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 2018

The board of directors (the "**Directors**" and the "**Board**", respectively) 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 2018 together with the comparative figures for the corresponding year in 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

(Expressed in Renminbi ("RMB"))

	Note	**2018** ***RMB'000***	2017 (Note) *RMB'000*
Revenue	5	**2,617,725**	2,556,418
Cost of sales		**(2,207,630)**	(2,234,842)
Gross profit	5	**410,095**	321,576
Other income	6	**230,849**	172,902
Distribution costs		**(78,088)**	(74,474)
Administrative expenses		**(249,030)**	(213,441)
Profit from operations		**313,826**	206,563
Finance costs	7(a)	**(160,805)**	(106,216)
Net gain on disposal of interest in an associate		**175**	–
Share of losses of an associate		**(62)**	(12)
Profit before taxation	7	**153,134**	100,335
Income tax	8	**(49,060)**	(39,864)
Profit for the year		**104,074**	60,471
Attributable to:			
Equity shareholders of the Company		**93,488**	64,965
Non-controlling interests		**10,586**	(4,494)
Profit for the year		**104,074**	60,471
Earnings per share (RMB cent)			
Basic	9(a)	**5.45**	3.59
Diluted	9(b)	**5.45**	3.59

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 4).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in RMB)

	2018	2017
		(Note)
	RMB'000	*RMB'000*
Profit for the year	**104,074**	60,471
Other comprehensive income for the year (before and after tax):		
Item that will not be reclassified to profit or loss:		
– Equity securities at FVOCI – net movement in fair value reserve (non–recycling)	**(209)**	–
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(1,725)**	(17,499)
Total comprehensive income for the year	**102,140**	42,972
Attributable to:		
Equity shareholders of the Company	**91,564**	47,466
Non-controlling interests	**10,576**	(4,494)
Total comprehensive income for the year	**102,140**	42,972

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 4).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

(Expressed in RMB)

	Note	2018 *RMB'000*	2017 (Note) *RMB'000*
Non-current assets			
Property, plant and equipment		**4,295,827**	4,159,131
Lease prepayments		**260,301**	267,108
Intangible assets		**129,268**	–
Goodwill		**107,936**	–
Interest in an associate		**–**	412
Interest in joint ventures		**6,397**	846
Equity securities		**2,923**	–
Available-for-sale equity securities		**–**	1,991
Deferred tax assets		**252,222**	224,023
		5,054,874	4,653,511
Current assets			
Inventories		**492,293**	387,151
Contract assets		**2,350**	–
Trade and other receivables	10	**803,605**	646,984
Prepaid income tax		**14,756**	23,808
Cash and cash equivalents		**606,832**	561,514
		1,919,836	1,619,457
Current liabilities			
Trade and other payables	11	**1,654,636**	1,460,185
Contract liabilities		**5,344**	–
Bank and other loans		**2,065,400**	1,687,456
Obligations under finance leases		**22,262**	25,092
Income tax payable		**116,122**	94,602
		3,863,764	3,267,335
Net current liabilities		**(1,943,928)**	(1,647,878)
Total assets less current liabilities		**3,110,946**	3,005,633

	Note	**2018**	2017
			(Note)
		RMB'000	*RMB'000*
Non-current liabilities			
Bank and other loans		**728,983**	664,802
Convertible bonds	12	**62,881**	58,311
Obligations under finance leases		**29,723**	80,192
Deferred tax liabilities		**63,007**	34,948
Other non-current liabilities		**4,421**	2,930
		889,015	841,183
NET ASSETS		**2,221,931**	2,164,450
CAPITAL AND RESERVES			
Share capital		**84,867**	84,867
Reserves		**1,952,348**	1,888,603
Total equity attributable to equity shareholders of the Company		**2,037,215**	1,973,470
Non-controlling interests		**184,716**	190,980
TOTAL EQUITY		**2,221,931**	2,164,450

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

(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 2018 comprise 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, designing and installation of production lines of pharmaceutical glass, 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 and equity securities which are stated at their fair values.

As at 31 December 2018, the Group had net current liabilities of RMB1,943,928,000 (31 December 2017: RMB1,647,878,000). Notwithstanding the net current liabilities as at 31 December 2018, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group for the next twelve months ending 31 December 2019 prepared by the management, which has taken into account unutilised bank facilities of RMB509.0 million, the Group's newly financed bank and other loans of RMB90.0 million and newly refinanced short-term loans of RMB80.5 million, and financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.*（凱盛科技集團有限公司）(the "Triumph Group"), a wholly-owned subsidiary of China National Building Material Group Co., Ltd, which is a central state-owned enterprise, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The 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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

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

(a) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost	(17,097)
Related tax	4,325
Net decrease in retained earnings at 1 January 2018	(12,772)
Fair value reserve (non-recycling)	
Increase in fair value reserve (non-recycling)	1,142
Related tax	(286)
Net increase in fair value reserve (non-recycling) at 1 January 2018	856
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost	(1,295)
Net increase in fair value reserve (non-recycling)	52
Net decrease in non-controlling interests at 1 January 2018	(1,243)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 Carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost				
Trade and other receivables	646,984	–	(18,824)	628,160
Financial assets measured at FVOCI (non-recyclable)				
Equity securities (Note)	–	1,991	1,211	3,202
Available-for-sale investments under HKAS 39 (Note)	1,991	(1,991)	–	–

Note: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated all its equity securities at FVOCI (non-recycling), as these investments are held for strategic purposes.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash on hand and at bank, trade and other receivables);

– contract assets as defined in HKFRS 15;

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

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	139,113
Additional credit loss recognised at 1 January 2018	
– trade receivables	9,018
– other receivables	9,806
Loss allowance at 1 January 2018 under HKFRS 9	157,937

c. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

    – the determination of the business model within which a financial asset is held; and

    – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

(c) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production, marketing and distribution of glass and glass products, the development of glass production technology, and the services of designing and installation of pharmaceutical glass production lines.

(i) Disaggregation of revenue

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

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	**2,581,080**	2,556,418
– Revenue from service contracts	**36,645**	–
	2,617,725	2,556,418

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 5(b)(i) and 5(b)(ii) respectively.

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2018 (2017: Nil).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR7.2 million. This amount represents revenue expected to be recognised in the future from designing and installation service contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

(b) Segment reporting

The Group manages its businesses by products and services. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments:

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

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

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

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

- Design and installation service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines. This business is newly acquired in 2018. For details of acquisition, please refer to Note 15.

(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 2018 and 2017 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Design and installation services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition												
– Point in time	**998,856**	1,107,106	**356,539**	361,594	**673,396**	597,720	**552,289**	489,998	**–**	–	**2,581,080**	2,556,418
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**36,645**	–	**36,645**	–
Revenue from external customers	**998,856**	1,107,106	**356,539**	361,594	**673,396**	597,720	**552,289**	489,998	**36,645**	–	**2,617,725**	2,556,418
Inter-segment revenue	**34,045**	58,305	**17,130**	1,476	**–**	–	**–**	–	**–**	–	**51,175**	59,781
Reportable segment revenue	**1,032,901**	1,165,411	**373,669**	363,070	**673,396**	597,720	**552,289**	489,998	**36,645**	–	**2,668,900**	2,616,199
Reportable segment gross profit	**124,323**	130,041	**51,426**	37,896	**125,016**	92,585	**89,842**	61,054	**19,488**	–	**410,095**	321,576

(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, goodwill 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 and services were delivered. The geographical location of the specified non-current assets is determined based on the physical location of the assets, in the case of property, plant and equipment 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**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The Mainland China and Hong Kong (place of domicile)	**1,992,394**	1,969,366	**3,904,170**	3,931,503
Middle East	**199,306**	163,373	**–**	–
Bangladesh	**55,363**	41,305	**–**	–
South Korea	**50,024**	119,782	**–**	–
Columbia	**32,012**	14,909	**–**	–
Tanzania	**27,106**	16,750	**886**	846
Philippines	**23,775**	7,437	**–**	–
Peru	**21,164**	4,926	**–**	–
Kenya	**19,539**	15,260	**–**	–
Ecuador	**19,291**	11,810	**–**	–
Chile	**18,609**	9,891	**–**	–
Other countries	**159,142**	181,609	**894,673**	495,148
	625,331	587,052	**895,559**	495,994
	2,617,725	2,556,418	**4,799,729**	4,427,497

6 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Compensation for incurred losses from local government (Note)	**177,407**	80,000
Net gain on disposal of property, plant and equipment	**24,638**	10,932
Government grants	**6,664**	69,642
Net gain from sale of raw and scrap materials	**6,198**	3,643
Interest income on financial assets measured at amortised cost	**4,170**	4,782
Net gain on debt restructuring	**2,162**	5,749
Others	**9,610**	(1,846)
	230,849	172,902

Note: The amount represents compensation for the incurred losses of the Group by the local government authority during the year ended 31 December 2017 and 2018. The losses were incurred from the suspension of operation instructed by the local government. The local government is planning to expropriation of the land use rights of a subsidiary but the relocation agreement is still under negotiation.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2018	2017
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings	**170,219**	135,354
Finance charges on convertible bonds (Note 12)	**11,079**	9,853
Finance charges on obligations under finance leases	**11,242**	11,002
Bank charges and other finance costs	**20,785**	36,732
Total borrowing costs	**213,325**	192,941
Less: amounts capitalised into property, plant and equipment*	**(51,731)**	(74,170)
Net borrowing costs	**161,594**	118,771
Changes in fair value on the derivative components of convertible bonds (Note 12)	**(4,431)**	(5,031)
Net foreign exchange loss/(gain)	**3,642**	(7,524)
	160,805	106,216

* The borrowing costs have been capitalised at 7.57% per annum for the year ended 31 December 2018 (2017: 9.56% per annum).

(b) Staff costs#:

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**234,394**	231,149
Contributions to defined contribution retirement plans	**32,696**	30,728
Equity-settled share-based payment expenses in respect of share option scheme (Note 13(a))	**592**	2,467
	267,682	264,344

(c) Other items:

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories #	**2,190,887**	2,235,292
Auditors' remuneration – audit and other services	**7,380**	6,180
Depreciation and amortisation #	**247,154**	249,343
Impairment losses (reversed)/recorded on trade and other receivables and contract assets	**(2,260)**	9,789
Operating lease charges in respect of		
– land	**226**	268
– plant and buildings	**4,902**	5,181
– motor vehicles	**1,993**	2,551
Research and development costs (other than capitalised costs and related amortisation)	**836**	587

\# Cost of inventories includes RMB358.3 million (2017: RMB373.4 million) for the year ended 31 December 2018, 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) 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:

	2018	2017
	RMB'000	*RMB'000*
Current taxation		
– Provision for the year	**69,004**	43,910
– (Over)/under-provision in respect of prior years	**(584)**	237
	68,420	44,147
Deferred taxation		
– Origination and reversal of temporary differences	**(28,054)**	(14,231)
– Write-down of deferred tax assets	**8,694**	9,948
	(19,360)	(4,283)
	49,060	39,864

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**153,134**	100,335
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (viii), (ix) and (x))	**40,459**	28,325
Tax effect of non-deductible expenses	**7,635**	8,705
Tax effect of unused tax losses and temporary differences not recognised	**3,361**	2,310
Tax concessions (Notes (v), (vi) and (vii))	**(8,550)**	(6,387)
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised (Note (xi))	**(1,955)**	(3,274)
Tax effect of write-down of deferred tax assets (Note (xi))	**8,694**	9,948
(Over)/under-provision in respect of prior years	**(584)**	237
Income tax	**49,060**	39,864

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% (2017: 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 People's Republic of China (the "PRC") are subject to PRC Corporate Income Tax rate of 25% (2017: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2017: 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% (2017: 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 (2017: 15%).

(viii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9%.

(ix) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20%.

(x) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25%.

(xi) The Group recognised and used previously unrecognised deferred tax assets of RMB0.1 million (2017: RMB3.3 million) regarding tax losses and the Group wrote down previously recognised deferred tax assets of RMB8.7 million (2017: RMB9.9 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 2018 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 2018 is based on the profit attributable to ordinary equity shareholders of the Company of RMB93,488,000 (2017: RMB64,965,000) and the weighted average of 1,714,621,000 ordinary shares (2017: 1,808,969,000 ordinary shares) in issue during the year ended 31 December 2018, calculated as follows:

Weighted average number of ordinary shares

	2018	2017
	'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))	**(95,526)**	(1,178)
Weighted average number of ordinary shares at 31 December	**1,714,621**	1,808,969

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the years ended 31 December 2018 and 2017. The Group's convertible bonds (see Note 12) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the years ended 31 December 2018 and 2017.

10 TRADE AND OTHER RECEIVABLES

	31 December 2018	1 January 2018 (Note (i))	31 December 2017 (Note (i))
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from:			
– Third parties	**191,528**	152,253	152,253
– Affiliates of non-controlling equity holders of subsidiaries	**15,667**	15,773	15,773
– A joint venture	**1,643**	–	–
Bills receivables	**158,152**	166,502	166,502
	366,990	334,528	334,528
Less: loss allowance	**(98,425)**	(92,694)	(83,676)
	268,565	241,834	250,852
Amounts due from related companies:			
– Equity shareholders of the Company and their fellow subsidiaries	**815**	2,965	2,965
– Non-controlling equity holders of a subsidiary	**150**	15,002	15,002
– A joint venture	**883**	–	–
	1,848	17,967	17,967
Other debtors:			
– Advances to third parties	**157,439**	158,221	158,221
– Receivable for disposal of land use rights	**1,133**	1,133	1,133
– Receivable for disposal of property, plant and equipment	**7,430**	7,920	7,920
– Receivable for relocation of production plants	**14,247**	30,451	30,451
– Receivable for government grants and compensation (Note (ii))	**199,407**	42,000	42,000
– Others	**49,113**	40,055	40,055
	428,769	279,780	279,780
Less: loss allowance	**(57,243)**	(65,243)	(55,437)
	371,526	214,537	224,343
Financial assets measured at amortised cost	**641,939**	474,338	493,162

	31 December 2018	1 January 2018 (Note (i))	31 December 2017 (Note (i))
	RMB'000	*RMB'000*	*RMB'000*
Prepayments and deposits:			
– Prepayments for the purchase of inventories	**76,970**	75,738	75,738
– Prepayments for the purchase of property, plant and equipment and land use rights	**28,624**	19,764	19,764
– Value added tax refundable	**56,072**	58,320	58,320
	161,666	153,822	153,822
	803,605	628,160	646,984

Notes:

(i) Under the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade and other receivables (see Note 4(a)).

(ii) The amount mainly represents the remaining receivables of the compensation for the incurred losses from the local government authority. The local government committed to pay off by 31 December 2019.

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

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:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**73,189**	105,510
More than 1 month but less than 3 months	**23,770**	79,019
More than 3 months but less than 6 months	**101,588**	11,306
More than 6 months but less than 1 year	**24,082**	3,709
Over 1 year	**45,936**	51,308
	268,565	250,852

11 TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables to:		
– Third parties	**468,993**	469,148
– An affiliate of an equity shareholder of the Company	**–**	87
– Affiliates of non-controlling equity holders of subsidiaries	**2,108**	2,708
Bills payables	**313,511**	253,887
	784,612	725,830
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties	**41,615**	74,529
– Companies under common significant influence	**64**	64
	41,679	74,593
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**478,299**	323,026
– Payables for staff related costs	**82,504**	90,172
– Payables for acquisitions of non-controlling interests in subsidiaries	**4,359**	4,359
– Payables for miscellaneous taxes	**47,127**	79,507
– Payables for transportation expenses	**8,392**	8,727
– Advances from third parties	**31,545**	17,176
– Interest payables	**18,980**	9,025
– Provision for an outstanding litigation (Note)	**37,407**	–
– Others	**47,091**	51,918
	755,704	583,910
Financial liabilities measured at amortised cost	**1,581,995**	1,384,333
Advances received from customers	**72,641**	75,852
	1,654,636	1,460,185

Note: The amount represents the provision made by a subsidiary of the Group according to the judgement of a local court in respect of a lawsuit with a third party supplier. As at the date of this announcement, the Group has filed an appeal and the lawsuit is under reviewed before the local higher people's court. Based on the legal advices, the directors of the Company do not believe it is probable that the Group will incur any further losses in connection with this lawsuit.

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:

	2018	2017
	RMB'000	*RMB'000*
Due within 1 month or on demand	**427,931**	443,670
Due after 1 month but within 6 months	**356,681**	282,160
	784,612	725,830

12 CONVERTIBLE BONDS

	Liability component	**Derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 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 and 1 January 2018	42,177	16,134	58,311
Accrued finance charges for the year (Note 7(a))	11,079	–	11,079
Interest paid	(5,576)	–	(5,576)
Fair value changes on the derivative components (Note 7(a))	–	(4,431)	(4,431)
Exchange adjustments	2,824	674	3,498
At 31 December 2018	50,504	12,377	62,881

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 2018 and 2017.

(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:

	2018		2017	
	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**	**32,350**	HK$1.25	33,010
Forfeited during the year	**HK$1.25**	**(860)**	HK$1.25	(660)
Outstanding at the end of the year	**HK$1.25**	**31,490**	HK$1.25	32,350
Exercisable at the end of the year	**HK$1.25**	**31,490**	HK$1.25	22,645

The share options outstanding at 31 December 2018 had an exercise price of HK$1.25 (31 December 2017: HK$1.25) and a weighted average remaining contractual life of 3.36 years (31 December 2017: 4.36 years).

(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 2017		–	–
Shares purchased during the year	0.663	86,000	47,888
At 31 December 2017 and 1 January 2018		86,000	47,888
Shares purchased during the year	0.633	29,620	16,365
At 31 December 2018		115,620	64,253

During year 2018, 29,620,000 ordinary shares (2017: 86,000,000 ordinary shares) were purchased for the Share Award Scheme with an average purchase price of HK$0.633 per share (equivalent to approximately RMB0.553 per share) (2017: HK$0.663, 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 2018 (2017: HK$Nil).

(ii) No final dividend in respect of the previous financial year has been approved during the year (2017: HK$Nil).

15 ACQUISITION OF BUSINESS

On 27 September 2018, the Company entered into an acquisition agreement with Star Capital SGR S.p.A., Industies S.R.L. and Mr. Gazzaniga (collectively referred to as the "Vendors"), independent third parties, pursuant to which the Company agreed to acquire 100% interests in Olivotto Glass Technologies S.p.A. (the "OGT") from the Vendors with a cash consideration of EUR21,445,000.

Upon completion of the above acquisition on 30 October 2018, the Company paid cash consideration, acquired 100% equity interests in OGT and recorded a goodwill of EUR13,755,000 calculated as below:

	EUR'000
Total cash consideration (Note (i))	21,445
Less: fair value of identifiable net assets acquired (Note (ii))	(7,690)
Goodwill	13,755

Notes:

(i) An amount of EUR1.5 million of the total cash consideration was paid to an escrow agent in accordance with an escrow agreement entered into by the Company and the Vendors, which is the maximum aggregate liability that the Vendors should be responsible in respect of the warranties agreed in the acquisition agreement ("Warranties"). The Company could asked the Vendors for indemnification in respect of any actual or alleged breach of the Warranties in 12 months after the acquisition was completed ("Warranty Period"). After the Warranty Period, the remaining amount will be paid to the Vendors by the escrow agent. However, the Vendors' liability shall not be subject to any time limitation in the event of fraud and gross negligence.

As at date of this announcement, the Company has sent legal notice to the Vendors and claimed for compensation for a series of breaches of the Warranties not exceeded EUR1.5 million. And the Company has not received the Vendors' response by the date of this announcement. The amounts of the compensation to be officially agreed by Vendors will be refunded from the escrow agent to the Group.

As at 31 December 2018, the goodwill was allocated to OGT's business of designing and installation pharmaceutical glass production lines (the "design and installation service CGU"), and the impairment assessment of the design and installation service CGU is conducted based on value-in-use calculations, which used cash flow projections based on financial budgets approved by management covering a five-year period.

(ii) Fair value of identifiable assets and liabilities acquired

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	EUR'000	*EUR'000*	*EUR'000*
Property, plant and equipment	176	–	176
Intangible assets	871	15,480	16,351
Deferred tax assets	1,036	–	1,036
Trade and other receivables	4,522	–	4,522
Contract assets	817	–	817
Inventories	2,793	–	2,793
Cash and cash equivalents	57	–	57
Trade and other payables	(5,168)	–	(5,168)
Contract liabilities	(2,040)	–	(2,040)
Bank loans	(5,740)	–	(5,740)
Income tax payable	(737)	–	(737)
Other non-current liabilities	(316)	–	(316)
Deferred tax liabilities	(346)	(3,715)	(4,061)
Total identifiable net assets	(4,075)	11,765	
Fair value of identifiable net assets acquired			7,690

Pre-acquisition carrying amounts of the acquirees' assets and liabilities were determined based on applicable HKFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of identifiable assets and liabilities, the directors of the Company have referenced the fair value adjustments to valuation report issued by Baker Tilly International, an independent professional valuer.

From the date of the above acquisition to 31 December 2018, the above acquisition contributed revenue of EUR4.7 million (equivalent to RMB36.6 million) and net profit of EUR0.6 million (equivalent to RMB4.7 million) to the Group for the year ended 31 December 2018. Had the above acquisition been completed on 1 January 2018, the directors of the Company estimated the consolidated revenue and consolidated net profit for the year ended 31 December 2018 would have been RMB2,705.6 million and RMB94.7 million, respectively.

(iii) Net cash outflow arising on acquisition

	EUR'000
Cash consideration paid	21,445
Less: cash and cash equivalents acquired	(57)
Total net cash outflow	21,388

The goodwill is attributable mainly to the benefit of skills and technical talents of the acquired businesses' workforce and the synergies expected to be achieved from integrating the entities into the Group's existing businesses. OGT is one of the leaders around the global market who owns glass tubing technology that is critical to install pharmaceutical glass production lines, and also one of the leading companies in the industry that is capable of providing a full range of design and installation service for the entire hollow glass production lines. Considering the exuberant demand of pharmaceutical related industry in mainland China, the Company made the decision of acquiring OGT to introduce the technology and experiences into Chinese market and fill the domestic vacancy, as well as expand the existing industry chain and optimise the industry exposure, with a view to maximize the return to the equity shareholders of the Company in the long run.

16 REDUCTION OF PAID-UP CAPITAL OF A SUBSIDIARY OF THE GROUP

During the year ended 31 December 2018, a subsidiary of the Group, namely Nanjing Yuanhong Special Glass Co. Ltd. ("Nanjing Yuanhong"), reduced its share capital from RMB80.0 million to RMB0.8 million. The Group's immediate interest in Nanjing Yuanhong remains 80.95% before and after the reduction. Consequently, the Group recognised a decrease in non-controlling interests of RMB15.1 million.

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

The Group entered into a series of equity transfer agreements to acquire 17.00% equity interests in a subsidiary, namely Baoji China Glass Mining Company Limited ("Baoji Mining") from certain non-controlling equity holders of Baoji Mining at a consideration of RMB0.6 million.

Upon completion of the above acquisition, the Group's effective interest in Baoji Mining increased from 83.00% to 100%. Consequently, the Group recognised a decrease in non-controlling interests of RMB0.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2018, the world economy continued its moderate growth, but its growth momentum gradually weakened and the economic situation of major economies indicated a strong divergence. China's macroeconomy saw an overall stable operation, and its economic growth rate has been running steadily in the medium-to-high speed range of 6.7% to 6.9% for 12 consecutive quarters. The domestic real estate market had been continuously and deeply affected by the regulatory policies, and the market was expected to undergo positive changes and gradually become rational.

In 2018, the flat glass industry continued its supply-side structural reform, and the industry's economy was operating smoothly, the price of glass showed a trend of "rising first and then declining" and the output continued to grow, and hence the contradiction of overcapacity was effectively alleviated, and further optimizing the industrial structure.

BUSINESS REVIEW

Overview

The Group currently has 13 float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 31 December 2018, the Group had 8 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. The Group also had one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line, and a float glass production line with capacity of 500 tonnes per day in Nigeria is currently under construction.

In addition, the Group has purchased 100% equity interest of Olivotto Glass Technologies S.p.A. (the "OGT"), a company registered in Italy, on 30 October 2018. The OGT Group has always been active in the hollow glass industry since it first succeeded in selling out the spiral glass-blowing machine in 1946. The capabilities of researching, innovation, and continuous technology development grant the leading status globally to the company within the industry. By means of merger and acquisition with various leaders in different aspects within the hollow glass industry such as ANTAS, LYNCH and LINDNER, the OGT Group managed to enrich its experiences in serving, molding production and multi-type glass production equipment within the hollow glass industry. The OGT Group is the only individual within the industry who is capable of providing a full range of equipment for the entire hollow glass industry, the leaders around the global market of glass tubing technology and the global core supplier of manufacturing equipment for medical neutral glass products. Through such procurement, the Group can boost the OGT Group in deepening the domestic market, and along with the continuous development of the market for medical neutral glass in the PRC, the domestic demand growth for the said product will reach its monument globally, which in return the OGT can therefore benefit from the massive potential market, resulting more business opportunities.

In 2018, the Group conscientiously implemented the Emission Standards 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 local emission standards of air pollutants, and also continuously strengthened the management of environmental protection process and equipment. As a result, all the furnaces met the emission standards for exhaust gas.

Raw material and fuel prices and production costs

In 2018, with the increase of environmental protection pressure, the intensity of de-capacity rose and the prices of soda ash, mineral raw materials and natural gas increased, and accordingly, the production costs saw an increase. By further optimizing and adjusting the procurement strategy, the Group's purchase price increased slightly year-on-year but was lower than the industry average.

In the first half of 2018, the domestic soda ash price soared year-on-year because a number of soda ash producers halted the production activities for maintenance due to environmental protection policies. However, the production capacity recovered in the second half of the year with a decline in the price, but the price of soda ash rose again in the end of the year as the inventory level was reduced.

In terms of fuel, the price of imported petroleum coke rose in a step-by-step manner due to the effects of increased foreign demand and increased import tariffs, with a slight decline at the end of the year. Due to environmental factors, the price of natural gas rose due to the short of supply while the price of fuel oil also saw an increase.

In terms of mineral raw materials, the prices of silica sand, limestone and dolomite had all risen due to environmental protection policies.

Production, sales and selling price

In 2018, the Group produced an aggregate amount of 33.88 million weight cases of glass, representing a year-on-year decrease of 6% whereas sales volume was 33.65 million weight cases, representing a decrease of 9% as compared to last year. The average selling price of the Group's glass products increased to RMB77 per weight case in 2018, representing an increase of 12% as compared to last year.

Profitability analysis

In 2018, the Group recorded a sales revenue of RMB2.618 billion, representing an increase of 2% as compared to last year. The increase in revenue was mainly due to the combined effect of rising selling prices of glass products, a decline in sales volume as well as income from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italy Company that the Group acquired and were mainly engaged in technical services. In 2018, the Group recorded a profit for the year of RMB104 million, representing a significant growth over the profit of RMB60.47 million in 2017.

MAJOR WORKS IN 2018

1. Quality and product upgrades

A new standard was formulated on the basis of the original "Corporate Standard of China Glass Holdings", to apply dual management to the quality control personnel in the production base with strengthened unified control over the process from the arrival of raw and fuel material to product exit and over the quality of the entire after-sales service industry chain; the remote monitoring platform of online detection played a part to realize the automatic control of product quality inspection and grade judgment; the production indicators were brokendown and implemented, and the process management system was better regulated.

2. **Vigorous promotion of the informationization process for comprehensive upgrading of corporate management**

The Company will comprehensively sort out the system documents of "Four Standards and One System", the business modules such as financial management, supply chain management, quality management and sales, promote the development of business modules run into operation such as the extension of the Company's industrial chain, so as to improve work efficiency and reduce management costs.

3. **"Go Out" strategy**

The Company is constructing a 500 tonnes per day float glass production line in Nigeria, which has received a long-term loan of US$26 million from China Development Bank (CDB) for construction operations in 2018 and is expected to be put into operation in 2019. At the same time, with "the Belt and Road Integration Fund of Glass Industry" as a link, the Company as the management is also promoting the construction progress of the Kazakhstan Float Production Line Project with a melting capacity of 600 tonnes per day. In September 2018, the Company announced the acquisition of an Italian-based company, which produces facilities for the production of neutral medicinal glass, domestic glass and mineral wool, and is the global core supplier of manufacturing equipment for medical neutral glass products as one of the global leaders in glass tube drawing technology in the glass equipment manufacturing industry.

4. **Marketing**

The Company will open the online real-time procurement module of contract accounts, and the contract price and policy management "shall be formulated with standards, fluctuated in a positive/negative range, and implemented without deviation"; actively participate in the industry price coordination meeting and respond to the industry call; develop new customers, explore new channels, achieve differentiated sales, and improve the sales volume of high-end products.

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

The Company will establish an open internal and external technology platform, promote the new and old kinetic energy transformation projects, further upgrade the differentiated featured products, and improve the technical indicators of the existing products with leading technology. The output of the online Low-E and online Sun-EⓉ featured products of Dongtai China Glass recorded a substantial growth. The visible light reflectance ratio of Weihai online Sun-C (F-green) is increased by 37.5% compared with the traditional solar film. After the production of anti-ultraviolet (ultrawhite) products with high reflectance, Suqian Electronic Glass delivered mass production of electronic B-grade 1.1 mm electronic glass and special glass, and Wuhai Base is ready to launch featured products such as single-piece fire-resistant glass of low self-explosion.

THE GLASS MARKET OUTLOOK

In 2019, under the premise of the stable operation of the real estate market, various regulatory policies will remain stable, and more emphasis will be placed on different policies designed for different cities, the rational implementation of policies and the optimization of structures. It is expected that the macro-environment facing the flat glass industry will be generally stable, and the supply-side structural reform will continue to advance. Driven by new real estate construction projects and energy-saving renovation of existing buildings, the construction glass sector is expected to remain stable, but structural contradictions such as overcapacity still exist, and the downward pressure on the industry still needs attention.

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

In terms of soda ash, it is expected that the domestic soda ash price may decrease in the first quarter of 2019 as affected by an increase in operating rate. In the second and third quarters, the soda ash price may gradually increase because more and more producers will halt the production activities for the maintenance purpose, but the price may gradually fall as the soda ash production capacity recover step by step in the fourth quarter. The overall market situation in 2019 may be similar to that of 2018.

In terms of fuel, the coal tar processing companies will be affected by environmental policies, resulting in reducing production and rising price. It is expected that the prices of the natural gas may further go up driven by its increasing demand. The price of import petroleum coke is anticipated to rise in a band to an extent because of reducing production and expectation of tariff reduction.

In terms of mineral raw materials, the prices of silica sand, quartz stone and limestone may all rise due to the intensified efforts in the environmental protection.

WORK PLANS FOR 2019

According to the requirements of shareholders and the board of directors, the main work plan for 2019 is as follows, focusing on the three strategies such as "Natural Growth", "Merger and Reorganization" and "Go Out":

1. The Company will realize the transformation of new and old kinetic energy conversion and promote the quality and management upgrade of each production lines in accordance with the requirements of "Informatization & Industrialization". In terms of the management, the "two-step" strategy will be adopted. First, made in China will be accomplished according to the requirements of "Informatization & Industrialization" and then created in China will be realized in accordance with the requirements of "Made in China 2025".

2. The float glass, the traditional main business of the Company, will remain as the Company's priority. The Company will pay more attention to the upgrade of ordinary float glass to high-end glass for the construction industry, industrial glass, car glass, and electronic glass products;

3. The Company plans to extend its reach to the downstream glass industry and enter fields such as automobile glass processing, special glass processing, doors, windows and curtain walls, and carry out various work according to the requirements of marketization and internationalization;

4. The Company will take the unique featured products as the core, introduce the traceable information system, build the online marketing platform, and attract the engagement from upstream and downstream enterprises, so as to provide the one-stop products and services ranging from the glass, doors and windows to the residence for the consumers.

5. The Company will make great efforts in each preparation works for the construction and pre-operation of the Nigerian Float Production Line Project to ensure safe and smooth production; actively cooperate with the Belt and Road Integration Fund of Glass Industry to promote the construction progress of the Kazakhstan Float Production Line Project; explore the market of pharmaceutical glass and glass products, and introduce the Italian Olivito Technology into the China market; explore potential projects and make good preparation for "Go Out" alternative projects in the early stage.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 2% from RMB2.556 billion for the year ended 31 December 2017 to RMB2.618 billion for the year ended 31 December 2018. The increase in revenue was mainly attributable to the combined effect of an increase of 12% in the annual average sales price compared to last year due to an increase in the market price of glass this year, and an decrease of sales volume of 9% compared to last year and the revenue contribution from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italy company that the Group acquired and mainly engaged in technical services.

For the segment revenue of the Group for the year ended 31 December 2018, coated glass products contributed RMB673 million and energy saving and new energy glass products contributed RMB552 million, representing an increase of 13% and 10% as compared to 2017, respectively, while clear glass products contributed RMB999 million and painted glass products contributed RMB357 million, representing a decrease of 10% and 1% as compared to 2017, respectively. The main reason is that the Group has intensified efforts in selling the energy-saving and new energy glass product, and actively geared the product structure to the market demand, by shifting focus from the clear glass products and painted glass products to the coated glass products with higher gross profit margin.

Cost of sales

The Group's cost of sales decreased by approximately 1% from RMB2.235 billion for the year ended 31 December 2017 to RMB2.208 billion for the year ended 31 December 2018 which included a slight increase in production cost.

Gross profit

The Group's gross profit increased by approximately 28% from RMB322 million for the year ended 31 December 2017 to RMB410 million for the year ended 31 December 2018. This was mainly attributable to an increase in gross profit margin. Gross profit margin increased from 13% in 2017 to 16% in 2018, mainly because of a combination of the rise of the market prices of glass products, the invariability of unit cost of the raw material prices, and rise of the fuel cost.

Other income

The Group's other income increased from RMB173 million for the year ended 31 December 2017 to RMB231 million for the year ended 31 December 2018. The other income this year is mainly the compensation for the incurred losses of the Group by the local government authority during the year ended 31 December 2017 and 2018. The losses were incurred from the suspension of operation instructed by the local government. The local government is planning to expropriation of the land use rights of a subsidiary but the relocation agreement is still under negotiation.

Finance costs

The Group's finance costs increased by approximately 51% from RMB106 million as at 31 December 2017 to RMB161 million as at 31 December 2018. The main reason is that the Group expanded other financing channels and strengthened the cooperation with finance leasing companies, the change in loan structure has led to a significant increase in the weighted average balance of other loans.

Current assets

The Group's current assets increased by approximately 19% from RMB1.619 billion as at 31 December 2017 to RMB1.920 billion as at 31 December 2018. This was mainly attributable to an increase in cash and cash equivalents, prepayments and other receivables of the Group.

Current liabilities

The Group's current liabilities increased by approximately 18% from RMB3.267 billion as at 31 December 2017 to RMB3.864 billion as at 31 December 2018. The increase was mainly due to the combined effect of increased bank and other loans, advance payment, accrued charges and other payables.

Non-current liabilities

The Group's non-current liabilities increased by approximately 6% from RMB841 million as at 31 December 2017 to RMB889 million as at 31 December 2018. This was mainly attributable to an increase in deferred tax liabilities and bank and other loans.

Administrative expenses

Administrative expenses of the Group increased by approximately 17% from RMB213 million as at 31 December 2017 to RMB249 million as at 31 December 2018. This was mainly due to the combined effects of increase of tax resulting from the state levies an environmental protection tax and the rise of financing lease borrowings as well as the acquisition of the Italy company, which led to the increase of relevant expenses such as consulting service fee.

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

As at 31 December 2018, the Group's cash and cash equivalents were RMB607 million (31 December 2017: RMB562 million), of which 75% (31 December 2017: 91%) were denominated in RMB, 24% (31 December 2017: 8%) were denominated in United States Dollars ("USD"), and 1% (31 December 2017: 1%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank and other loans were RMB2.794 billion (31 December 2017: RMB2.352 billion), of which 74% (31 December 2017: 87%) were denominated in RMB, 18% (31 December 2017: 13%) were denominated in USD, and 6% (31 December 2017: 0%) were denominated in HKD and 2% (31 December 2017: 0%) were denominated in EUR. As at 31 December 2018, 51% (31 December 2017: 71%) of the outstanding bank and other loans bear interest at fixed rates while approximately 49% (31 December 2017: 29%) bear interest at variable rates.

As at 31 December 2018, the gearing ratio (total interest-bearing debts divided by total assets) was 42% (31 December 2017: 40%). As at 31 December 2018, the Group's current ratio (current assets divided by current liabilities) was 0.50 (31 December 2017: 0.50). The Group recorded net current liabilities amounting to RMB1.944 billion as at 31 December 2018 (31 December 2017: RMB1.648 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.68 as at 31 December 2018 (31 December 2017: 0.65).

CHARGED ASSETS

As at 31 December 2018, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB793 million (31 December 2017: RMB799 million) and certain trade and bills receivables of the Group with a carrying amount of approximately RMB246 million (31 December 2017: RMB236 million) were pledged against certain bank loans with a total amount of approximately RMB827 million (2017: RMB781 million).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

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

In 2018, the Group acquired the entire equity interest in a technical service company in Italy, which is mainly engaged in design, purchasing parts and installation services of neutral pharmaceutical glass production line. In 2018, the Group' subsidiaries and associated companies did not have material acquisitions or disposals or significant investments.

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

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future appreciation or depreciation of RMB would be closely associated with the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the year ended 31 December 2018, the Group did not purchase any derivatives for hedging purposes.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2018, the Group employed approximately a total of 3,604 employees in the PRC and Hong Kong (31 December 2017: about 3,774 employees). The decrease in staff number of the Group as at 31 December 2018 as compared to 31 December 2017 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. The Group ensures that the remuneration of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system, and is subject to adjustment from time to time based on the employee's performances. The Company has conditionally adopted the share option schemes for the qualified participants and the share award scheme for certain employees.

The Group participates in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively, according to applicable labor regulation. During the year ended 31 December 2018, no contribution to the above schemes were forfeited.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (31 December 2017: Nil).

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 33% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 8.6% of the Group's total purchases for the year.

For the year ended 31 December 2018, none of the Directors, their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) has any interest in the Group's five largest suppliers.

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 2018, save for a total of 860,000 share options that have 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 2018, 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 29,620,000 ordinary shares of HK$0.05 each in the issued share capital of the Company (the "**Shares**") on the market, representing approximately 1.64% of the issued share capital of the Company, for a total purchase price of HK$18,794,053.

During the year ended 31 December 2018, 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 2018, 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 2018, 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 "**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 external 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 2018.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2018 (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 2018, 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 deviation set out in the CG Code A.2.7 which 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 2018, 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, 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. 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 2018.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2019 AGM**") will be held on Friday, 31 May 2019 and the notice of 2019 AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2019 AGM which is scheduled on Friday, 31 May 2019. In order to be eligible to attend and vote at the 2019 AGM, all completed 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, 27 May 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Annual Results Announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaglassholdings.com). The annual report of the Company for the year ended 31 December 2018 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 2019

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; Mr. Zhou Cheng *(Honorary Chairman)*; and Mr. Zhang Jinshu

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

* *For identification purpose only*