company do not propose final dividends after 31 December 2017 (2016: HK$Nil).

(ii) No final dividend in respect of the previous financial year has been approved during the year (2016: HK$Nil).

15 ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY OF THE GROUP

On 24 March 2017, the Group entered into a series of equity transfer agreements to acquire 2.56% equity interests in a subsidiary, namely Zhongbo Technology Company Limited ("Zhongbo Technology") from certain non-controlling equity holders of Zhongbo Technology at a consideration of RMB9.4 million.

Upon completion of the above acquisition on 26 April 2017, the Group's effective interest in Zhongbo Technology increased from 82.76% to 85.32%. Consequently, the Group recognised a decrease in non-controlling interests of RMB9.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2017, global economy continued to recover while economy in the PRC grew steadily, with the supply-side reforms intensifying.

In 2017, affected by the combined effect of the supply-side adjustment and demand-side improvement, the overall glass industry remained stable. As demand for environmental protection increased in the second half of the year, the manufacturing costs increased. The market prices rose gradually and inventory levels reached a record low due to changes in supply and demand. The overall characteristics of the industry can be described as "stricter demand for environmental protection, rising costs, higher prices and volume, and improving efficiency".

BUSINESS REVIEW

Overview

The Group currently has 14 glass production lines, with a daily melting capacity of 7,050 tonnes per day. As at 31 December 2017, the Group had 10 float glass production lines in operation, while those production lines not in operation were temporarily halted for technical upgrades such as cold repair and relocation. In addition, the Group had one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

Raw material and fuel prices, and production costs

In 2017, as demand from environmental protection increased, the elimination of overcapacities also intensified, with prices of soda ash, mineral raw materials and natural gas rising sharply and manufacturing costs continuously to soar. The Group continued to optimize and adjust its strategic procurement policies to ensure the supply, despite purchase prices were increased year-on-year, they lower than the industry average.

In 2017, the domestic market price of soda ash hit a new high since 2010. Prices fluctuated frequently with average price increasing significant year-on-year. As a result, the soda ash industry was profitable in general. Influenced by environmental protection, prices of both silica sand and limestone surged and the supply was strained.

In terms of fuel, the market price of petroleum coke increased stepwise; the price of natural gas rose during the hotter season due to strained supply; and the price of fuel oil also increased by a certain extent.

Production, sales and selling price

In 2017, the Group produced an aggregate amount of 36.05 million weight cases of glass, representing a year-on-year increase of 5% whereas sales volume was 36.87 million weight cases, representing an increase of 10% as compared to last year. The average selling price of the Group's glass products increased to RMB69 per weight case in 2017, representing an increase of 8% as compared to last year.

Profitability analysis

In 2017, the Group recorded a sales revenue of RMB2.556 billion, representing an increase of 19% compared to last year. The increase in revenue was mainly due to the rising selling prices of glass products and growth in sales volume. In 2017, the Group recorded a profit for the year of RMB60.47 million, representing a significant growth over the profit for the year of RMB20.73 million in 2016.

MAJOR ACHIEVEMENTS IN 2017

1. **Benchmarking management performed throughout all work processes with product and management upgrade achieving initial results**

   In 2017, the Group implemented the overall process management by strengthening the benchmarking system in procurement, sales and production. By means of "benchmarking management", the Group steadily promoted the "product and management upgrades."

2. Breakthroughs in major projects

(1) Substantial progress made regarding the "Go Out" strategy

The construction of the Nigerian Float Production Line Project was progressing on schedule. In order to make full use of the advantages and opportunities brought by the "The Belt and Road" initiative in the PRC, a joint venture was established by a subsidiary of the Group, a subsidiary of Legend Holdings Corporation, being the second largest shareholder of the Group, and CNIC Corporation Limited, which is jointly established by the national foreign exchange reserve and SASAC of the State Council of the PRC. The joint venture, together with CNIC International Investment and Hony Capital, initiated the "The Belt and Road Integration Fund of Glass Industry（一帶一路玻璃產業整合基金）" which will be invested in (but not limited to) the Kazakh Float Production Line Project with an expected annual production capacity of 197,000 tonnes.

(2) Steady Implementation of Enterprise Transformation and Upgrade

The 600t/d Auto Glass Project of Suqian CNG Electronic Glass Co., Ltd. was officially launched; products with different thicknesses ranging from 1.6mm to 5mm were successfully trial-produced in the 400t/d Electric Glass Production Line of Suqian CNG with all indicators in line with expectations, which marked a milestone for the Group's transformation and upgrade.

(3) Applied research projects progressing as planned

The ultraviolet-proof high transmittance (ultra clear) glass of Wuhai CNG Special Glass Co., Ltd. passed the national tests and the inspection report of 6mm non-insulated fireproof glass (category C) 1h was issued by the National Center for Quality Supervision and Test of Building Engineering regarding to such glass, indicating that it meets the requirements higher than those for non-insulated fire-resistant glass (Type C) 0.5h as set out in the National Standard GB15763.1-2001 Requirements for Safety Glass and Fire-Resistant Glass for Construction (《GB15763.1-2001建築用安全玻璃防火玻璃》).

3. **Significant increase in the output of differentiated "featured products"**

Wuhai CNG successfully mass produced the 3.2mm-2.7mm thin plates with the ultraviolet-proof high transmittance (ultra clear) thin glass. The coating period and rate of the online Low-E coating glass of Dongtai China Glass further improved. The Group made breakthroughs in the research on new products such as the online Sun-C coating glass, online solar control Low-E coating glass and the online Sun-E® ocean blue coating glass, TCO glass for thin-film solar cells and the high strain point glass for thin-film solar cells.

4. **Adjusting financial structure, expanding financing channels and strengthening the working capitals management**

In 2017, the Group continued to strengthen its management in "destocking" and "receivables" to reduce the capital amount of the two items and eventually improve the efficiency of capitals. At the same time, as we further adjusted the financial structure, the financial costs were reduced significantly.

5. **Environmental protection**

In 2017, the Group conscientiously implemented the Emission Standard of Air Pollutants for flat Glass Industry (《平板玻璃工業大氣污染物排放標準》) as well as various local emission standards of air pollutant and other related environmental protection laws and regulations, but also continuously strengthened the management in environmental protection process and equipment. As a result, furnace kilns of the production lines all met the emission standards.

THE GLASS MARKET OUTLOOK

The 19th National Congress and the Central Economic Work Conference set the foundation and guidance for economic development in 2018 and the "13th Five-Year Plan". In 2018, the glass industry is expected to continue its current steady upward trend. The overall supply and demand in the glass industry is basically balanced, although it still faces uncertainties and challenges such as the intensifying environmental requirements, rising prices of raw and fuel materials, high costs and difficulties in financing. The market price will remain at a high level despite fluctuations between seasons and caused by demand. Therefore, the profitability of glass industry in 2018 will increase steadily on top of this year.

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

Glass production costs are expected to remain high in 2018. The soda ash and coal industry enjoy a certain extent of monopolystic pricing advantages, as they are more concentrated than the glass production industry. The national strict control imposed on environmental protection will inevitably further compress the production capacity of various raw and fuel materials such as soda ash, coal and silica sand, and will also, to some extent, force companies to adjust their fuel structure, which will further push up the production costs.

PLANS FOR 2018

1. **Improving quality and product upgrades**
   The Group will continue to strengthen its quality control management and further improve our quality standard, quality upgrade evaluation system, online inspection methods and quality inspection standards; each base will determine its market and product positioning based on its region and demand, respectively, to achieve product upgrade targets.

2. **Trying our best to promote the informationization process and facilitate the comprehensive upgrade of the company management**

   With an orientation on customer needs as well as a focus on high-quality substrates and differentiated products, we will base our production mainly on orders, integrate the terminal market vertically and fully adopted the procurement information system, while accelerating the establishment of the logistics information system.

3. **Making breakthroughs with the "Go Out" strategy**

   The Group will ensure that the Nigerian Float Production Project will put into operation in 2018 and enhance the operation and management of the Kazakh Project Line after it commences production.

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

   The Group will improve the openness in technology research and development so that it can be open both internally and externally. The Group will endeavor to make more technical contributions, with a goal of achieving 50 to 60% in terms of technical contribution in 3 to 5 years.

5. **Establishing a rating system for subsidiaries and improving the performance appraisal system**

   The Group will draw on methods and standards of international ratings to rate the subsidiaries within the Group and will further improve the performance appraisal system based on the company ratings.

6. **Environmental protection**

   In 2018, the Group will implement a stricter, more standardized, more specific and more data-driven environmental treatment policy than that in 2017. We will continue to improve the efficiency of the treatment system and further reduce the concentration and total emission of pollutants discharged. Meanwhile, the Group will look for new processes and technologies for the treatment of pollutants and reduce the operating costs of treatment facilities while improving their efficiency.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 19% from RMB2.140 billion for the year ended 31 December 2016 to RMB2.556 billion for the year ended 31 December 2017. The increase in revenue was mainly attributable to the combined effect of an increase of 8% in the annual average selling price compared to last year due to an increase in the market price of glass this year, and an increase of sales volume of 10% compared to last year.

For the segment revenue of the Group for the year ended 31 December 2017, clear glass products contributed RMB1,107 million and energy saving and new energy glass products contributed RMB490 million, representing an increase of 61% and 41% as compared to 2016, respectively while painted glass products contributed RMB362 million and coated glass products contributed RMB598 million, representing a decrease of 22% and 7% as compared to 2016, respectively, which was mainly attributable to net effect of that clear glass products were significantly driven by the real estate market while market demand for painted and coated glass have not substantially increased along with the recovery of clear glass market; meanwhile the Group strengthened the sales of energy saving and new energy glass products and actively adjusted the product mix.

Cost of sales

The Group's cost of sales increased by approximately 23% from RMB1.812 billion for the year ended 31 December 2016 to RMB2.235 billion for the year ended 31 December 2017. This was mainly attributable to the combined effect of the general increase in average price of raw materials and fuel in the industry as well as the average costs on environmental protection.

Gross profit

The Group's gross profit decreased by approximately 2% from RMB327 million for the year ended 31 December 2016 to RMB322 million for the year ended 31 December 2017. This was mainly attributable to a decrease in gross profit margin. Gross profit margin decreased from 15% in 2016 to 13% in 2017, which was mainly due to the combined effect of the increased unit costs as a result of the average price of raw materials and fuel and the increased average costs on environmental protection, despite the increased selling price as a result of the improved market condition of glass products.

Other income

The Group's other income increased from RMB163 million for the year ended 31 December 2016 to RMB173 million for the year ended 31 December 2017. Other income for the year was mainly the guiding funds for major industry from local government and compensation received by the Group's several production lines from local government to compensate the relocation loss incurred in prior years.

Finance Costs

The Group's finance costs decreased by approximately 21% from RMB134 million as at 31 December 2016 to RMB106 million as at 31 December 2017. This was mainly due to the financing structure adjustment by the Group.

Current assets

The Group's current assets increased by approximately 7% from RMB1.519 billion as at 31 December 2016 to RMB1.619 billion as at 31 December 2017. The increase was mainly attributable to an increase in prepayments and other receivables.

Current liabilities

The Group's current liabilities decreased by approximately 3% from RMB3.381 billion as at 31 December 2016 to RMB3.267 billion as at 31 December 2017. The decrease was mainly due to the combined effect of decreased advances, accrued charges and other payables.

Non-current liabilities

The Group's non-current liabilities increased by approximately 275% from RMB224 million as at 31 December 2016 to RMB841 million as at 31 December 2017. This was mainly attributable to a significant increase in long-term bank and other loans as a result of the adjustment to the financing structure of the Group.

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

As at 31 December 2017, the Group's cash and cash equivalents were RMB562 million (31 December 2016: RMB492 million), of which 91% (31 December 2016: 95%) were denominated in RMB, 8% (31 December 2016: 3%) were denominated in United States Dollars ("USD"), and 1% (31 December 2016: 2%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank and other loans were RMB2.352 billion (31 December 2016: RMB1.513 billion), of which 87% (31 December 2016: 99%) were denominated in RMB, and 13% (31 December 2016: 1%) were denominated in USD. As at 31 December 2017, 71% (31 December 2016: 53%) of the outstanding bank and other loans bear interest at fixed rates while approximately 29% (31 December 2016: 47%) bear interest at variable rates.

As at 31 December 2017, the gearing ratio (total interest-bearing debts divided by total assets) was 40% (31 December 2016: 29%). As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was 0.50 (31 December 2016: 0.45). The Group recorded net current liabilities amounting to RMB1.648 billion as at 31 December 2017 (31 December 2016: RMB1.862 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.65 as at 31 December 2017 (31 December 2016: 0.62).

CHARGED ASSETS

As at 31 December 2017, certain properties, plants and equipment and construction in progress and inventories of the Group with a carrying amount of approximately RMB799 million (31 December 2016: RMB1,168 million) and certain trade and bills receivables of the Group with a carrying amount of approximately RMB236 million (31 December 2016: RMB79 million) were pledged against certain bank loans with a total amount of approximately RMB781 million (2016: RMB573 million).

CONTINGENT LIABILITIES

As at 31 December 2017,there is no contingent liabilities of the Group.

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

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries and associated companies or significant investments during the year of 2017.

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2017, the Group employed approximately a total of 3,774 employees in the PRC and Hong Kong (31 December 2016: about 4,007 employees). The decrease in staff number of the Group as at 31 December 2017 as compared to 31 December 2016 was mainly attributable to continuously higher workplace efficiency of the Group and reduced headcount as production lines of several production bases were moved and halted. According to the relevant market situation, the Group's employees' remuneration is maintained at a competitive level and is adjusted in accordance with employees' performance.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. Details of staff costs and pension schemes are set out in Note 7(b) to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (31 December 2016: Nil).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, USD and NGN. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB will be closely related to the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the year ended 31 December 2017, the Group did not adopt any derivatives for hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

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

SHARE OPTION SCHEMES

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 for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the Group.

On 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Old Share Option Scheme. Further details of the share options are disclosed in Note 13(a) to the consolidated financial statements.

On 22 June 2015, the Old Share Option Scheme was expired and a new share option scheme (the "**New Share Option Scheme**") was approved by a special general meeting of shareholders of the Company on 19 February 2016.

During the year ended 31 December 2017, save for a total of 660,000 share options that were lapsed during this period, no share options were exercised, cancelled or lapsed under the Old Share Option Scheme; and no share options were granted, exercised, cancelled or lapsed under 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 in order to recognise the contributions made by certain 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. The Share Award Scheme would operate in parallel with the Old Share Option Scheme and the New Share Option Scheme.

During the year ended 31 December 2017, based on the Company's instruction for the purpose of the Share Award Scheme, Bank of Communications Trustee Limited, being the Trustee of the Share Award Scheme (the "**Trustee**"), purchased 86,000,000 ordinary shares of HK$0.05 each in the share capital of the Company (the "**Shares**") off the market, representing approximately 4.75% of the issued share capital of the Company as at 27 December 2017 (the date of the share purchase) at the total consideration of HK$57,018,000 (the "**Share Purchase**"). The Company paid an amount of HK$58,000,000 to the Trustee for the Share Purchase.

During the year ended 31 December 2017, 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 disclosed in Note 13(b) to the consolidated financial statements.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

During the year ended 31 December 2017, there were no changes to the total number of Shares or the share capital structure of the Company.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as at the latest practicable date prior to the issue of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhao Lihua and Mr. Zhang Baiheng as members, has reviewed, together with the participation of the Company's management and the independent auditors, KPMG, the accounting principles and practices adopted by the Group, and has discussed auditing, risk management and internal control, and financial reporting matters, including the review of the annual results of the Group for the year ended 31 December 2017.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2017 (the "**Annual Results Announcement**") have been agreed by the auditors of the Company, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the Annual Results Announcement.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2017, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the deviations set out below:

(i) the CG Code A.2.7 requires the chairman of the board (the "**Chairman**") to at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors' presence. During the year 2017, save as certain Directors abstained from voting on the connected transactions entered into by the Company for better corporate governance practice, all major decisions of the Company were made by the entire Board with attendance of all Directors, and there were no special circumstances requiring independent discussions with non-executive Directors in the absence of the executive Director. Therefore, no such meeting with the non-executive Directors was held. Notwithstanding that, the Company has internal policies and arrangements to allow all Directors (including the non-executive Directors) to express their views and raise their concerns in relation to the business of the Company with the Chairman; and

(ii) the CG Code A.6.7 requires that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. The following independent non-executive Directors and non-executive Directors were unable to attend the general meetings of the Company due to other work commitments at that relevant times:

(a) Mr. Zhang Baiheng and Mr. Zhao Lihua (being the independent non-executive Directors) were unable to attend the annual general meeting of the Company held on 6 June 2017; and

(b) Mr. Peng Shou, Mr. Zhou Cheng, Mr. Zhao John Huan and Mr. Tang Liwei *(Note)* (being the non-executive Directors) as well as Mr. Zhang Baiheng and Mr. Zhao Lihua (being the independent non-executive Directors) were unable to attend the special general meeting of the Company held on 12 September 2017.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2017.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2018 AGM**") will be held on Monday, 28 May 2018 and the notice of 2018 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Note: Resigned on 2 January 2018

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2018 AGM which is scheduled on Monday, 28 May 2018. In order to be eligible to attend and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 21 May 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Annual Results Announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaglassholdings.com). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above-mentioned websites in due course.

By Order of the Board
China Glass Holdings Limited
Cui Xiangdong
Chief Executive Officer

Hong Kong, 27 March 2018

As at the date of this announcement, the directors of the Company are as follows:

Executive Director:
Mr. Cui Xiangdong *(Chief Executive Officer)*

Non-Executive Directors:
Mr. Peng Shou *(Chairman),* Mr. Zhao John Huan; and Mr. Zhou Cheng *(Honorary Chairman)*

Independent Non-Executive Directors:
Mr. Zhang Baiheng; Mr. Zhao Lihua; and Mr. Chen Huachen

* *For identification purpose only*