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福萊特玻璃集團股份有限公司
Flat Glass Group Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6865)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Flat Glass Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2018. This announcement containing the full text of the 2018 Interim Report of the Company, which complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results.



福萊特玻璃集團股份有限公司 Flat Glass Group Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 6865

Interim Report 2018

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Corporate Information

DIRECTORS

Executive Directors

Mr. Ruan Hongliang

(Chairman of the Board of Directors)

Ms. Jiang Jinhua

Mr. Wei Yezhong

Mr. Shen Qifu

Independent Non-executive Directors

Mr. Cui Xiaozhong

Mr. Li Shilong

Mr. Ng Ki Hung

SUPERVISORS

Mr. Zheng Wenrong

(Chairman of the Board of Supervisor)

Mr. Shen Fuquan

Mr. Zhu Quanming

Ms. Zhang Hongming

Mr. Meng Lizhong

AUDIT COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*

Mr. Li Shilong

Mr. Ng Ki Hung

REMUNERATION COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*

Mr. Ruan Hongliang

Mr. Li Shilong

NOMINATION COMMITTEE

Mr. Ruan Hongliang *(Chairman)*

Mr. Cui Xiaozhong

Mr. Ng Ki Hung

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*

Mr. Wei Yezhong

Mr. Cui Xiaozhong

RISK MANAGEMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*

Ms. Jiang Jinhua

Mr. Cui Xiaozhong

JOINT COMPANY SECRETARIES

Ms. Ruan Zeyun

Ms. Leung Wing Han Sharon

AUTHORISED REPRESENTATIVES

Mr. Ruan Hongliang

Ms. Ruan Zeyun

REGISTERED OFFICE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1999 Yunhe Road

Xiuzhou District

Jiaxing, Zhejiang Province

People's Republic of China ("PRC")

PRINCIPAL PLACE OF BUSINESS IN HONGKONG

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248 Queen's Road East

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CORPORATE WEBSITE

www.flatgroup.com.cn

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners

in Association with

Morgan, Lewis & Bockius

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountant

PRINCIPAL BANKERS

Bank of China Limited, Jiaxing Branch

China CITIC Bank Corporation Limited,

Jiaxing Branch

Industrial and Commercial Bank of

China Limited, Jiaxing Branch

Bank of China (Hong Kong) Limited

Citibank, N. A., Hong Kong Branch

H SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

Financial Summary

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,447,577	1,445,687
Cost of sales	1,049,817	1,040,723
Gross profit	397,760	404,964
Profit before tax	250,112	251,974
Income tax expenses	(34,720)	(44,338)
Total comprehensive income for the period	<u>216,503</u>	<u>195,383</u>
	As at	As at
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets	3,408,764	3,005,430
Current assets	3,096,748	2,950,113
Current liabilities	1,825,472	1,968,537
Net current (liabilities) assets	1,271,276	981,576
Total assets less current liabilities	4,680,040	3,987,006
Net assets	3,463,158	3,250,373
Share capital	450,000	450,000
Reserves	<u>3,014,158</u>	<u>2,800,373</u>
Total equity	<u>3,464,158</u>	<u>3,250,373</u>

Management Discussion and Analysis

Set out below is the management discussion and analysis of Flat Glass Group Co., Ltd. (the “Company”) and its subsidiaries (together with the Company, the “Group”) for the six months ended 30 June 2018.

LATEST BUSINESS DEVELOPMENT

During the review period, the Group continued to expand and optimize its operations in the PRC and overseas. We set out below the latest business development of the Group up to 30 June 2018.

Domestic expansion in Anhui Province, PRC

For the Group’s establishment of production and processing base in Anhui Province, the People’s Republic of China (the “PRC”) with an annual processing capacity of 900,000 tons of photovoltaic (“PV”) glass, relevant works are progressing well. The first PV glass furnace with a daily melting capacity of 1,000 tons with 4 raw glass production lines was put into operation in December 2017. The second furnace with a daily melting capacity of 1,000 tons was also put into operation in June 2018. The third furnace is expected to be put into operation in the first quarter of 2019.

Overseas expansion in Haiphong, Vietnam

As for the establishment of PV glass production base in Haiphong, Vietnam, the Group has (i) completed the foundation construction of most plants; and (ii) ordered key production facilities from suppliers. Relevant works are currently progressing well with the first PV glass furnace with a daily melting capacity of 1,000 tons of PV glass. It is expected that the Vietnam production line will commence operation and commercial production in the first half of 2019 as scheduled.

Modification of existing float glass furnace to online low-E glass production line

In terms of the Group’s conversion of the existing daily melting capacity of 600-ton float glass furnace into online low-emissivity (low-E) glass production line with an annual production capacity of 100,000 tons, the modification is completed and has already been on the trial production stage in the second quarter of 2018. Besides, we have two offline low-E glass processing lines, both of them with an annual processing capacity of 5.8 million square meters.

Cold repair of existing 490-ton PV glass furnace

In order to increase the production efficiency of the Group, the Group has commenced cold repair and the modification work of the existing daily melting capacity of 490-ton PV glass furnace. The Group has ceased to operate the PV glass furnace and started to conduct cold repair and commenced modification work during the six months ended 30 June 2018. It is expected that the cold repair project will be completed in the forth quarter of 2018.

BUSINESS REVIEW AND LOOKING TO THE FUTURE

The Group principally engages in the manufacture and sale of various glass products, including PV glass, float glass, architectural glass and household glass. The production facilities of the Group are located in Jiaxing, Zhejiang Province, and Fengyang, Anhui Province, the PRC. The Group primarily sells glass products to customers in the PRC, Korea, Malaysia, Vietnam, India and Japan.

China's PV market maintains stable

According to the statistics from the Natural Energy Administration of the PRC (“NEA”), the new installed PV capacity in the PRC during the first half of 2018 was over 24 gigawatts, which generally remained stable as compared to the corresponding period of last year. Among that, the new installed capacity of distributed PV power generation was 12.24 gigawatts, representing an increase of 72% as compared to the corresponding period of last year. The newly installed distributed PV power generation scale exceeded the centralized PV power station for the first time, reflecting the likely future development direction of PV power generation.

On 31 May 2018, the National Development and Reform Commission, the Ministry of Finance and the NEA in the PRC jointly issued the Notice of Matters Related to Photovoltaic Power Generation in 2018 (the “531 Policy”), which emphasized that there shall be no arrangement for ordinary PV power station quota for 2018, the distributed PV quota shall be 10 gigawatts, and both the benchmark electricity price and the subsidy for distributed PV power per kilowatt-hour of the newly launched PV power station from the issuance of this policy shall be reduced by RMB5 cents. This new policy would led to reduce demand from China, which in turn would likely cause oversupply of PV modules and related products and components, executing pressure on supply chains.

PV emerging markets continue to grow

In recent years, with global emphasis on green energy, PV power generation is increasingly being supported as green industry by numerous countries. Most emerging markets have strong policy in support or have great development advantages in climate topography, and there is still great potential for development. Hence, it will attract more manufacturers to invest in the development and find their own markets. Emerging countries such as Mexico and Brazil are expected to continue to grow in 2018 and become important markets for the export of Chinese PV modules.

The Indian government stated that it is planning to launch the 100-gigawatt PV energy project, which is 10 times the scale of the largest PV energy project in the world. The total renewable energy installed capacity is planned to increase to 227 gigawatts from 175 gigawatts before 2022. India's PV market has developed rapidly and has become one of the major PV markets in the world.

Expansion of production capacity

To further reduce production cost, the Group has maintained the establishment of production bases in Anhui Province, PRC and in Haiphong, Vietnam, thereby further enhancing the scale effect of the Group while reducing production cost and providing better products and services to more customers.

The second PV glass furnace at our PV glass production base in Anhui Province, PRC, with a daily melting capacity of 1,000 tons, was put into operation in June 2018.

For the establishment of PV glass production base in Haiphong, Vietnam, the Group has (i) completed the foundation construction of most plants; and (ii) ordered key production facilities from suppliers. Relevant works are progressing well currently, the first PV glass furnace with a daily melting capacity of 1,000 tons in the PV glass production base in Haiphong, Vietnam, is expected to commence operation and commercial production in the first half of 2019 as scheduled.

Architectural glass

In terms of the Group's conversion of the existing daily melting capacity of 600-ton float glass furnace into online low-E glass production line with an annual production capacity of 100,000 tons, the trial production commenced in the second quarter of 2018. Besides, we have two offline low-E glass processing lines, both of them with an annual processing capacity of 5.8 million square meters. The Group believes that after such modification with the increase in the processing capacity of low-E glass, it will lead to an increase in the operating results of the Group's architectural glass, enhance the market influence of the Group in the architectural glass industry and optimize the product mix of the Group.

Business outlook and prospects

In 2018, the short-term demand from the domestic market may be greatly affected due to the impact of the 531 Policy, the new installed PV capacity for the review period decreased as compared to the same period in 2017. As for demands from other countries, Australia has a strong demand during the review period, while Europe has entered a recovery period while the Middle East, Morocco and Egypt in North Africa, Mexico and Brazil in South America are also expected to have relatively large growth this year.

As the world's largest PV market, China is expected to reduce its global PV installed capacity in 2018. According to the forecast of Energy Trend, the global demand will fall to 92-95 gigawatts due to the shrinking of the Chinese market, and it is expected to return to the level of over 100 gigawatts by 2019 due to increase in demand from other markets.

Although the implementation of the new 531 Policy has an influence on Chinese new PV installed capacity, in the long run, under the new industry environment, high-cost PV companies are gradually exiting, and the market share is gradually concentrated to enterprises with high quality and lower cost structure. Also, with the technological advancement and industrial upgrades of the PV industry, the cost of PV modules is gradually decreasing, and the global market competitiveness of Chinese PV modules continues to increase. Era of the connection to grid at an equal price of PV power generation is arriving. Once achieved, due to national support from the PRC government, PV power stations that do not need government subsidies will develop in a larger scale.

The Group's establishment of PV glass production bases in Anhui Province, PRC and in Haiphong, Vietnam will contribute to lower the production costs which is expected to increase the Group's market competitiveness. At the same time, the new products developed by the Group will meet more personalized needs of the customers, and enhance the added-value of the PV glass products. With these measures, the Group is well positioned to go through this industry consolidation and integration.

FINANCIAL REVIEW

For the six months ended 30 June 2018, affected by section 201 and 531 Policy, the average price of PV glass of the Group began to decline in March 2018, and the average procurement price of certain major raw materials and fuels also increased as compared to the same period in 2017. However, benefiting from the release of new production capacity and the advantage of lower production cost of Anhui Flat Solar Glass Co., Ltd* (安徽福莱特光伏玻璃有限公司) (Anhui Flat Glass), the Group's results for the six months ended 30 June 2018 were basically in line with those for the six months ended 30 June 2017. As at 30 June 2018, the amounts of the sales and the net profit of the Group were RMB1,447.6 million and RMB215.4 million, respectively, which have increased by 0.13% and 3.76%, respectively, as compared to the same period of the year of 2017 of RMB1,445.7 million and RMB207.6 million, respectively.

Revenue

The following table sets out the breakdown of revenue of the Group by product type and geographical location:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Product type		
Photovoltaic glass	1,043,839	1,010,905
Household glass	161,510	161,714
Architectural glass	171,772	94,446
Float glass	38,044	162,962
Mineral products (<i>note</i>)	32,412	15,660
	1,447,577	1,445,687

Note: Mineral products refer to ore mined from the Group's quartz rock mine No. 7 in Lingshan-Mujishan, Fengyang County, Chuzhou City, Anhui Province, the PRC.

For the six months ended 30 June 2018, revenue of the Group amounted to RMB1,447.6 million, remained stable as compared with the same period of 2017. Among them, the revenue of float glass decreased by 76.7% from RMB163.0 million for the six months ended 30 June 2017 to RMB38.0 million for the six months ended 30 June 2018 primarily compared to the conversion work of the 600-ton float glass furnace to convert to a low-E glass production line commenced during the review period and the furnace shut-down as a result. On the other hand, the growth of revenue of PV glass benefited from the release of new capacity of Anhui Flat Glass's PV glass furnace with a capacity of 1,000 tons in the first half year of 2018. As for architectural glass, benefited from the substantial growth of low-E glass increased production and sales, the revenue for the six months ended 30 June 2018 was RMB171.8 million, represented an increase of 82.0% as compared to RMB 94.4 million for the six months ended 30 June 2017.

The following table sets forth the Group's revenue by geographical market, based on the location of operations of the customers for the periods indicated:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Location:		
PRC	975,673	870,002
Other overseas countries:		
Japan	60,747	111,785
Other countries in Asia (excluding PRC and Japan)	262,172	252,216
Europe	112,752	97,198
North America	24,111	99,100
Others	12,122	15,386
	1,447,577	1,445,687

Cost of Sales

The cost of sales of the Group remained relatively stable, increased slightly from RMB1,040.7 million for the six months ended 30 June 2017 to RMB1,049.8 million for the six months ended 30 June 2018.

Gross profit

The gross profit of the Group for the six months ended 30 June 2018 was RMB397.8 million. The gross profit for the six months ended 30 June 2018 remained basically stable as compared to that for the six months ended 30 June 2017.

Product type	Six months ended 30 June			
	2018		2017	
	Gross profit		Gross profit	
	RMB'000	Margin (%)	RMB'000	Margin (%)
Photovoltaic glass	305,506	29.3%	311,009	30.8%
Household glass	34,147	21.1%	38,958	24.1%
Architectural glass	39,740	23.1%	18,278	19.4%
Float glass	6,808	17.9%	32,688	20.1%
Mineral products (note)	11,559	35.7%	4,031	25.7%
	<u>397,760</u>	<u>27.5%</u>	<u>404,964</u>	<u>28.0%</u>

Note: Mineral products refer to ore mined from the Group's quartz rock mine No. 7 in Lingshan-Mujishan, Fengyang County, Chuzhou City, Anhui Province, the PRC.

For the six months ended 30 June 2018, the gross profit margin of the PV glass segment of the Group decreased by 1.5% from 30.8% for the six months ended 30 June 2017 to 29.3% for the six months ended 30 June 2018 mainly due to three reasons: (i) the increase in production costs as a result of the increase in average procurement prices of major raw materials and fuels; (ii) average price of PV glass began to decline in March 2018 as a result of section 201 and 531 Policy; (iii) on 30 June 2018, the first production line of Anhui PV glass production base reached its intended conditions available for use and was formally put into production. This line's high production efficiency and energy-saving effect led to a significant decrease in energy consumption of the product per unit. However, given the short period of formal production, the advantage of lower production cost had not been realized.

Other income

Other income of the Group increased by RMB7.9 million from RMB17.2 million for the six months ended 30 June 2017 to RMB25.1 million for the six months ended 30 June 2018. The increase was mainly due to the increase of government subsidies to the Group, and bank interests received from the bank accounts deposit.

Other gains and losses

For the six months ended 30 June 2018, other gains and losses changed to a loss of RMB13.7 million for the six months ended 30 June 2018 from a loss of RMB5.0 million for the six months ended 30 June 2017. It was mainly due to provision for a bad debt of RMB7.1 million (2017: reversal of bad debts of RMB3.0 million).

Distribution and marketing expenses

For the six months ended 30 June 2018, distribution and marketing expenses amounted to RMB47.7 million, representing a decrease of RMB18.4 million, or 27.8%, from RMB66.1 million for the six months ended 30 June 2017. The reasons for the decrease were mainly due to (i) a significant reduction in export shipping costs because of the reduced sales to North America; and (ii) shortening of shipment distance of domestic customers.

Administrative expenses

For the six months ended 30 June 2018, administrative expenses of the Group increased by RMB10.9 million, or 25.1%, from RMB43.4 million for the six months ended 30 June 2017 to RMB54.3 million. The administrative expenses for the six months ended 30 June 2017 accounted for 3.0% of the Group's revenue, and increased to 3.8% for the six months ended 30 June 2018. The main reason of increase was due to the commencement of production of Anhui Flat Glass and the related increase in salary, benefits, office, travel and other expenses of related personnel, including new hires for Anhui Flat Glass.

Research and development costs

For the six months ended 30 June 2018, research and development costs decreased by RMB5.9 million, or 10.6%, from RMB55.9 million for the six months ended 30 June 2017 to RMB50.0 million mainly due to the Group's overall arrangement of research and development.

Financial costs

For the six months ended 30 June 2018, financial costs of the Group increased by RMB7.1 million, from RMB0.1 million for the six months ended 30 June 2017 to RMB7.2 million. It was mainly due to reversing the mining right accrued interest of RMB7.5 million for the six months ended 30 June 2017.

Income tax expense

For the six months ended 30 June 2018, income tax expenses amounted to RMB34.7 million, and that for the same period in 2017 was RMB44.3 million. The consolidated effective tax rate was 13.9% for the six months ended 30 June 2018 and 17.6% for the six months ended 30 June 2017, respectively. The reason that the tax rate for the six months ended 30 June 2018 decreased was mainly because of the decreasing by RMB3.7 million of deferred income tax.

EBITDA and profit for the period

For the six months ended 30 June 2018, EBITDA of the Group (earnings before interests, taxes, depreciation and amortization) was increased by RMB18.7 million from RMB366.9 million for the six months ended 30 June 2017 to RMB385.6 million. The Company's EBITDA margin was 26.6% for the six months ended 30 June 2018 as compared to 25.4% for the six months ended 30 June 2017.

As a result of the foregoing, the profit for the period increased by RMB7.8 million, or 3.8%, from RMB207.6 million for the six months ended 30 June 2017 to RMB215.4 million for the six months ended 30 June 2018.

Assets and equity

Total assets as at 30 June 2018 amounted to RMB6,505.5 million, which increased by RMB550.0 million, or 9.2%, from RMB5,955.5 million as at 31 December 2017. Total equity as at 30 June 2018 amounted to RMB3,464.2 million, which increased by RMB213.8 million, or 6.6%, from RMB3,250.4 million as at 31 December 2017.

Financial resources and liquidity

For the six months ended 30 June 2018, the Group's liquidity and financial position remained in good condition. As at 30 June 2018, the current ratio was 1.70 as compared with that as at 31 December 2017, the current ratio was 1.50, which continued to increase.

For the six months ended 30 June 2018, the Group's main sources of funding were cash from operating activities and bank borrowings. Net cash inflow from operating activities for the six months ended 30 June 2018 was RMB160.9 million (six months ended 30 June 2017: RMB60.2 million). The increase in net cash inflow from operating activities is mainly due to the increase in cash from the sales of the Group's products.

Asset-liability ratio

As at 30 June 2018, the asset-liability ratio (asset-liability ratio equals total debt divided by total equity as of the end of the year or period multiplied by 100%. Total debt includes all interest-bearing bank and other loans of the Group) was 46.75%, increased by 1.33% as compared to 45.42% at 31 December 2017.

Capital commitment

For the six months ended 30 June 2018, capital commitment of the Group was RMB744.8 million, mainly from the newly-established PV glass production bases in Anhui Province, PRC and Haiphong, Vietnam and conversion project of online low-E production line.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2018, the Group employed a total of 2,712 employees and most of them were based in the PRC, with a total employee remuneration amounted to RMB117.6 million, representing 8.1% of the Group's total revenue.

The Group maintains a good relationship with its employees and provides trainings to its employees. New joiners must attend mandatory in-house training. Furthermore, employees may attend external trainings such as trainings for manufacturing management, quality control management and human resources management. Remuneration of employees is reviewed periodically by reference to the market rate. After considering performance of the Group and job performance of specific employees, the Group may pay them discretionary bonus.

The Group makes contributions for its employees in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance and housing provident fund contributions in the PRC.

CREDIT RISK AND FOREIGN EXCHANGE RISK

Transactions of the Group are settled in RMB, United States dollars, Euros, Hong Kong dollars, Vietnam Dong and Japanese yen whereas, the Group's operating activities are mainly located in the PRC. Bank financing of the Group was settled in RMB and United States dollars for the six months ended 30 June 2018 with annual interest rates were between 3.5% and 5.4%. As the Group's certain sales, procurements and financing are not in the Group's reporting currency of RMB but in foreign currencies, the Group is exposed to foreign exchange risk. For the six months ended 30 June 2018, such risks did not have any material impact on the financial performance of the Group.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company ended 30 June 2018.

As at 30 June 2018, the Company's total share capital was RMB450,000,000, divided into 1,800,000,000 shares of the Company (the "Shares") with a nominal value of RMB0.25 each, of which, 1,350,000,000 Shares were domestic Shares and 450,000,000 Shares were H Shares.

Corporate Governance and Other Information

Compliance with Corporate Governance Code

In the opinion of Directors, the Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules throughout the period from 1 January 2018 to 30 June 2018 except for code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the role of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both position. Throughout the Group's business history of over 19 years, Mr. Ruan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Company and the shareholders as a whole.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all of the Directors and supervisors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the period from 1 January 2018 to 30 June 2018.

Interests and Short Positions of Directors, Supervisors and Chief Executives

As at 30 June 2018, the interests and short positions of directors, supervisors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short position which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code contained in the Listing Rules, were as follows:

Shareholder	Number of Shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
Directors					
Mr. Ruan Hongliang ⁽³⁾	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%%	62.15%
Ms. Jiang Jinhua ⁽³⁾	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Mr. Wei Yezhong	19,260,000	Domestic Shares	Beneficial owner	1.43%	1.07%
Mr. Shen Qifu	12,840,000	Domestic Shares	Beneficial owner	0.95%	0.71%
Supervisors					
Mr. Zheng Wenrong	57,780,000	Domestic Shares	Beneficial owner	4.28%	3.21%
Mr. Shen Fuquan	38,520,000	Domestic Shares	Beneficial owner	2.85%	2.14%
Mr. Zhu Quanming	38,520,000	Domestic Shares	Beneficial owner	2.85%	2.14%

Notes:

- (1) The calculation is based on the total number of 1,350,000,000 Domestic Shares of the company in issue as at 30 June 2018.
- (2) The calculation is based on the total number of 1,350,000,000 Domestic Shares and the total number of 450,000,000 H Shares (i.e. a total of 1,800,000,000 Shares) in issue as at 30 June 2018.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. Ms. Jiang Jinhua owns 324,081,600 Domestic Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares. Mr. Zhao Xiaofei owns 4,800,000 Domestic Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, each of Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei is considered to be interested in 1,118,772,000 Domestic Shares under the SFO.

Save as disclosed above, as at 30 June 2018, to the knowledge of the Company, none of the Directors, supervisors and the chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2018, the persons or corporations who has an interest or short position in the Shares, underlying shares or debentures of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholder	Number of Shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
Ms. Ruan Zeyun ⁽³⁾	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Mr. Zhao Xiaofei ⁽³⁾	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Moving Limited ⁽⁴⁾	77,683,000	H Shares	Beneficial interest	17.26%	4.32%
Well Prospering Limited ⁽⁴⁾	77,683,000	H Shares	Interest of controlled corporation	17.26%	4.32%
Zhejiang Longsheng Group Co., Ltd. ⁽⁴⁾	77,683,000	H Shares	Interest of controlled corporation	17.26%	4.32%
Paragon Resort Fund L.P. ⁽⁵⁾	89,609,000	H Shares	Beneficial interest	19.91%	4.98%
Spin Valley Fund Limited. ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Beyond Steady Limited. ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Linewear Assets Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Huarong International Financial Holdings Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%

Shareholder	Number of Shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of the Company ⁽²⁾
Camellia Pacific Investment Holding Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
China Huarong International Holdings Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Huarong Real Estate Co., Ltd. ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
China Huarong Asset Management Co., Ltd. ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Ministry of Finance of the PRC ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%

Notes:

- (1) The calculation is based on the total number of 450,000,000 H Shares in issue as at 30 June 2018.
- (2) The calculation is based on the total number of 1,350,000,000 Domestic Shares and the total number of 450,000,000 H Shares (i.e. a total of 1,800,000,000 Shares) in issue as at 30 June 2018.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. Ms. Jiang Jinhua owns 324,081,600 Domestic Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares. Mr. Zhao Xiaofei owns 4,800,000 Domestic Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei jointly owned 1,118,772,000 Domestic Shares under the SFO.
- (4) Moving Limited is owned as to 100% by Well Prospering Limited, which is in turn owned as to 100% by Zhejiang Longsheng Group Co., Ltd.. Accordingly, each of Well Prospering Limited and Zhejiang Longsheng Group Co., Ltd. is deemed to be interested in the 77,683,000 H Shares held by Moving Limited.
- (5) Paragon Resort Fund L.P. is owned as to 64.53% by Beyond Steady Limited and is managed by Spin Valley Fund Limited. Spin Valley Fund Limited and Beyond Steady Limited are owned as to 100% by Linewear Assets Limited, which is in turn owned as to 100% by Huarong International Financial Holdings Limited. Huarong International Financial Holdings Limited is owned as to 51.00% by Camellia Pacific Investment Holding Limited, which is in turn owned as to 100% by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% by Huarong Real Estate Co., Ltd., which is in turn owned as to 100% by China Huarong Asset Management Co., Ltd.. China Huarong Asset Management Co., Ltd. is owned as to 67.75% by Ministry of Finance of the PRC. Accordingly, each of Spin Valley Fund Limited, Beyond Steady Limited, Linewear Assets Limited, Huarong International Financial Holdings Limited, Camellia Pacific Investment Holding Limited, China Huarong International Holdings Limited, Huarong Real Estate Co., Ltd., China Huarong Asset Management Co., Ltd. and Ministry of Finance of the PRC is deemed to be interested in the 89,609,000 H Shares held by Paragon Resort Fund L.P..

Save as disclosed above, as at 30 June 2018, so far as is known to the Directors, there is no other person (other than the Directors or supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from 1 January 2018 to 30 June 2018.

On 21 November 2016, the shareholders of the Company have approved the proposed initial public offering of not more than 200,000,000 A shares of the Company, which are proposed to be listed on the Shanghai Stock Exchange (the "Proposed A Share Offering"). The approval expired on 20 November 2017. On 20 November 2017, the shareholders of the Company have re-approved the Proposed A Share Offering for another 12 months. The proceeds estimated to be raised from the proposed A share offering, after deducting listing expense, will not exceed RMB1,840.0 million. Due to changing of market environment, directors of the Company has preliminarily recommended to justify proceeds. And the proceeds will not exceed RMB1,550.0 million after adjustment. In June 2017, application for the proposed A share offering has been submitted to China Securities Regulatory Commission and being vetted. Please refer to the circulars of the Company dated 5 October 2016 and 4 October 2017 for details and the resolutions passed regarding the Proposed A Share Offering.

Taxation

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by the Company or the gains realized upon the sale or other disposition of H shares of the Company.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the State Administration of Taxation of the PRC on 28 June 2011, the Company is required to withhold taxes from dividend payments to non-PRC resident individual holders of H shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H shares resides. Non-PRC resident individual holders of H shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from the Company.

Accordingly, when distributing the interim dividend to individual shareholders of H shares listed on the Company's H share register of members, the Company shall withhold 10% of the interim dividend as individual income tax, except where relevant taxation regulation, taxation agreement or notice otherwise stipulated.

In addition, under the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) and its implementation rules, for foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC to which their income is not related, dividends paid by the Company and the gains realized by such foreign enterprises upon the sale or other disposition of H shares are ordinarily subject to PRC enterprise income tax at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Nonresident Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代繳企業所得稅有關問題通知 》國稅函[2008]897號), which became effective on 6 November 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H shares that are overseas non-resident enterprises.

Accordingly, the Company shall withhold corporate income tax at the rate of 10% before distributing the interim dividend to non-resident enterprise shareholders listed on the Company's H share register of members. Shares registered under the name of non-individual registered shareholders (including HKSCC Nominees Limited, other nominees, trustees or other organizations and institutions) will be treated as being held by non-resident enterprise shareholders, and the dividends receivable shall therefore withhold corporate income tax.

The board of directors of the Company did not recommend the declaration of any interim dividends for the six months ended 30 June 2018.

Review of the Interim Results by the Audit Committee of the Company

The Company's interim report for the six months ended 30 June 2018 have not been audited but have been reviewed by the Company's audit committee, comprising its three independent non-executive Directors.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	1,447,577	1,445,687
Cost of sales		(1,049,817)	(1,040,723)
Gross Profit		397,760	404,964
Other income and expenses	4	25,063	17,154
Other gains and losses	5	(13,653)	(4,623)
Distribution and selling expenses		(47,693)	(66,098)
Administrative and general expenses		(54,306)	(43,431)
Research and development costs		(49,818)	(55,881)
Finance costs	6	(7,241)	(111)
Profit before tax		250,112	251,974
Income tax expense	7	(34,720)	(44,338)
Profit for the period	8	215,392	207,636
Earnings per share			
– Basic and diluted (RMB cents)	10	11.97	11.54
Other comprehensive income for the period: <i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		1,111	(12,253)
Total comprehensive income for the period		216,503	195,383

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	2,671,809	2,170,511
Investment Properties		23,812	24,528
Prepaid lease payments		344,497	348,570
Prepayment and intangible assets		160,267	178,120
Available-for-sale investment			4,000
Deferred tax assets	12	25,550	29,813
Prepayment for acquisition of property, plant and equipment		163,394	237,333
Deposits paid for acquisition of land use rights		19,435	12,555
		3,408,764	3,005,430
Current assets			
Prepaid lease payments		8,717	8,709
Inventories		376,755	267,593
Trade and other receivables	13	1,635,747	1,589,019
Derivative financial instruments	14	3,443	—
Fixed deposits		197,074	76,137
Pledged bank deposits		115,259	135,145
Bank balances and cash		759,753	873,510
		3,096,748	2,950,113
Current liabilities			
Trade and other payables	15	1,387,420	1,478,015
Tax liabilities		85,178	84,094
Borrowings	16	335,812	384,182
Deferred revenue		16,529	14,421
Derivative financial instruments	14	533	7,825
		1,825,472	1,968,537
Net current assets		1,271,276	981,576
Total assets less current liabilities		4,680,040	3,987,006

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	NOTES	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Non-current liabilities			
Borrowings	16	1,173,128	687,505
Deferred revenue		42,754	49,128
		<u>1,215,882</u>	<u>736,633</u>
Net assets		<u>3,464,158</u>	<u>3,250,373</u>
Capital and reserves			
Share capital	17	450,000	450,000
Reserves		<u>3,014,158</u>	<u>2,800,373</u>
Total equity attributable to owners of the Company		<u>3,464,158</u>	<u>3,250,373</u>

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2018

	Equity attributable to owners of the Company							
	Share capital	Share premium	Production safety fees	Translation reserve	Equity-settled employee benefits reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (Note iii)	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB'000
At 1 January 2017 (audited)	450,000	618,951	6,748	7,430	3,277	310,705	1,560,538	2,957,649
Profit for the period	–	–	–	–	–	–	207,636	207,636
Other comprehensive expense for the period	–	–	–	(12,253)	–	–	–	(12,253)
Total comprehensive income (expense) for the period	–	–	–	(12,253)	–	–	207,636	195,383
Transfer	–	–	1,380	–	–	–	(1,380)	–
Dividends	–	–	–	–	–	–	(70,200)	(70,200)
At 30 June 2017 (unaudited)	<u>450,000</u>	<u>618,951</u>	<u>8,128</u>	<u>(4,823)</u>	<u>3,277</u>	<u>310,705</u>	<u>1,696,594</u>	<u>3,082,832</u>
At 1 January 2018 (audited)	450,000	618,951	9,732	(15,957)	3,277	356,942	1,827,428	3,250,373
Profit for the period	–	–	–	–	–	–	215,392	215,392
Other comprehensive income for the period	–	–	–	1,111	–	–	–	1,111
Profit and total comprehensive income for the period	–	–	–	1,111	–	–	215,392	216,503
Transfer	–	–	(211)	–	–	–	(2,506)	(2,717)
At 30 June 2018 (unaudited)	<u>450,000</u>	<u>618,951</u>	<u>9,521</u>	<u>(14,846)</u>	<u>3,277</u>	<u>356,942</u>	<u>2,040,314</u>	<u>3,464,159</u>

Notes:

- (i) The equity-settled employee benefits reserve arose in 2009 when certain key management personnel of the Group subscribed for 4.41% of the newly issued shares of the Company. The Group recognised the share-based payment expenses of approximately RMB 3,277,000 in 2009 which represented the difference between the fair value of those shares and the consideration received by the Company.
- (ii) According to the Articles of Association of the Company and its subsidiaries established in the PRC, the PRC entities are required to transfer 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus reserve until the reserve balance reaches 50% of the share capital. The transfer to the reserve must be made before distribution of a dividend to the shareholders. The reserve fund can be utilized in setting off accumulated losses or increasing capital and is non-distributable other than in liquidation.
- (iii) Translation reserve relating to the translation of the financial statements of a subsidiary, Flat (Vietnam) Company Limited from its functional currency in Vietnam to the Company's functional currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	160,916	60,233
INVESTING ACTIVITIES		
Interest received	6,393	4,438
Proceeds on disposal of property, plant and equipment	98	—
Purchases of property, plant and equipment	(554,706)	(172,391)
Payments for acquisition of intangible assets	—	(56,760)
Payments for acquisition of land use rights	(6,880)	—
Pledged bank deposits placed	(229,822)	(119,663)
Purchase of financial asset designated as at FVTPL	—	(30,000)
Proceeds from disposal of financial asset designated as at FVTPL	—	50,000
Proceeds from disposal of derivative financial instruments	2,275	3,499
Payments of derivative financial instruments	(16,619)	(557)
Assets-related government grants received	—	1,500
Release of pledged bank deposits	249,708	84,757
Collection of loan receivable	4,200	—
NET CASH USED IN INVESTING ACTIVITIES	(545,353)	(235,177)
FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	777,503	316,336
Repayment of bank and other borrowings	(358,182)	(228,470)
Payment of financial liabilities designated as at FVTPL	—	(26,279)
Interest paid	(29,108)	(25,104)
Interest subsidy	5,000	—
Prepayment of issue costs for A-share IPO expenses	(1,707)	—
Dividends paid	(6,480)	(17,325)
NET CASH FROM FINANCING ACTIVITIES	387,026	19,158
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,589	(155,786)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	949,647	720,612
Effect of foreign exchanges rates changes	4,591	(8,532)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	956,827	949,647
Fixed deposits	197,074	76,137
Bank balances and cash	759,753	873,510

Notes to Condensed Consolidated Financial Statement

1. GENERAL AND BASIS OF PREPARATION

Flat Glass Group Co., Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 24 June 1998 as a limited liability company under the Company Law of the PRC. On 29 December 2005, the Company was converted into a joint stock limited liability company. The Company’s H shares were listed on Main Board of the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 26 November 2015 (The “Listing”).

The addresses of both the registered office and the principal place of business of the Company are 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC. The Company was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap.622) on 29 June 2015. The principal activities of the Company and its subsidiaries (the “Group”) are engaged in the manufacturing and sale of glass products.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which the Company and principal subsidiaries of the Company operate (same as the functional currency of the Company).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

Notes to Condensed Consolidated Financial Statement

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IAS and IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

The adoption of IFRS 9 and IFRS 15 does not have a material impact on the Group's results and financial positions for the current or prior periods. Details of the changes in accounting policies are disclosed in note 2.1 for IFRS 15 and note 2.2 for IFRS 9.

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the manufacturing and sales of glass products.

The Group has elected to adopt IFRS 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated. The application of IFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group.

Notes to Condensed Consolidated Financial Statement

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Notes to Condensed Consolidated Financial Statement

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The adoption of IFRS 15 in the current interim period, which results in a change in accounting policy on revenue recognition, has no material impact on the timing and amounts of revenue recognised in the current interim period.

2.2. Impacts and changes in accounting policies of application on IFRS 9 “Financial Instruments” and the related amendments

In the current period, the Group has applied IFRS 9 “Financial Instruments” and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Notes to Condensed Consolidated Financial Statement

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 in the current interim period has no material impact on the classification and measurement of financial assets.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables and amount due from a related company). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to Condensed Consolidated Financial Statement

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to Condensed Consolidated Financial Statement

2.2.2 Summary of effects arising from initial application of IFRS 9 Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost, mainly comprise of bank balances are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The adoption of the ECL module under IFRS 9 does not have material impact on the carrying amount of the Group's financial assets as at 1 January 2018.

3. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the manufacturing and sale of glass products. The Group identifies operating segments on the basis of internal reports about different products of the Group that are regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance.

The internal reports include six product types based on sales contract terms, namely photovoltaic glass, household glass, architectural glass, float glass, mining products and EPC services. However there is no revenue derived from nor result contributed by EPC services during the six months ended 30 June 2018 and 30 June 2017, respectively. These products form the basis on which the Group reports its segment information.

Notes to Condensed Consolidated Financial Statement

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment revenue		
Sales of photovoltaic glass	1,043,839	1,010,905
Sales of household glass	161,510	161,714
Sales of architectural glass	171,772	94,446
Sales of float glass	38,044	162,962
Sales of mining products	32,412	15,660
Total revenue	<u>1,447,577</u>	<u>1,445,687</u>
Segment results		
Sales of photovoltaic glass	305,506	311,009
Sales of household glass	34,147	38,958
Sales of architectural glass	39,740	18,278
Sales of float glass	6,808	32,688
Sales of mining products	11,559	4,031
Total segment results	<u>397,760</u>	<u>404,964</u>
Other income, expenses, gains and losses	11,410	12,531
Selling and marketing expenses	(47,693)	(66,098)
Administration expenses	(54,306)	(43,431)
Research and development expenditure	(49,818)	(55,881)
Finance cost	(7,241)	(111)
Profit before tax	<u>250,112</u>	<u>251,974</u>
Income tax expense	<u>(34,720)</u>	<u>(44,338)</u>
Profit for the period	<u>215,392</u>	<u>207,636</u>

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the period.

Notes to Condensed Consolidated Financial Statement

Disaggregation of revenue

	Six months ended 30 June 2018					Total RMB'000
	Photovoltaic glass RMB'000	Household glass RMB'000	Architectural glass RMB'000	Float glass RMB'000	Mining products RMB'000	
Geographical markets:						
PRC	710,021	24,405	170,791	38,044	32,412	975,673
Japan	60,747	–	–	–	–	60,747
Other countries in Asia (excluding PRC and Japan)	254,337	7,833	2	–	–	262,172
Europe	149	112,603	–	–	–	112,752
North America	18,585	5,005	521	–	–	24,111
Others	–	11,664	458	–	–	12,122
	<u>1,043,839</u>	<u>161,510</u>	<u>171,772</u>	<u>38,044</u>	<u>32,412</u>	<u>1,447,577</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the sum of revenue less cost of sales of the relevant products. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

Geographical information

The Group's operations are substantially located in the PRC, the place of domicile of the relevant group entities. The information about the Group's non-current assets by geographical location of the assets is detailed below:

	30.6.2018 RMB'000	31.12.2017 RMB'000
PRC	3,131,053	2,758,660
Vietnam	252,161	212,957
	<u>3,383,214</u>	<u>2,971,617</u>

Note: Non-current assets exclude deferred tax assets and available-for-sale investment.

Notes to Condensed Consolidated Financial Statement

The analysis of the Group's revenue from external customers attributed to the country of domicile of the relevant group entities, which is the PRC, and to other foreign countries based on the location of customers is as follows:

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Place of domicile of group entities:		
PRC	975,673	870,002
Other overseas countries:		
Japan	60,747	111,785
Other countries in Asia (excluding PRC and Japan)	262,172	252,216
Europe	112,753	97,198
North America	24,110	99,100
Others	12,122	15,386
	<u>1,447,577</u>	<u>1,445,687</u>

4. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Government grants		
– release of assets related government grants	7,198	7,171
– others (<i>Note</i>)	7,017	5,845
	<u>14,215</u>	<u>13,016</u>
Donation	(5)	(300)
Interest income from bank deposits	8,213	4,438
Rental income from investment properties	3,356	–
Depreciation of investment properties	(716)	–
	<u>25,063</u>	<u>17,154</u>

Note: The amounts represent the incentive subsidies granted by PRC local government authorities to the group. The government grants have been approved by and received from the PRC local government authorities, which had no conditions attached.

Notes to Condensed Consolidated Financial Statement

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Losses on disposal of property, plant and equipment	(144)	—
Net foreign exchange losses	(10,036)	(5,449)
Provision of allowance for doubtful debts, net	(7,064)	(3,044)
Gains on disposal of scrap materials	7,269	3,066
Changes in fair value of derivative financial instruments	(3,609)	42
Others	(69)	762
	<u>(13,653)</u>	<u>(4,623)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Interests on:		
Bank loans wholly repayable within five years	7,241	7,657
Long-term payables for the acquisition of mining rights not wholly repayable within five years		
– current period	—	329
– overprovision (<i>Note</i>)	—	(7,875)
Total finance costs	<u>7,241</u>	<u>111</u>

Note: During the six-month period ended 30 June 2017, the Group early settled all the outstanding consideration payables regarding the acquisitions of mining rights from the local authority, pursuant to the purchase agreement, the Group shall bear the interest on the consideration payable at the lending rates stipulated by the People's Bank of China. With a supplementary agreement entered with the local authority upon the repayment, the local authority agreed to revise the interest rate, which result in a reversal of interest expense by RMB 7,875,000. The principal with the revised interest were settled on 1 April 2017.

Notes to Condensed Consolidated Financial Statement

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax	31,288	32,967
(Over) under provision in prior years	(831)	3,398
Deferred tax charge:	4,263	7,973
	<u>34,720</u>	<u>44,338</u>

No Hong Kong profit tax has been provided as the Group has no relevant assessable profits for the period.

The domestic statutory tax rate of Vietnam is 20% of the estimated assessable profits. Flat (Vietnam) Company Limited (“Flat Vietnam”), the subsidiary of the Group enjoys income tax exemption for the first 4 years commencing from its first profitable year. No profit tax has been provided as Flat Vietnam has no assessable profits for the period.

Subsidiaries established in the PRC are subject to PRC Enterprise Income Tax (“EIT”) at 25% except for following entities which enjoyed certain tax exemption and relief.

The Company

The Company was recognised as a high-technology enterprise and enjoys the relief tax rate of 15% from 2016 to 2018.

Zhejiang Jiafu Glass Co., Ltd. (“Zhejiang Jiafu”)

Zhejiang Jiafu was recognised as a high-technology enterprise in 2016 respectively and the applicable tax rate is 15% until 2018.

Notes to Condensed Consolidated Financial Statement

Jiaxing Flat New Energy Technology Co., Ltd. (“Jiaxing Flat”)

According to Caishui (2012) No. 10 (財政部國家稅務局關於公共基礎設施和環境保護節能節水項目企業所得稅優惠政策問題的通知), Jiaxing Flat enjoys income tax exemption for the first three operating years commenced in 2014 and tax half deduction for the consecutive three years. Therefore, the applicable tax rate of Jiaxing Flat for the year of 2017 and for the period ended 30 June 2018 was 12.5% and 12.5% respectively.

8. PROFIT FOR THE PERIOD

Profit before tax has been arrived at after charging the following items:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	105,437	100,840
Depreciation of investment properties	716	—
Amortization of other intangible assets	17,854	10,155
Release of prepaid lease payments	4,359	3,826
Total depreciation and amortization	<u>128,366</u>	<u>114,821</u>
Provision of allowance for doubtful debts, net	7,064	3,044
Employee benefits expenses		
(including directors' emoluments):		
– Salaries and other benefits	108,528	95,586
– Retirement benefit scheme contributions	9,089	7,399
	<u>117,617</u>	<u>102,985</u>
Operating lease payments in respect of rented premises	2,450	130
Write-down (reversals) of inventories	<u>1,108</u>	<u>(902)</u>

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividends will be paid in respect of the interim period.

Notes to Condensed Consolidated Financial Statement

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the year attributable to owners of the Company (RMB'000)	215,392	207,636
Weighted average number of ordinary shares for the purpose of the basic earnings per share ('000)	1,800,000	1,800,000

The Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2018 and 30 June 2017.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately RMB40,543,000 and RMB412,849,000 (six months ended 30 June 2017: RMB37,424,000 and RMB109,560,000) on additions of plant and machinery and construction in progress respectively.

Notes to Condensed Consolidated Financial Statement

12. DEFERRED TAXATION

The following are the deferred tax assets and liabilities recognized by the Group and movements thereon during the current and prior periods:

	Provision on impairments RMB'000	Deferred Revenue RMB'000	Revaluation of properties arising from joint stock company conversion RMB'000	Tax losses RMB'000	Fair value on derivative financial instruments RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Accelerated tax depreciation RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2017 (audited)	19,371	15,720	(4,454)	–	129	19	(5,620)	5,980	31,145
Charge (credit) to profit or loss	(242)	(699)	131	–	442	(19)	(1,606)	(5,980)	(7,973)
At 30 June 2017 (unaudited)	19,129	15,021	(4,323)	–	571	–	(7,226)	–	23,172
At 1 January 2018 (audited)	17,389	13,960	(4,218)	10,468	1,174	–	(8,960)	–	29,813
Charge (credit) to profit or loss	1,210	(1,048)	156	(4,063)	(1,610)	–	(1,912)	3,004	(4,263)
At 30 June 2018 (unaudited)	18,599	12,912	(4,062)	6,405	(436)	–	(10,872)	3,004	25,550

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

The Group has certain unutilised tax losses of RMB 40,397,000 available for offset against future profits as at 30 June 2018 (31 December 2017: RMB 47,644,000). No deferred tax asset has been recognised in respect of those unutilised tax losses due to the unpredictability of future profit streams. The unutilised tax losses will expire in five years for offsetting against future taxable profits.

Notes to Condensed Consolidated Financial Statement

	30.6.2018 RMB'000	31.12.2017 RMB'000
2018	2,159	2,159
2019	1,108	10,067
2020	2,071	2,071
2021	19,691	19,691
2022	13,656	13,656
2023	1,712	—

The Group also has certain deductible temporary differences of RMB2,270,000 available for offset against future profits as at 30 June 2018 (31 December 2017: RMB22,549,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Other than the above amounts, at the end of the reporting period, the Group had no other significant unrecognised deferred taxation.

13. TRADE AND OTHER RECEIVABLES

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Trade receivables	675,216	543,913
Less: allowance for doubtful debts of trade receivables	(43,723)	(36,810)
	631,493	507,103
Bills receivables	833,074	933,263
Trade and bills receivables, net	1,464,567	1,440,366
Advances to suppliers	38,349	71,753
Other taxes recoverable	124,743	70,177
Other receivables	11,088	9,723
Less: allowance for doubtful debts of other receivables	(3,000)	(3,000)
Total trade and other receivables	1,635,747	1,589,019

Notes to Condensed Consolidated Financial Statement

The Group allows a normal credit period ranged from 30-90 days to its trade customers. The following is an aged analysis of trade receivables net of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods to customers which approximated the respective dates on which revenue was recognised:

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Within 3 months	588,446	459,874
Over 3 months but within 1 year	37,085	42,733
Over 1 year but within 2 years	5,037	4,204
Over 2 years but within 3 years	925	292
	<u>631,493</u>	<u>507,103</u>

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Allowance for impairment

The movement in the allowance for impairment of trade receivables during the current interim period was as follows:

	RMB'000
Balance at 1 January 2018	36,810
Amounts written off	(151)
Net remeasurement of loss allowance	7,064
Balance at 30 June 2018	<u>43,723</u>

Notes to Condensed Consolidated Financial Statement

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	30.6.2018 RMB'000	31.12.2017 RMB'000	30.6.2018 RMB'000	31.12.2017 RMB'000
Derivatives not under hedge accounting				
Foreign currency forward contracts (note 1)	308	—	—	—
Interest rate swap contracts (note 2)	3,135	—	—	—
Foreign currency swap contracts (note 3)	—	—	533	7,825
	<u>3,443</u>	<u>—</u>	<u>533</u>	<u>7,825</u>

Notes:

1. Foreign currency forward contracts

The foreign currency forward contracts were entered into by the Group for the purpose of reducing its exposure to foreign currency arising from sale transactions. These foreign currency forward contracts were not accounted for under hedge accounting and recognised in accordance with the fair value of the above currency forward contracts.

2. Interest rate swap contracts

The interest rate swap contracts were entered into by the Group for the purpose of reducing its exposure to interest rate fluctuation arising from borrowings. These interest rate swap contracts were not accounted for under hedge accounting and recognised in accordance with the fair value of the above interest rate swap contracts.

3. Foreign currency swap contracts

The Group had entered into foreign currency swap contracts to reduce its exposure to the current exchange rate fluctuation arising from sale transactions. These foreign exchange swap contracts were not accounted for under hedge accounting and recognised in accordance with the fair value of the above foreign currency swap contracts.

Notes to Condensed Consolidated Financial Statement

15. TRADE AND OTHER PAYABLES

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Trade payables	575,360	631,985
Bills payables	291,224	327,694
Interest payable	1,170	2,871
Salary and bonus payables	13,923	23,480
Advanced receipts from customers (<i>Note</i>)	22,408	5,994
Other taxes payable	12,740	32,439
Payables for acquisition of properties, plants and equipment	445,939	416,319
Accruals and other payables	24,656	30,753
Withholding tax payable on payment of dividend	—	6,480
Total	1,387,420	1,478,015

Note: The amounts represent advance payments received from customers in relation to their purchase orders of equipment placed with the Group. At 30 June 2018, the advance receipts from customers are contract liabilities and the Group does not expect to refund any of the advance payments. The Group applied the limited retrospective method of transition to IFRS 15 with comparative figure not restated and hence the advance receipts from customers as at 31 December 2017, which was of the same nature, are not restated but are presented in the same line item.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Within 3 months	567,185	622,826
Over 3 months but within 180 days	1,860	2,671
Over 180 days but within 1 year	1,642	3,084
Over 1 year but within 2 years	2,134	1,428
Over 2 years	2,539	1,976
	575,360	631,985

Notes to Condensed Consolidated Financial Statement

16. BORROWINGS

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Secured bank loans	1,486,940	1,049,687
Unsecured bank loans	22,000	22,000
	<u>1,508,940</u>	<u>1,071,687</u>
Fixed-rate borrowings	—	68,520
Variable-rate borrowings	1,508,940	1,003,167
	<u>1,508,940</u>	<u>1,071,687</u>
Less: Amounts shown under current liabilities	335,812	384,182
Amounts shown under non-current liabilities	<u>1,173,128</u>	<u>687,505</u>

17. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	RMB'000
At 1 January 2017, 30 June 2017, 31 December 2017 and 30 June 2018, comprising 1,800,000,000 issued and fully paid shares of RMB 0.25 each	<u>450,000</u>

There was no movement in the Company's share capital for the six months ended 30 June 2018 and 30 June 2017.

Notes to Condensed Consolidated Financial Statement

18. FAIR VALUE MEASUREMENTS OF FINANCIAL STATEMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
	30 June 2018	31 December 2017		
1) Foreign currency forward contracts classified as derivative financial instruments	Assets – RMB308,000		N/A Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swap contracts classified as derivative financial instruments	Assets – RMB3,135,000		N/A Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to Condensed Consolidated Financial Statement

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
	30 June 2018	31 December 2017		

3) Currency swap classified as derivative financial instruments	Liabilities – RMB533,000	Liabilities – RMB7,825,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
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(ii) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors of the company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair value.

19. CAPITAL COMMITMENTS

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment – contracted but not provided for	<u>744,807</u>	<u>988,674</u>

Notes to Condensed Consolidated Financial Statement

20. RELATED PARTY TRANSACTIONS

(1) Related party transactions

During the period, other than as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental expense:		
Jiaxing Yihe Machine Co., Limited (<i>Note</i>)	2,259	1,201

The following balances were outstanding at the end of the reporting period:

	30.6.2018	31.12.2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Advances to suppliers:		
Jiaxing Yihe Machine Co., Limited (<i>Note</i>)	2,097	896

Note: Jiaxing Yihe Machine Co., Limited (嘉興市義和機械有限公司) was wholly owned by Ms. Ruan Zeyun, one of the shareholders of the Company and daughter of Mr. Ruan Hongliang, the chairman of the Company.

(2) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the period were as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and allowances	3,062	2,572