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

Annual Report **2018**

Contents

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
Ms. Hua Fulan (appointed on 19 November 2018)
Mr. Li Shilong (retirement effective on 19 November 2018)
Mr. Ng Ki Hung

SUPERVISORS

Mr. Zheng Wenrong *(Chairman of the Board of Supervisors)*
Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Zhang Hongming
Mr. Meng Lizhong

AUDIT COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*
Ms. Hua Fulan (appointed on 19 November 2018)
Mr. Li Shilong (retirement effective on 19 November 2018)
Mr. Ng Ki Hung

REMUNERATION COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*
Mr. Ruan Hongliang
Ms. Hua Fulan (appointed on 19 November 2018)
Mr. Li Shilong (retirement effective on 19 November 2018)

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 (resignation effective on 1 March 2019)

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 HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

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 (China) Limited, Shanghai Branch
Citibank, N.A., Hong Kong Branch

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors ("Directors") of Flat Glass Group Co., Ltd. (the "Company", together with its subsidiaries, the "Group"), I present the annual report of the Group for the year ended 31 December 2018 (the "Reporting Period").

The Group's revenue for the year ended 31 December 2018 increased slightly by 2.2% as compared to that for the year ended 31 December 2017 from RMB2,974.5 million to RMB3,039.8 million. Profit and total comprehensive income of the Group recorded an increase of 4.0% from RMB406.1 million for the year ended 31 December 2017 to RMB422.2 million for the year ended 31 December 2018.

In order to share the achievement of the Group in 2018 with all our shareholders, the Board has recommended a final dividend of RMB4.5 cents per share, subject to shareholders' approval at the annual general meeting.

China's PV industry entered into a new stage

On 31 May 2018, the National Development and Reform Commission of the People's Republic of China (the "PRC"), the Ministry of Finance of the People's Republic of China and the National Energy Administration of the PRC (the "NEA") jointly issued the Notice on Matters Relating to Photovoltaic (the "PV") Power Generation in 2018 (the "531 Policy"), which emphasized that, the state temporarily would not arrange quota for general PV power plants in 2018, while the quota for distributed PV power generation station is 10 gigawatts ("GW"). From the date on the issuing of the 531 Policy, the benchmark grid price and electricity subsidy for distributed PV power generation stations put into operation have been reduced by RMB5 cents. Due to the impact of the 531 Policy, the downstream demand has dropped sharply, the prices of all segments of the PV manufacturing have fallen sharply, and the supply and demand are unbalanced. According to the statistics of the National Energy Administration, the new PV installed capacity in China only increased by approximately 43GW in 2018, representing a decrease of 18% year-on-year.

Although 531 Policy has a certain impact on China's PV market, in the long run, this policy focuses on guiding the PV industry to a high-quality development path, which will promote industry integration, and high-quality enterprises with high efficiency and low cost will capture further development opportunities. Moreover, with the technological improvement and industrial upgrading of the PV industry, the cost of PV modules has gradually decreased, and the global competitiveness of China's PV modules has continued to increase.

At the end of 2018, the National Energy Administration held a symposium on the mid-term assessment of the 13th Five-Year Plan for Solar Energy Development. It indicated that the state would continue to support the vigorous development of PV as a clean energy source. By 2022, the state will successively grant the subsidies, and will not promote the process of grid parity in an all-round way. China's PV industry has entered a new era from subsidy dependence to gradual realization of grid parity.

Booming overseas PV market

Affected by the decline in the subsidy under the China's 531 Policy, the domestic new installed PV capacity in 2018 did not increase as expected. At present, as China is the largest PV installed market in the world, the decline in the price of China's PV market not only caused a decline in the global PV industry chain but also accelerated the technological progress of the global PV industry chain, thereby reducing costs to offset the impact of subsidies. Benefiting from the declining price of PV modules and the continuous improvement of technology, the cost of PV power generation has declined rapidly, and the overseas PV market has developed fast with strong demand. By 2017, the newly installed capacity of the overseas was 46GW as compared to 61GW in 2018, representing a year-on-year increase of 32.6%. The growth rate hit a record high.

Business Outlook and Prospects

Due to the impact of China's 531 Policy, the domestic PV industry chain accelerated price reduction. Throughout the year, the prices of silicon materials, silicon wafers, batteries and modules reduced by varying degrees (30%-40%), causing a continuous fall in the price of PV modules and an accelerated decline in PV generation costs. The fact that photovoltaic energy became the cheapest energy in certain areas has spawned more GW countries (being countries where the PV installed capacity have read GW). According to the data from Bloomberg New Energy Finance ("BNEF"), the number of GW countries reached 6 in 2016, and 9 in 2017, increased to 13 in 2018. The number of GW countries was expected to reach 16 in 2019.Although the number of GW countries is on the rise, but historically, the proportion of total new installed capacity in GW countries into the total installed capacity of the world continued to decline. This shows that GW countries are not alone but a trend. PV products have become the choice of more and more countries. From a global point of view, PV market is more decentralized. PV products are not only the needs of the traditional powers but also the choice of many developing and less developed countries.

Pursuant to the *Notice of the National Development and Reform Commission and the National Energy Administration to Actively Promote the Work concerning Subsidy-free Grid Parity for Wind Power and PV power Generation* issued on January 2019, it is indicated that the areas boosting good resources and market conditions basically met the conditions of grip parity (subsidy-free from the state) with the benchmarking price of burning coal in line with the rapid development of PV power generation technology. At the same time, the country will carry out grid parity projects and low-cost grip pilot projects and optimize the project investment environment. According to forecast for global PV installations during 2019 to 2021 by BNEF, conservatively, the global installed capacity will be 117GW, 127GW and 130GW, respectively; neutrally, 125GW, 137GW and 141GW, respectively; optimistically, 133GW, 146GW and 152GW, respectively.

China has been the leader of the global PV industry in recent years. PV power generation is entering a new stage of grip parity following the continuous technology advancement, increasingly efficiency improvement, the rapid decline in installation costs, the less dependence on subsidies. With the rapid development of China's PV industry over the past decades, the supply of major raw materials including silicon wafers, battery wafers and modules has accounted for 80% to 90% of the world. From various perspectives including Research and Development ("R&D"), cost competitiveness, product quality, balance sheet and investment capacity, Chinese PV manufacturing industry has a global competitiveness, which will be conducive to the rapid development of overseas markets.

As a leading manufacturer of PV glass, the Group adheres to the development goal of enhancing quality and improving efficiency, and strives to optimize production management and improve product quality, thereby meeting the needs of the customers. In order to increase market share and reduce production costs, the third PV glass production line in Anhui, China with a daily melting capacity of 1,000 tons is expected to be put into operation in the first half of 2019. Also, two PV glass production line in Vietnam with a daily melting capacity of 1,000 tons is expected to be put into operation in the second half of 2019 and 2020 respectively. Based on these measures, the Group is well prepared for industry consolidation.

Moreover, in terms of the capital market, the Group obtained the written reply on the approval of issuance of A Shares by the china securities Regulatory commission ("CSRC") on 18 January 2019, and was officially listed on the Shanghai Stock Exchange on 15 February 2019, which marks another milestone of the Group.

Ruan Hongliang
Chairman

Jiaxing, Zhejiang, the PRC
21 March 2019

Five-Year Financial Summary

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,039,802**	2,974,511	2,951,265	2,914,049	2,833,306
Cost of sales	**2,248,376**	2,148,392	1,864,367	2,060,315	1,904,972
Gross profit	**791,426**	826,119	1,086,898	853,734	928,334
Profit before tax	**469,757**	498,838	732,551	536,405	486,404
Income tax expenses	**(58,831)**	(69,327)	(126,507)	(102,615)	(93,737)
Total comprehensive income for the year	**422,198**	406,124	613,474	433,790	392,667

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**3,896,692**	3,005,430	2,229,959	2,208,527	2,272,220
Current assets	**3,056,857**	2,950,113	2,236,666	2,479,008	1,831,980
Current liabilities	**2,250,047**	1,968,537	1,390,010	1,800,454	2,089,462
Net current assets (liabilities)	**806,810**	981,576	846,656	678,554	(257,482)
Total assets less current liabilities	**4,703,502**	3,987,006	3,076,615	2,887,081	2,014,738
Net assets	**3,668,654**	3,250,373	2,957,649	2,572,775	1,657,534
Share capital	**450,000**	450,000	450,000	450,000	337,500
Reserves	**3,218,654**	2,800,373	2,507,649	2,122,775	1,320,034
Total equity	**3,668,654**	3,250,373	2,957,649	2,572,775	1,657,534

Management Discussion and Analysis

LATEST BUSINESS DEVELOPMENT

During the Reporting Period, the Group expanded and optimized its operations in China and overseas. The latest business development of the Group as at 31 December 2018 sets out below.

Domestic expansion of Anhui Province, PRC

For the Group's expansion in Anhui Province, PRC for the establishment of PV glass production base with an annual processing capacity of 900,000 tons of PV glass, relevant works are progressing well. The first and the second the PV glass furnace with a daily melting capacity of 1,000 tons were ignited and put into operation successively at the end of 2017 and in the first half of 2018. As at 31 December 2018, all the new PV glass in Anhui PV glass production base have been sold normally. As the demand for our products from downstream customers still exceeds our existing capacity, the Company planned to ignite and put into operation the third PV glass furnace with a daily melting capacity of 1,000 tons in the first half of 2019, thereby meeting the needs of our customers.

In addition, the Company intended to invest in the establishment of the new annual production capacity of 750,000 tons of PV glass which will be used for PV modules covers, in Fengning Modern Industrial Park located in Fengyang County, Chuzhou City, Anhui Province. The project includes two lines, namely a PV raw glass production line with a daily melting capacity of 1,200 tons per day and a supporting processing production line, which is expect to be put into production successively in 2021.

Transformation of the existing float glass furnace into online low-emissivity ("Low-E") glass production line

In respect of the transformation of the Group's existing daily melting capacity of 600-ton float glass furnace to a 100,000-ton online Low-E glass production line, the Group completed the transformation of the float glass furnace as at 31 December 2018. It is expected that the operation plan of the online Low-E glass production line will be carried out in the first half of 2019.

Cold repair and reconstruction of the existing furnace

The Group completed the cold repair and reconstruction of the PV furnace with a daily melting capacity 490 tons, which was ignited and put into operation in the fourth quarter 2018.

In order to further increase the production efficiency of the Group, the Group has started the cold repair and reconstruction of two PV furnaces with a daily melting capacity 300 tons. The cold repair was expected to be completed in the second half of 2019.

Overseas expansion of Haiphong Vietnam

As for the construction of the PV glass production in Haiphong, Vietnam, the Group has (i) completed the ground leveling work; and (ii) reserved the key production equipment with the suppliers. Two PV glass furnaces of the PV glass production in Haiphong Vietnam with a daily melting capacity 1,000 tons will be expected to be ignited and put into operation in the second half of 2019 and 2020 respectively.

Business Overview

The Group is principally engaged in the manufacturing and sales of various glass products, including PV glass, float glass, architectural glass and household glass. The production facilities of the Group are strategically located in Jiaxing, Zhejiang Province, and Fengyang County, Chuzhou, Anhui Province, in the PRC. The Group mainly sells glass products to customers in counties including China, Singapore, Korea, Japan, Malaysia, Indian and Mexico.

Management Discussion and Analysis

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Management Discussion and Analysis

FINANCIAL OVERVIEW

Revenue

The revenue of the Group slightly increased by RMB65.3 million, or 2.2%, from RMB2,974.5 million for the year ended 31 December 2017 to RMB3,039.8 million for the year ended 31 December 2018. Affected by the "531 Policy", the average selling price of PV glass dropped by more than 20% in the second half of the year. However, despite the impact of the price decline on the Group's PV glass, sales revenue was offset by the launch of new production line of the Group with increased sales volume. The sales revenue of PV glass in 2018 was therefore relatively stable. The sales revenue of the float glass decreased by approximately 46.9% due to the technical innovation of online Low-E glass furnace and therefore reducing our float glass available for sale. In terms of the architectural glass segment, attributable to the significant growth in the production and sales of Low-E glass, the revenue as at 31 December 2018 was RMB395.5 million, increased by 33.1%, as compared with the revenue of RMB297.1 million as at 31 December 2017.

The following table set forth our segment revenue for the year indicated:

	For the year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
PV glass	**2,096,224**	**68.96**	2,027,045	68.14
Float glass	**156,825**	**5.16**	295,278	9.93
Household glass	**333,110**	**10.96**	321,659	10.81
Architectural glass	**395,542**	**13.01**	297,048	9.99
Mining products	**58,101**	**1.91**	33,481	1.13
Total revenue	**3,039,802**	**100**	2,974,511	100

Note: EPC service represented revenue generated from the installation service of distributed PV system provided to a third party.

The following table sets forth the revenue of the Group by geographical market:

	For the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Place of domicile of group entities:		
PRC	**2,097,163**	1,812,674
Other overseas countries:		
Japan	**70,725**	256,207
Other countries in Asia (excluding PRC and Japan)	**535,003**	526,373
Europe	**227,872**	169,545
North America	**82,913**	174,111
Others	**26,126**	35,601
	3,039,802	2,974,511

Cost of Sales

The cost of sales increased by RMB100.0 million, or 4.65%, from RMB2,148.4 million for the year ended 31 December 2017 to RMB2,248.4 million for the year ended 31 December 2018, which was mainly due to the increase in sales volume.

Gross profit

Gross profit and gross profit margin of the Group for the year ended 31 December 2018 were RMB791.4 million and 26.0%, declined slightly, as compared to RMB826.1 million and 27.8% for the year ended 31 December 2017, respectively, which was mainly due to (i) the decrease of sales price of photovoltaic glass affected by the 531 Policy; and (ii) the increase of cost of energy and some raw materials.

The table below sets forth the gross profit and gross profit margin by business segments of the Group for the year indicated:

	For the year ended 31 December			
	2018		2017	
	Gross profit	**Margin**	Gross profit	Margin
	RMB'000	**%**	RMB'000	%
PV glass	**560,301**	**26.73**	603,518	29.77
Float glass	**22,618**	**14.42**	67,493	22.86
Household glass	**88,012**	**26.42**	80,115	24.91
Architectural glass	**94,889**	**23.99**	69,203	23.30
Mining products	**25,606**	**44.07**	5,790	17.30
Total	**791,426**	**26.04**	826,119	27.77

Other Income and Expenses

Other income and expenses of the Group for the year ended 31 December 2018 increased by RMB10.9 million, or 26.33%, from RMB41.4 million for the year ended 31 December 2017 to RMB52.3 million for the year ended 31 December 2018. Such increase was primarily due to an increase of interest revenue and income from leasing the Group's old Shanghai production base that is no longer in use.

Other Gains and Losses

For the year ended 31 December 2018, other gains and losses recorded a gain of RMB22.2 million recovered from a loss of RMB29.6 million for the year ended 31 December 2017. This was primarily due to a exchange gain of RMB9.3 million changed from an exchange losses of RMB23.4 million caused by fluctuations in the exchange rate of the Renminbi against the US dollar.

Selling and Marketing Expenses

For the year ended 31 December 2018, selling and marketing expenses of the Group decreased by RMB9.2 million, or 6.7%, from RMB137.5 million for the year ended 31 December 2017 to RMB128.3 million. For the year ended 31 December 2017 and for the year ended 31 December 2018, selling and marketing expenses represented 4.6% and 4.2% of the total revenue of the Group, respectively. The reasons for the decrease were mainly due to (i) a significant reduction in transportation costs of export sales as a result of the decrease in sales to North America, and a shorter average distance for delivery to domestic customers; and (ii) the shorten of average transportation distance of domestic customers.

Administration Expenses

Administration expenses of the Group increased by RMB15.0 million, or 14%, from RMB106.5 million for the year ended 31 December 2017 to RMB121.5 million for the year ended 31 December 2018. Administration expenses represented 3.6% and 4.0% of the total revenue for the years ended 31 December 2017 and 2018, respectively, and remained stable.

Management Discussion and Analysis

Research and Development Expenditure

Research and development expenditure of the Group increased slightly by RMB17.1 million, or 17.8%, from RMB96.1 million for the year ended 31 December 2017 to RMB113.2 million for the year ended 31 December 2018, which were mainly due to the increase of new research base.

Finance Costs

Finance costs of the Group increased by RMB15.1 million, or 140.2%, from RMB10.7 million for the year ended 31 December 2017 to RMB25.8 million for the year ended 31 December 2018. The reasons for the increase were mainly due to the increase in interest expense as a result of the increase in total borrowings for the PV glass production bases in Anhui Province, PRC.

Income Tax Expense

The income tax expense of the Group decreased by RMB10.5 million, or 15.2%, from RMB69.3 million for the year ended 31 December 2017 to RMB58.8 million for the year ended 31 December 2018. The decrease was primarily because the profit before tax decreased by RMB29.0 million, or 5.8%, from RMB498.8 million for the year ended 31 December 2017 to RMB469.8 million for the year ended 31 December 2018.

EBITDA and profit for the period

For the year ended 31 December 2018, EBIDA of the Group (earnings before interests, taxes, depreciation and amortization) was increased by RMB14.0 million from RMB737.0 million for the year ended 31 December 2017 to RMB751.0 million. For the year ended 31 December 2018, the interest rate of EBIDA of the group was 24.5% and the profit rate was 24.8% for the same period in 2017.

As a result of the foregoing, the profit for the year decreased by RMB18.6 million, or 4.4%, from RMB429.5 million for the year ended 31 December 2017 to RMB410.9 million for the year ended 31 December 2018.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, the Group's profit and total comprehensive income increased by RMB16.1 million, or 4.0%, from RMB406.1 million for the year ended 31 December 2017 to RMB422.2 million for the year ended 31 December 2018.

Assets and Equity

Total assets of the Group as at 31 December 2018 amounted to RMB6,953.5 million, representing an increase of 16.8% as compared to RMB5,955.5 million as at 31 December 2017. Total equity increased by RMB418.3 million, or 12.9%, from RMB3,250.4 million as at 31 December 2017 to RMB3,668.7 million as at 31 December 2018.

Borrowings

As at 31 December 2018, the total borrowings of the Company were RMB1,628.5 million, of which, 3.5% were fixed-rate borrowings and 96.5% were variable-rate borrowings. The total borrowings increased by RMB556.8 million, or 51.9%, as compared to RMB1,071.7 million as at 31 December 2017, mainly due to the increase of long-term borrowings taken out for the construction of PV glass production bases of the Group in Anhui Province, PRC.

Anhui Flat Solar Glass Co., Ltd.*（安徽福莱特光伏玻璃有限公司）, a subsidiary of the Company, has signed a loan agreement of RMB500.0 million with Bank of China, Jiaxing. Also, Flat (Hong Kong) Co., Ltd., a subsidiary of the Company, has signed a loan agreement of USD150.0 million with Citibank in September 2017 with an interest rate of LIBOR+2.2% per annum. Please refer to note 27 to the consolidated financial statements for further details.

With the construction of PV glass production bases in Anhui and Vietnam, the borrowings of the Company are expected to increase, the scale of which will be determined by the construction progress of production bases.

For the year ended 31 December 2018, the Group was able to perform all borrowing contracts, and no default had ever occurred.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended 31 December 2018, the Group kept a satisfactory liquidity level and financial position. For the year ended 31 December 2018, the Group's principal sources of capital were from cash generated from operating activities and financing provided by the banks.

GEARING RATIO

As at 31 December 2018, the gearing ratio (gearing 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 89.54%, increased by 6.31% as compared to 83.23% as at 31 December 2017, mainly due to the increase of long-term borrowings for the construction of PV glass production bases of the Group in Anhui Province, PRC and PV glass production bases of Vietnam.

EVENT AFTER THE REPORTING PERIOD

The Company completed the A share offering on 15 February 2019. The A shares of the Company were listed with the Shanghai Stock Exchange on 15 February 2019 and started trading with the stock code of 601865. The total number of shares issued by the Company after the completion of issuance is 1,950,000,000 shares (including 450,000,000 H shares, 150,000,000 A shares under this Issuance and 1,350,000,000 A shares converted from existing domestic shares). For more details, please refer to announcement of the Company dated 14 February 2019.

The Company issued 150,000,000 A shares at the price of RMB2.0 per share. The total proceeds raised is RMB300.0 million, and the net proceeds after deducting RMB45.6 million of A-share issuance cost is RMB254.4 million.

In order to improve the utilization of the proceeds from the A share offering, at the third meeting of the Fifth Session of the Board of Directors held on 22 February 2019, it was agreed that the Company may use the idle fund raised with a total amount not exceeding RMB254.84 million during the period of validity of the resolution, and purchase the financial products with high security, good liquidity, principle guaranteed agreement and a period not exceeding 12 months, if necessary. Such investment products shall not be used for pledge.

CAPITAL EXPENDITURES AND COMMITMENTS

As at 31 December 2018, the Group's capital expenditures primarily related to Anhui and Vietnam PV glass production and processing facilities, machine substitution and technical transformation of other fixed assets. For the year ended 31 December 2018, the Group's capital commitment amounted to RMB1,014.4 million, which primarily related to Anhui PV glass production line and pressing facilities and Vietnam PV glass production line.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group employed a total of 2,842 employees and most of them were based in the PRC, with a total employee remuneration amounted to RMB238.2 million, representing 7.8% 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 located in the PRC. Bank financing of the Group was settled in RMB and USD for the year ended 31 December 2018 with annual interest rates between 3.1% and 5.7%. As the Group's certain sales, procurements and financing were not in our reporting currency of RMB but in foreign currencies, the Group is exposed to foreign exchange risk. In order to manages the Group's exposures to currency fluctuations, the Group has set up hedging policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currencies. Foreign currency forward contracts can be used to eliminate the currency exposures. During the year under review, the Group has entered into such forward contracts in relation to the foreign currency denominated monetary assets and monetary liabilities. For details, please refer to notes 24 and 35 of the consolidated financial statements in this annual report.

Furthermore, the Group is exposed to interest rate risk, in particular from the variable-rate borrowings with Citibank of US$150 million. The group closely monitors interest rate risk exposures and purchase appropriate interest rate swap contracts to mitigate risk exposures. During the year under review, the Group entered into interest rate swap contracts to swap variable interest rates to fixed interest rates in order to reduce its exposure to interest rate fluctuation arising from borrowings. For details, please refer to notes 24 and 35 of the consolidated financial statements in this annual report.

For the year ended 31 December 2018, such risks did not have any material impact on the financial performance of the Group.

CAPITAL STRUCTURE

As of 31 December 2018, the Company's equity structure remained unchanged.

As at 31 December 2018, the total equity of the Company was RMB450,000,000, which was divided into 1,800,000,000 shares of the Company (the "Shares") according to RMB0.25 per share, of which 1,350,000,000 Shares were domestic shares and 450,000,000 Shares were H shares.

Please refer to "Event after the Reporting Revised" above regarding the issue of A shares of the Company on 15 February 2019.

DIVIDEND

For the year ended 31 December 2018, the Board of Directors intends to distribute an ordinary final dividend of RMB4.5 cents per share (before tax), (for reference only, which is equivalent to about HK5.3 cents per ordinary share (before tax) (the "2018 Final Dividend")) and is subject to approval by the annual general meeting of shareholders to be convened held.

Dividends on A shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the dividend.

As the date of the annual general meeting is being finalised, the Company will announce the date of the annual general meeting, the record date for entitlement to participate and note at the said annual general meeting and entitlement to the 2018 Final Dividend (if approved by the shareholders of the Company) and the dates of closure of the H share register of members of the Company in due course. It is currently expected that the payment date of the 2018 Final Dividend will be no later than 30 August 2019.

TAX ITEM

According to China's current tax laws, regulations and rules, foreigners and enterprises who are not Chinese residents are required to perform different tax obligations with respect to dividends paid by the Company or proceeds obtained from the sale or other disposal of H shares of the Company.

According to the *Notice on the Collection and Management of Individual Income Tax after the Abolishment of IRS issued [1993] No.045 Document* issued by the State Administration of Taxation on 28 June 2011, for H share non-Chinese individual holders, the dividends paid by the Company shall be withheld at a tax rate of 5% to 20% (usually 10%) and the tax rate is determined according to the applicable tax treaties between jurisdictions where the H share non-Chinese individual holders live. If there is no tax treaty concluded with China in the jurisdiction area where the H share non-Chinese individual holders live, they shall withhold tax from the dividend earned by the Company at a tax rate of 20%.

Therefore, when the Company distributes the final dividend to H share registered individual shareholders, the Company will retain 10% of the final dividend as personal income tax, except as provided in the relevant tax provisions, tax agreements or notifications.

According to China's Enterprise Income Tax Law and its implementing rules, for foreign enterprises without offices or institutions in China or with offices or institutions in China but whose income is unrelated to such offices or institutions, the dividends paid by us and the income earned by such foreign enterprises from the sale or other disposal of H shares shall normally pay Chinese enterprise income tax at a tax rate of 10%. The only tax rate or it may be lowered according to special arrangements or applicable treaties between China and the jurisdiction area where the relevant foreign enterprises are located. According to the provision of the national tax letter No. [2008] 897 *Notice on the Issues concerning Dividend Distribution by Chinese Resident Enterprises to Shareholders of H share Non-Resident Enterprises Overseas to Pay Enterprise Income Tax* which came into effect on 6 November 2008, a 10% withholding tax shall be levied on the dividend distributed by Chinese resident enterprises to H share holders of overseas non-resident enterprises.

Therefore, when the Company distributes the final dividend to the H share registered non-resident enterprise shareholders of the Company, 10% of the final dividend will be withheld as enterprise income tax. Shares in the name of non-individual registered shareholders (including Hong Kong Central Settlement Co., Ltd., other nominees, trustees or other organizations and institutions) will be deemed to be held by non-resident enterprise shareholders, and the final dividend will be withheld from enterprise income tax.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ruan Hongliang (**阮洪良先生**), aged 57, is a founder of the Group and a controlling shareholder of the Company. He is currently an executive Director and the chairman of Board and the general manager of the Company, mainly responsible for the overall corporate strategies formulation, management of business and operation of the Group. Mr. Ruan is currently a member of the remuneration committee and the chairman of each of the nomination committee, strategic development committee and risk management committee of the Company. Mr. Ruan graduated from Jiaxing First High School (嘉興市第一中學) in July 1978.

Mr. Ruan has over 33 years' experience in glass industry. Mr. Ruan served in the Company's predecessor as a director from June 1998 to December 2005, the deputy chairman of the Board from June 1998 to February 1999 and as the chairman of the Board from March 1999 to May 2000 and from September 2003 to December 2005, respectively. Mr. Ruan also served as the deputy general manager of the Company's predecessor from May 2000 to September 2003. Mr. Ruan has served in the Company as the chairman of the Board and the general manager since December 2005. Mr. Ruan also serves in the Company's subsidiaries. He has been a director and general manager of Shanghai Flat Glass Co., Ltd.* (上海福萊特玻璃有限公司) ("Shanghai Flat") since June 2006, of Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司) ("Zhejiang Jiafu") since August 2007, of Anhui Flat Solar Materials Co., Ltd.* (安徽福萊特光伏材料有限公司) ("Anhui Flat Materials") since January 2011, of Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) ("Anhui Flat Glass") since January 2011, of Zhejiang Flat Glass Co., Ltd.* (浙江福萊特玻璃有限公司) ("Zhejiang Flat") since February 2011 and of Jiaxing Flat New Energy Technology Co., Ltd.* (嘉興福萊特新能源科技有限公司) ("Flat New Energy") since March 2014. He has also been a director of Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) ("Flat HK") since January 2013, of Flat (Hong Kong) Investment Co., Limited (福萊特(香港)投資有限公司) ("Flat HK INVEST") since July 2017.

Outside of the Group, Mr. Ruan worked as plant manager of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from September 1984 to May 2000. Mr. Ruan has also served as a director of Jiaxing Xiuzhou District Lianhui Venture Capital Co., Ltd.* (嘉興市秀洲區聯會創業投資有限公司) since June 2009.

Mr. Ruan also serves in various industry and business associations. He has served as a standing vice-chairman of Zhejiang Provincial Glass Industry Association* (浙江省玻璃行業協會) since April 2009, a vice-chairman of Jiaxing City Entrepreneur Association* (嘉興市企業家協會) and Jiaxing City Chamber of Commerce* (嘉興市工商業聯合會) since October 2010 and December 2011, respectively. Mr. Ruan has received several awards during the past years, including but not limited to, "the Advanced Participants in Association Activities in the Year 2012* (2012年度協會活動先進工作者)" granted by China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會) in March 2013, "Excellent Entrepreneur of Small and Medium Enterprises in Zhejiang Province* (浙江省中小企業優秀企業家)" granted by Association of Small and Medium Enterprises in Zhejiang Province* (浙江省中小企業協會) and Selection Committee of Excellent Entrepreneur of Small and Medium Enterprises in Zhejiang Province* (浙江省中小企業優秀企業家評選委員會) in December 2012, and "Jiaxing Charity Award in the Year 2011* (2011年度嘉興慈善獎)" granted by Jiaxing Municipal People's Government in December 2011. In addition, Mr. Ruan was also awarded as "The Innovative Pioneer People of Small and Medium Enterprises in the PRC* (中國中小企業創新先鋒人物)" granted by Association of Small and Medium Enterprises in the PRC* (中國中小企業協會) and Selection Committee of Innovative Products among the PRC Enterprises* (中國企業創新成果案例審定委員會) in October 2011, and one of Mr. Ruan's research results was awarded as "Top 100 Innovative & Excellent Research Results of Small and Medium Enterprises in the PRC* (2011年中國中小企業創新100強/優秀創新成果)" by same institutions in October 2011. In April 2013, Ruan Hongliang was awarded the title of model worker by the Jia Xing Municipal Government. In May of the same year, Mr. Ruan Hongliang was awarded a Private Entrepreneur of Outstanding Contribution in the 30th Anniversary of Establishment of Jiaxing City with Revocation of District. In 2016, Mr. Ruan Hongliang was ranked among the "Ten Top Distinguished Figures with Great Contributions to the Industrial Transformation", which was a part of the 5th session of "Ten Top Distinguished Figures" elections jointly organized by Jiaxing Economic and Information Committee, Jiaxing Science and Technology Bureau and Jiaxing Commerce Bureau.

Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua, an executive Director, father of Ms. Ruan Zeyun, the company secretary of the Company and father-in-law of Mr. Zhao Xiaofei, a deputy general manager of the Company.

Ms. Jiang Jinhua (**姜瑾華女士**), formerly known as Ms. Jiang Jin'e (姜瑾娥), aged 57, joined the Group in June 2000 and is currently an executive Director, the deputy chairman of Board and a deputy general manager of the Company, mainly responsible for assisting Mr. Ruan Hongliang to discharge his duties as the general manager of the Company. Ms. Jiang is a controlling shareholder of the Company and also currently a member of the remuneration committee of the Company. Ms. Jiang graduated from Arizona State University in the United States in May 2013 with a master degree in business management (long distance learning).

Ms. Jiang has over 25 years' experience in glass industry. She chaired the Board from June 2000 to September 2003 and served as the deputy general manager of our predecessor from September 2003 to December 2005. Ms. Jiang has also served as our deputy chairman of Board since December 2005. She has been a deputy general manager of the Company since June 2009. She served as a director of Zhejiang Jiafu and Anhui Flat Materials, our subsidiaries, from August 2007 to March 2014 and from January 2011 to March 2014, respectively. She also served as the executive deputy general manager of Zhejiang Jiafu from February 2012 to November 2012.

Outside of the Group, Ms. Jiang has been the legal representative of Jiaxing Xiucheng District Construction Project Co., Ltd.* (嘉興市秀城區建設建築工程公司) since September 1993 and was a supervisor of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to August 2009. Ms. Jiang served as a supervisor of Jiaxing City Fute Safety Glass Co., Ltd.* (嘉興市福特安全玻璃有限公司) from November 2003 to August 2008. Ms. Jiang was awarded as "Excellent Female Entrepreneur in Jiaxing* (嘉興市優秀女企業家)" by Female Association of Jiaxing* (嘉興市婦女聯合會) and Association of Female Entrepreneur in Jiaxing* (嘉興市女企業家協會) in December 2012. Ms. Jiang is also the vice-chairman of Association for Female Entrepreneur of Xiuzhou District of Jiaxing* (嘉興市秀洲區企業家協會).

Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang, an executive Director, mother of Ms. Ruan Zeyun and mother-in-law of Mr. Zhao Xiaofei, a deputy general manager of the Company.

Mr. Wei Yezhong (**魏葉忠先生**), aged 47, a co-founder of the Group and is currently an executive Director and a deputy general manager of the Company, mainly responsible for management of our architectural glass business department. Mr. Wei is currently a member of the strategic development committee of the Company. Mr. Wei graduated from Jiaxing Advanced Vocational College* (嘉興市高等專科學校) in Jiaxing City, Zhejiang Province, the PRC, in July 1992. Mr. Wei has been an assistant engineer recognized by Jiaxing Municipal Bureau of Personnel, Zhejiang Province* (浙江省嘉興市人事局), now known as Jiaxing Municipal Bureau of Human Resources and Social Security* (嘉興市人力資源與社會保障局), since August 2000, and an engineer recognized by Jiaxing Municipal Bureau of Human Resources and Social Security since February 2013. Mr. Wei has also been an expert member of the building curtain wall risk-based detection committee of detection technology branch of the Chinese Ceramic Society* (中國硅酸鹽學會測試技術分會建築幕牆風險檢測技術委員會) since March 2015.

Mr. Wei has over 23 years' experience in glass industry. He served in our predecessor as a sales manager from March 2003 to September 2010. He has been serving as a deputy general manager of the Company since July 2009 and a Director since August 2009. He also served as the chairman of the board of Supervisors of the Company from December 2005 to June 2009 and served as the executive deputy general manager of Zhejiang Flat from February 2012 to January 2013.

Outside of the Group, Mr. Wei worked at production position in Jiaxing Bakenaier Glassware Co., Ltd.* (嘉興巴克耐爾玻璃製品有限公司) from September 1994 to September 2001.

Mr. Shen Qifu (**沈其甫先生**), aged 52, joined the Group in September 1999 and is currently an executive Director of the Company, mainly responsible for management of the business and operation of Zhejiang Flat. Mr. Shen graduated from Shanghai University of Engineering Science* (上海工程技術大學) in Shanghai, the PRC, in January 1987, majoring in machinery manufacturing and equipment.

Mr. Shen has over 18 years' experience in glass industry. Mr. Shen served successively as workshop manager and deputy manager of production department in our predecessor from September 1999 to December 2001. He also served in our predecessor as a brand management manager from December 2001 to August 2010. He served as a Supervisor of the Company from December 2005 to June 2009 and as the chairman of the board of Supervisors of the Company from June 2009 to January 2015. Mr. Shen also served or serves in our subsidiaries. He successively served as a manager of processing production department, an assistant general manager and a deputy general manager of Zhejiang Jiafu from August 2010 to May 2012. He also served as a deputy general manager of Zhejiang Flat from May 2012 to January 2014. He has served as the executive deputy general manager of Zhejiang Flat since January 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Xiaozhong (**崔曉鐘先生**), aged 48, joined the Group in November 2016 and is currently an independent nonexecutive Director of the Company. Mr. Cui is currently the chairman of each of the audit committee and remuneration committee, and a member of each of the nomination committee, strategic development committee and risk management committee of the Company. Mr. Cui graduated from Dongbei University of Finance and Economics* (東北財經大學) in Dalian City, Liaoning Province, the PRC, in April 2007 with a master degree in Accounting and graduated from Dongbei University of Finance and Economics with a doctor degree in management in June 2010.

Mr. Cui has served as an independent non-executive Director of the Company since November 2016. Mr. Cui has been long dedicated to education of accounting and has over 12 years' experience of accounting and finance. He has served as a teacher of accounting in Jiaxing College* (嘉興學院) since June 2010.

Mr. Cui served as an independent non-executive Director of Zhejiang Chenguang Cable Co., Ltd.* (浙江晨光電纜股份有限公司) (listed on the National Equities Exchange and Quotations, stock code: 834639) since March 2016. Mr. Cui also has appointed as an independent non-executive director of Wutong Holding Group Co., Ltd.* (吳通控股集團股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300292) in January 2017, and appointed as an independent non-executive director of Zhejiang Lante Optical Co.,Ltd.* (浙江藍特光學股份有限公司) (listed on the National Equities Exchange and Quotations, stock code: 836383) in May 2017.

Ms. Hua Fulan (華富蘭), aged 56, joined the Group in November 2018 and is currently an independent non-executive Director the Company, and a member of the audit committee and remuneration committee. Ms Hua graduated from Zhejiang Sci-Tech University with a master degree in engineering in July 2011.

Ms. Hua served as a technical engineer in Silk Weaving General Mill of Hangzhou (杭州絲織總廠) from July 1987 to March 1994, a department manager in Zhejiang Torch Industry Development Center (浙江省火炬產業發展中心) from April 1994 to December 2002, and as a director in Zhejiang Torch Spark Technology Development Co., Ltd. (浙江火炬星火科技發展有限公司) since December 2002.

Mr. Ng Ki Hung (吳其鴻先生), aged 65, joined the Group in January 2015 and is currently an independent non-executive Director of the Company. Mr. Ng is currently a member of each of the audit committee and nomination committee of the Company.

Mr. Ng has served as an executive director of Jinhui Holdings Company Limited (金輝集團有限公司) (listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), stock code: 137) and Jinhui Shipping and Transportation Limited (listed on Oslo Stock Exchange, stock code: JIN) since August 1991 and May 1994, respectively.

SUPERVISORS

Mr. Zheng Wenrong (鄭文榮先生), aged 55, a co-founder of the Group, is currently the chairman of the board of supervisors of the Company. Mr. Zheng graduated from Jiaxing First High School* (嘉興市第一中學) in June 1979.

Mr. Zheng has over 19 years' experience in glass industry. He served as the chairman of the Board, the deputy chairman of the Board and the manager of domestic sales of our predecessor from May 2000 to June 2000, from June 2000 to December 2005 and from June 1998 to February 2008, respectively. He served as a Director and the deputy general manager of PV glass business department of the Company from December 2005 to January 2015 and from August 2011 to March 2012, respectively. He served as the deputy head of the president's office of the Company from March 2012 to December 2015, and he has served as the manager of the engineering department since January 2016. Mr. Zheng also served in our subsidiaries. He served as a deputy general manager of Zhejiang Jiafu and a director of Anhui Flat Materials from February 2008 to September 2010 and from January 2011 to March 2014, respectively.

Outside of the Group, Mr. Zheng worked as a director and the chairman of the board of directors of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to May 2000 and from May 2000 to August 2009, respectively.

Biographies of Directors, Supervisors and Senior Management

Mr. Shen Fuquan (沈福泉先生), aged 59, a co-founder of the Group, is currently a supervisor of the Company.

Mr. Shen has over 18 years' experience in glass industry. He served as a Director, the deputy chairman of the Board and a manager of sales department I in our predecessor from May 2000 to June 2000, from May 2000 to June 2000 and from December 2001 to December 2005, respectively. Mr. Shen served as a Director of the Company from December 2005 to January 2015. He served as a manager of procurement department and a manager of marketing department from November 2011 to December 2015 and from January 2016 to December 2016. Mr. Shen also served in our subsidiaries. He served as a manager of procurement department of Shanghai Flat from January 2006 to November 2008 and a director of Anhui Flat Glass from January 2011 to March 2014.

Outside of the Group, Mr. Shen served as a supervisor of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to August 2009. He also served as a director of Jiaxing Flat Glass Mirror Co., Ltd.* (嘉興福萊特鏡業有限公司) from July 2000 to December 2008.

Mr. Zhu Quanming (祝全明先生), aged 65, a co-founder of the Group, is currently a supervisor of the Company.

Mr. Zhu has over 19 years' experience in glass industry. He served as a supervisor and manager of retail department of our predecessor from June 1998 to December 2005 and a manager of production department of the Company from December 2005 to September 2010, respectively. He served in the Company as a Director from December 2005 to January 2015, as a deputy general manager from June 2009 to May 2011 and as a deputy general manager of processed glass business department from September 2010 to February 2012. Mr. Zhu also served or serves in our subsidiaries. He served as the executive deputy general manager of Shanghai Flat from February 2012 to November 2012 and served as a supervisor of Anhui Flat Materials from January 2011 to March 2014. He also served as a deputy general manager of Zhejiang Jiafu from November 2012 to January 2015.

Outside of the Group, Mr. Zhu served as a director of Jiaxing Flat Mirror Co., Ltd.* (嘉興福萊特鏡業有限公司) from July 2000 to December 2008.

Ms. Zhang Hongming (張紅明女士), aged 46, joined the Group in March 2003 and is currently a supervisor of the Company. In July 1998, Ms. Zhang graduated from Jiaxing Secondary Specialized School of Broadcasting and Television* (嘉興市廣播電視中等專業學校) in Jiaxing City, Zhejiang Province, the PRC, majoring in finance and accounting.

Ms. Zhang served as the head of planning department of the Company from March 2003 to September 2010, a general manager assistant of processed glass business department of the Company from September 2010 to February 2012, a general manager assistant of Zhejiang Flat from February 2012 to January 2013 and a deputy manager of production of Zhejiang Flat from January 2013 to September 2014. She served as a deputy manager of credit control department in finance centre of the company from September 2014 to December 2016. She has served as a manager of credit control department in finance center of the Company since January 2017.

Prior to joining the Group, Ms. Zhang worked at Jiaxing Bakenaier Glassware Co., Ltd.* (嘉興巴克耐爾玻璃製品有限公司) from January 1994 to September 2000.

Mr. Meng Lizhong (孟利忠先生), aged 35, joined the Group in May 2005 and is currently a supervisor of the Company. Mr. Meng graduated from the Correspondence College of China's Communist Party School* (中共中央黨校函授學院), majoring in public administration in December 2008.

Mr. Meng has over 13 years' experience in glass industry. Mr. Meng served as a salesman of the Company from May 2005 to May 2009, a manager assistant of our external sales department from May 2009 to September 2010, a deputy manager of our external sales department from September 2010 to February 2012 and a deputy manager of our sales center from February 2012 to August 2013. He has served as our sales manager of the sales department of Zhejiang Flat since August 2013. He has also served as a general manager assistant of Zhejiang Flat since January 2015.

SENIOR MANAGEMENT

Mr. Wei Zhiming (韋志明先生), aged 50, joined the Group in August 2006 and is currently a deputy general manager of the Company, mainly responsible for management of the strategic department and technology research and development of the Group. Mr. Wei graduated from Hangzhou University* (杭州大學) in Hangzhou City, Zhejiang Province, the PRC, in July 1991 with a bachelor degree in chemistry.

Mr. Wei has over 26 years' experience in glass industry. He severed as a deputy general manager of the Company and the general manager of the strategic department of the Company since May 2011 and January 2016, respectively. He served as a general manager of the PV glass business department of the Company from February 2012 to December 2015. He served successively as assistant to president and deputy manager of technology research and development center of the Company from May 2011 to June 2011. He also served as the deputy general manager of Shanghai Flat and the executive deputy general manager of Zhejiang Jiafu from August 2006 to February 2008 and from February 2008 to February 2012, respectively. Mr. Wei is also a member of PV Specialized Committee of China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會光伏玻璃專業委員會). In October 2011, one of the research results Mr. Wei participated in was awarded as "Top 100 Innovative & Excellent Research Results of Small and Medium Enterprises in the PRC* (2011年中國中小企業創新100強/優秀創新成果)" by Association of Small and Medium Enterprises in the PRC* (中國中小企業協會) and Selection Committee of Innovative Products among the PRC Enterprises* (中國企業創新成果案例審定委員會).

Prior to joining the Group, he started his career working as the deputy plant manager of Huzhou Glass Plant* (湖州玻璃廠) from August 1991 to June 2001.

Biographies of Directors, Supervisors and Senior Management

Mr. Zhao Xiaofei (趙曉非先生), aged 33, joined the Group in May 2011 and is currently a deputy general manager of the Company, mainly responsible for the management of the business and operation of the Group's PV glass business department. Mr. Zhao is also a controlling shareholder of the Company. Mr. Zhao graduated from the University of Northern Virginia in the United States in December 2007 with a bachelor degree in science in business administration (long distance learning).

Mr. Zhao served as assistant to manager of the PV glass sales department of sales center of the Company and assistant to general manager of sales center of the Company from May 2011 to July 2011 and from July 2011 to February 2012, respectively, a deputy general manager of float glass business department of the Company from November 2012 to February 2013, as well as deputy general manager of sales center of the Company from February 2013 to July 2013. He also served as assistant to general manager of Zhejiang Jiafu from February 2012 to August 2012. He served as a deputy general manager of Zhejiang Jiafu from August 2012 to November 2012. He served as the executive deputy general manager of Zhejiang Jiafu from July 2013 to December 2015. He served as a deputy general manager of the Company and the general manager of the PV glass business department of the Company since January 2015 and January 2016, respectively.

Prior to joining the Group, Mr. Zhao worked as a sales manager for Zhejiang Newfine Industry Co., Ltd.* (浙江新正方實業股份有限公司) from May 2008 to April 2011.

Mr. Zhao is the spouse of Ms. Ruan Zeyun and son-in-law of Mr. Ruan Hongliang, an executive Director, and Ms. Jiang Jinhua, an executive Director.

Mr. Mao Shuiliang (毛水亮先生), aged 40, joined the Group in 2014 and is currently financial controller of the Company. Mr. Mao graduated from Dongbei University of Finance and Economics (東北財經大學) in June 2014 with the degree in Accounting.

Mr. Mao serves as general manager of accounting department and deputy general manager of accounting management department of our Company from 2014 until now. He serves as financial chief of the Company from December 2017 until now.

Prior to joining the Group, Mr. Mao worked as senior accountant and financial manager for SKF Acyuation System (Pinghu) Co., Ltd. (斯凱孚驅動系統平湖有限公司) from 2009 to 2014.

Ms. Ruan Zeyun (阮澤雲女士), formerly known as Ms. Ruan Xiao (阮曉), aged 32, joined the Group in October 2009 and was appointed as a company secretary of the Company on 1 April 2015 mainly responsible for the daily affairs of the Board. Ms. Ruan to also a controlling shareholder of the Company. Ms. Ruan graduated from Sheffield University in England in September 2009 with a master degree in management.

Ms. Ruan served as the Board secretary of the Company from April 2010 until now. She also served or serves in our subsidiaries. She served as an assistant to general manager of Shanghai Flat from October 2009 to January 2011 and has served as the executive deputy general manager of Shanghai Flat from January 2010 to December 2011. Ms. Ruan has served as the chief financial officer of the Company between 2013 and 2017. She served as a director of Anhui Flat Glass from January 2011 to March 2014. Ms. Ruan also serves in several industry and business associations. She is a member of PV Specialized Committee of China Architectural and Glass Association* (中國建築玻璃與工業玻璃協會光伏玻璃專業委員會) and a member of Youth Association in Jiaxing* (嘉興市青年聯合會).

Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, a deputy general manager of the Company, and the daughter of Mr. Ruan Hongliang, an executive Director, and Ms. Jiang Jinhua, an executive Director.

JOINT COMPANY SECRETARIES

Ms. Ruan Zeyun (阮澤雲女士), formerly known as Ms. Ruan Xiao (阮曉), aged 32, joined the Group in October 2009 and was appointed as a joint company secretary on 1 April 2015 mainly responsible for the daily affairs of the Board. Please refer to the "– Senior Management" above for the biography of Ms. Ruan.

Ms. Leung Wing Han Sharon (梁頴嫻), was appointed as a joint company secretary of the Company on 1 April 2015 and resigned with effect from 1 March 2019. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 13 years of experience in finance, accounting and company secretarial matters. Ms. Leung is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in UK.

Corporate Governance Report

The Board recognizes the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations.

In the opinion of the Directors, the Company had complied with the code provisions in the Corporate Governance Code ("CG Code") as set forth in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange since 1 January 2018 up to and including 31 December 2018 except for code provisions A.2.1 and A.4.2.

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both positions. Throughout the Group's business history of over 18 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.

Under code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong, Mr. Shen Qifu, Dr. Cui Xiaozhong, Mr. Ng Ki Hung and Mr. Li Shilong were directors all appointed for a specific term, ending on the expiration of the term of the 4th session of the Board on 30 September 2018. According to article 97 of Articles of Association, directors shall be elected at general meetings for a term of three years, which is renewable upon re-election when it expires. The term of the Directors has expired on 30 September 2018 and in accordance with Article 97 of the Article of Association shall remain in office and perform their duty until new directors were appointed. An extraordinary general meeting of the Company (the "2018 First EGM") was convened and held on 19 November 2018. All Directors except Mr. Li Shilong (who has serves as independent non-executive Director for approximately nine years) have retired from offices upon conclusion of the 2018 First EGM and was re-elected, and Ms. Hua Fulan was appointed as an independent non-executive Director to replace Mr. Li Shilong, all for a term of three years ending on the expiration of the term of the 5th session of the Board.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors and three independent non-executive Directors. Biographical details of the Directors are set forth on pages 16 to 23 of this annual report.

The Directors during the year ended 31 December 2018 were:

Executive Directors

Mr. Ruan Hongliang
Ms. Jiang Jinhua
Mr. Wei Yezhong
Mr. Shen Qifu

Independent Non-executive Directors

Mr. Cui Xiaozhong
Ms. Hua Fulan (appointed on 19 November 2018)
Mr. Li Shilong (retirement effective on 19 November 2018)
Mr. Ng Ki Hung

Mr. Ruan Hongliang, an executive Director and chairman of the Board, is the spouse of Ms. Jiang Jinhua, an executive Director.

Ms. Ruan Zeyun, the Board secretary and the company secretary of the Company is the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Mr. Zhao Xiaofei, a deputy general manager of the Company, is the spouse of Ms. Ruan Zeyun and the son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Other than that, there is no relationship among members of the Board in respect of financial, business or other material relationship.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating operating and financial performance, reviewing the corporate governance measures and supervising of the overall management of the Group. The Board is also responsible for developing, reviewing and monitoring policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The senior management of the Group is responsible for the implementation of business strategies and day-to-day operations of the Group under the leadership of the chairman of the Group. The Directors have full access to all the information of the Group in relation to business operations and financial performance of the Group. Senior management of the Group also reports to the Directors from time to time regarding the business operations of the Group. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. Throughout the year ended 31 December 2018, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Meetings and Directors Attendance Record

The Board meets regularly either in person or through electronic means of communication to discuss the overall strategy as well as the operation and financial performance of the Group. The number of the Board meetings and general meetings held and the attendance of each Director at these meetings for the year ended 31 December 2018 have been set out as follows:

No. of attendance/No. of meetings

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Strategic Development Committee meetings	Risk Management Committee meetings	General meetings
Executive Directors							
Mr. Ruan Hongliang	7/7	N/A	1/1	1/1	1/1	1/1	2/2
Ms. Jiang Jinhua	7/7	N/A	N/A	N/A	N/A	1/1	2/2
Mr. Wei Yezhong	7/7	N/A	N/A	N/A	1/1	N/A	2/2
Mr. ShenQifu	7/7	N/A	N/A	N/A	N/A	N/A	2/2
Independent Non-executive Directors							
Mr.Cui Xiaozhong	7/7	2/2	1/1	1/1	1/1	1/1	2/2
Mr. Li Shilong*	5/5	2/2	1/1	N/A	N/A	N/A	2/2
Ms. Hua Fulan*	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Ng Ki Hung	7/7	2/2	N/A	1/1	N/A	N/A	2/2

Note: Ms. Hua Fulan was appointed as independent non-executive director at the 2018 First Extraordinary General Meeting ("EGM") dated at 19 November 2018, and Mr Li Shilong retired at the same meeting.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the shareholders of the Company and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

Throughout the year ended 31 December 2018, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements in relation to continuous responsibilities of a Hong Kong listed company and its directors and other relative compliance issues were provided and notified to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2018, the following existing Directors have participated in continuous professional development by attending briefings and updates, seminars, training, or reading materials on the following topics to develop and refresh their knowledge and skills:

	Corporate governance	Regulatory updates	Finance and accounting	Industry updates
Executive Directors				
Mr. Ruan Hongliang	√	√	√	√
Ms. Jiang Jinhua	√	√	√	√
Mr. Wei Yezhong		√		√
Mr. Shen Fuquan		√		√
Independent Non-Executive Directors				
Mr. Cui Xiaozhong	√	√	√	
Mr. Li Shilong*		√		√
Ms. Hua Fulan*		√		√
Mr. Ng Ki Hung		√		√

Note: Ms. Hua Fulan was appointed as independent non-executive director at the 2018 First Extraordinary General Meeting ("EGM") dated at 19 November 2018, and Mr Li Shilong retired at the same meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Board has three independent non-executive Directors.

All of the current independent non-executive Directors have submitted their confirmation on independence in accordance with Rule 3.13 of the Listing Rules. Based on the content of such confirmations, the Company considers that all the existing independent non-executive Directors are independent in accordance with the Listing Rules.

BOARD PROCEEDINGS

In accordance with code provisions A.1.1 and A.1.3 of the CG Code, the Board shall hold at least four Board meetings each year, to be convened by the chairman of the Board, and a notice of at least 14 days shall be given for a regular Board meeting. Since 1 January 2018 to and including 31 December 2018, seven Board meetings were held with a notice of at least 14 days having been given to the Directors in compliance with the relevant code provision.

The quorum for a Board meeting is at least half of the total number of the Directors (including Directors attending the meeting on behalf of others) being present at the meeting. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The term of the Directors has expired in 2018. All Directors had retired and been re-elected at 2018 First EGM except Mr. Li Shilong, who had retired without offering himself for re-election. Ms. Hua Fulan had been elected as a new independent non-executive director of the Company.

In accordance with the Articles of Association, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the shareholders.

BOARD OF SUPERVISORS

The board of supervisors of the Company consists of five members. The employee representative supervisors, namely Ms. Zhang Hongming and Mr. Meng Lizhong, were elected by employees, and the other supervisors were elected by the shareholders of the Company. The term of Supervisors had expired in 2018, and all Supervisors had retired and been re-elected at the 2018 First EGM. The functions and duties of the board of supervisors include, but are not limited to: review the financial operations of the Company; supervise the performance of Directors, general manager and senior executives of their duties to the Company; request Directors, general manager and senior executives to rectify actions which are damaging to the Company's interests; examine financial information such as financial reports, business reports and profit distribution plans as proposed by the Board to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors to assist in the examination; propose the convening of extraordinary general meetings and motions at the general meetings; conduct investigation if there are any unusual circumstances in the Company's operations; and exercising other rights given to them under the Articles of Association.

DIRECTORS', SUPERVISORS' AND OFFICERS' INSURANCE

The Company has taken out appropriate insurance coverage on Directors', supervisors' and senior management's liabilities in respect of legal actions taken against the same arising out of corporate activities.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 Company's code of conduct regarding securities transactions by the Directors and supervisors. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all Directors and supervisors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018 and up to the date of this annual report.

BOARD COMMITTEES

The Board has established the (i) audit committee (the "Audit Committee"); (ii) remuneration committee (the "Remuneration Committee"); (iii) nomination committee (the "Nomination Committee"); (iv) strategic development committee (the "Strategic Development Committee"); and (v) risk management committee (the "Risk Management Committee"), with defined terms of reference. The terms of reference of the Board committees, which explain their respective roles and the authority delegated to them by the Board are available on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee was established on 16 October 2015. From 1 January 2018 to 19 November 2018, members of the Audit Committee comprised of Mr. Cui Xiaozhong, Mr. Li Shilong and Mr. Ng Ki Hung, from 19 November 2018 to 31 December 2018, members of the Audit Committee comprised of Mr. Cui Xiaozhong, Ms. Hua Fulan and Mr. Ng Ki Hung, all of whom are independent non-executive Directors. Mr. Cui Xiaozhong, who has appropriate professional qualification and experience in accounting matter, was the chairman of the Audit Committee. The Audit Committee primarily assists the Board to review the financial reporting process, evaluate the effectiveness of financial controls and oversee the auditing processes of the Group and relationship with external auditors of the Group.

During the Reporting Period, the Audit Committee held two meetings to review annual financial results and reports for the year ended 31 December 2017 and interim financial results and reports for the six months ended 30 June 2018. Matters reviewed during the meetings included significant matters on the financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems and internal audit function, scope of work and appointment of external auditors, related parties transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records are set out under "Meetings and Directors Attendance Record" on page 25.

The Audit Committee is of the view that the preparation of the financial results of the Group for the year ended 31 December 2018 complied with the applicable accounting standards and requirements and that adequate disclosure had been made. The Audit Committee is also of the view that the internal control systems are effective and adequate based on its review.

Remuneration Committee

The Remuneration Committee was established on 16 October 2015. From 1 January 2018 to 19 November 2018, members of the Remuneration Committee comprised of Mr. Cui Xiaozhong and Mr. Li Shilong, independent non-executive Directors, and Mr. Ruan Hongliang, an executive Director, from 19 November 2018 to 31 December 2018, members of the Remuneration Committee comprised of Mr. Cui Xiaozhong and Ms. Hua Fulan, independent non-executive Directors, and Mr. Ruan Hongliang, an executive Director, and Mr. Cui Xiaozhong was the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include preparing assessment codes and evaluating the senior management of the Group, determining and reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. No director takes part in any discussion on his own remuneration.

During the Reporting Period, the Remuneration Committee met once to review, determine and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, assessing performance of executive Directors and other related matters. The attendance records are set out under "Meetings and Directors Attendance Record" on page 25.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (including executive Directors) by band for the year ended 31 December 2018 is set forth below:

In the band of:	Number of Individuals
Below HK$500,000	1
HK$500,000 to HK$1,000,000	7

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 11 and 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 16 October 2015. Since 1 January 2018, members of the Nomination Committee comprised of Mr. Ruan Hongliang, an executive Director, Mr. Cui Xiaozhong and Mr. Ng Ki Hung, independent non-executive Directors. The chairman of the Nomination Committee is Mr. Ruan Hongliang, an executive Director.

The primary duties of the Nomination Committee include to: (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for directors, in particular the Chairman of the Company.

The Company has adopted the board diversity policy (the "Board Diversity Policy"), the purpose of which is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the Board Diversity Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to, gender, age cultural background, educational background, and professional experience, which are the measurable objectives for implementing the Board Diversity Policy. The Nomination Committee is also responsible for reviewing the Board Diversity Policy, developing and reviewing measureable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the Board Diversity Policy and the measureable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board.

The Nomination Committee also has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in selection of Board candidates. Board nomination and appointments will continue to be made on merit basis based on the Group's business needs from time to time with adequate consideration of diversity of Board members.

During the Reporting Period, the Nomination Committee held one meeting to nominate the members of Board for retirement, appointment and re-election at the 2018 First EGM held on 19 November 2018 and to review the structure, size and composition of the Board. For the details of members' attendance of the Nomination Committee meeting, please refer to page 25. The Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the Reporting Period.

Strategic Development Committee

The Strategic Development Committee was established on 16 October 2015. Since 1 January 2018, members of the Strategic Development Committee comprised of Mr. Ruan Hongliang and Mr. Wei Yezhong, executive Directors, and Mr. Cui Xiaozhong, an independent non-executive Director. The chairman of the Strategic Development Committee is Mr. Ruan Hongliang, an executive Director. The primary duties of Strategic Development Committee are to study, advise on and review the Company's long-term development plans and strategies.

During the Reporting Period, the Strategic Development Committee met once to discuss the business strategies of the Group and the attendance records are set out under "Meetings and Directors Attendance Record" on page 25.

Risk Management Committee

The Risk Management Committee was established on 16 October 2015. Since 1 January 2018, members of the Risk Management Committee comprised of Mr. Ruan Hongliang and Ms. Jiang Jianhua, executive Directors, and Mr. Cui Xiaozhong, an independent non-executive Director. The chairman of the Risk Management Committee is Mr. Ruan Hongliang, an executive Director. The primary duties of the Risk Management Committee are to review the Group's business operations, especially on overseas and export business to supervise and control the Group's sanctums-related risks and to monitor and review the Group's risk management and internal control systems and formulate our Group's risk management strategies.

Furthermore, for new customers from Russia, Belarus and Tunisia and other sanctioned countries, being countries on which trade or economic sanctions are imposed by certain overseas governments, such as the United States government and the member states of the European Union, the Risk Management Committee must review and approve these potential customers before the Group can enter into any agreements with these potential customers in order to minimize any risk from doing business with persons located in the sanctioned countries. The Risk Management Committee also monitors the Company's use of proceeds from the global offering of the Group, as well as the performance of the Company's undertaking to the Stock Exchange relating to sanctioned matters. Since 1 January 2018 and up to 31 December 2018, the Risk Management Committee did not identify any sanctioned-related risks relating to the Company's operations.

During the Reporting Period, the Risk Management Committee met once to discuss the risk associated with overseas and export business of the Group and the attendance records are set out under "Meetings and Directors Attendance Record" on page 25.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Articles of Association on the respective websites of the Stock Exchange and the Company. There has been no change in the Company's constitutional documents during the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company had prepared the consolidated financial statements for the year ended 31 December 2018, which were reviewed by the Audit Committee and external auditor, Messrs. Deloitte Touche Tohmatsu. The Directors acknowledge that it is their responsibilities in (i) preparing of the financial statements of the Group for each financial year with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 52 and 56 of this annual report.

COMPANY SECRETARY

Ms. Leung Wing Han Sharon and Ms. Ruan Zeyun are the joint company secretaries of the Company during the year under review, and Ms. Leung was resigned on 1 March 2019 whereas Ms. Ruan has remained as the company secretary of the Company. Ms. Ruan is the main contact of the Company for Ms. Leung. During the year ended 31 December 2018, Ms. Leung and Ms. Ruan had complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the company secretary are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" on page 16 in this annual report.

EXTERNAL AUDITORS

The Company appointed Messrs. Deloitte Touche Tohmatsu as the external auditor for the year ended 31 December 2018. The Audit Committee reviewed the external auditors' statutory audit scope and non-audit services and approved its fees.

For the year ended 31 December 2018, the total auditor's remuneration was approximately RMB1,550,000, which Messrs. Deloitte Touche Tohmatsu charged the Group for audit and assurance services. The remuneration of non-audit services was approximately RMB340,000.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established risk management system and internal control system, and the internal audit department is responsible for the internal audit function of the Group. The Board is responsible for maintaining sound and effective internal control and risk management systems (the "Systems") over the Group's asset and shareholders' interests, as well as for reviewing the Systems' effectiveness. The Systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The major controls of the Systems include financial, operational and compliance controls, as well as an established organized structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations (including the handling and dissimilation of inside information). In particular, regarding the controls for handling and dissemination of inside information, the employees, senior management and the Directors of the Company who possesses or handles inside information are reminded of the inside information requirements under the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the requirements under other relevant laws and regulations. The Directors with the assistance of Ms. Ruan Zeyun, the company secretary of the Company, and the internal audit department of the Company, are responsible to ensure the inside information, if any, is kept confidential and dissimilate to the public to avoid a false market in the listed shares of the Company. The Company may also seek professional advice to consider the dissimilation of inside information to be public as and when necessary to ensure the Company will comply with the requirements under Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the requirements under other relevant laws and regulations.

The Board, being responsible for the reviewing the effectiveness of the Systems, together with the Audit Committee and internal audit team, regularly assess the effectiveness of the Systems, and ensures that the management has discharged its duty by establishing and maintaining effective and adequate Systems. The process used to review the effectiveness of the Systems includes carrying testing and sampling, and in case if material internal control defects have been detected, re-testing and resampling would be carried out to ensure the Systems are effective and adequate.

For the year ended 31 December 2018, the Audit Committee and the Group's internal audit team, with the assistance of the management of the Group, conducted a review of the Systems and assessed the effectiveness of the Systems by taking into account the reviews by its auditor. Based on the above review, the Board considers that the Group has fully complied with provisions of the CG Code regarding the Systems in general for the year ended 31 December 2018, and the Group's Systems are generally appropriate, effective and adequate.

SHAREHOLDERS' RIGHTS

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages participation of its shareholders through annual general meetings and other general meetings where shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 45 days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Convening extraordinary general meetings

According to the Articles of Association, any shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares (inclusive) may sign one or several written requests with the same format and content to propose to the Board to convene an extraordinary general meeting or class general meeting, and specify the topics of the meeting. The Board shall convene an extraordinary or class general meeting responsively after receipt of the aforesaid written request. The aforesaid amount of shareholding is calculated with reference to the date on which the shareholder(s) makes the written request.

If the Board cannot or fails to convene a general meeting, the board of supervisors of the Company shall duly convene such meeting and preside. If the board of supervisors of the Company also cannot or fails to convene and preside over a general meeting, the shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days may by themselves convene and preside over a general meeting.

Where shareholders convene and preside over a meeting because the Board fails to convene the meeting pursuant to the aforesaid request, reasonable expenses incurred shall be borne by the Company and shall be deducted from the monies payable by the Company to the defaulting Directors.

(iii) Procedures for putting forward proposals at a general meeting

According to the articles of association of the Company, any shareholder(s) individually or jointly holding more than 3% of the Company's shares may submit a written provisional motion to the convener 10 days before a general meeting is convened, and the Board shall issue a supplementary notice of the general meeting within two days after receipt of the said provisional motion to notify other shareholders and to submit the said provisional proposal to the general meeting for consideration. The content of a motion shall be determined by the general meeting, have definite topics and specific issues for resolution.

Communications with shareholders and investors

The Company is devoted to developing and maintaining continuous relationship and effective communications with shareholders and investors. To strengthen relationships and enhance communications, the Company has established the following communication channels:

(i) An occasion shall be arranged for shareholders of the Company at the annual general meeting for putting forward their opinions and exchanging views with the Board. Directors shall be present in person at the annual general meeting and answer shareholders' questions;

(ii) Where possible, the interim performance and yearly performance shall be issued early to enable shareholders of the Company to better understood the performance and business operations of the Group;

(iii) The Company also publishes all corporate correspondence on the Company's website www.flatgroup.com.cn; and

(iv) Shareholders may raise any enquiries and proposals to the Board by either directly raising questions at general meetings or providing written notice of such enquiries or proposals for the attention of Ms. Ruan Zeyun, the company secretary, at the principal place of business of the Company situated at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC or via e-mail to flat@flatgroup.com.cn.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report for the Reporting Period has been published separately on 21 March 2019.

Report of the Board of Directors

The Directors are pleased to present this report and consolidated financial statements of the Group for the year ended 31 December 2018.

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company was established in the PRC and has its registered office and headquarters at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC. Its principal place of business in Hong Kong is at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and sale of photovoltaic glass products, float glass products, architectural glass products, household glass products and other types of relevant products in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 39 to the consolidated financial statements.

LIST OF SUBSIDIARIES

Please refer to note 39 to the consolidated financial statements in this annual report for details of the subsidiaries as at 31 December 2018.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 57 to 134 of this annual report.

The Group's business review during the year and material factors underlying its results and financial position are set out in the "Management Discussion and Analysis" section of this annual report.

RESERVES

Details of movements in reserves of the Company and the Group are set out in the consolidated statement of changes in equity.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the latest five financial years is set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 15 to the consolidated financial statements.

DIVIDEND AND DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the Group's results of operations, cash flows, financial condition, statutory and regulatory restrictions on such payment of dividends, future prospects and other factors that the Company may consider relevant. The declaration, payment and amount of dividends will be subject to the Company's discretion. Dividends may be paid only out of the Group's distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 20% of the Company's profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future.

For the year ended 31 December 2018, the Board has recommended a final dividend of RMB4.5 cent per share.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2018 amounted to RMB73,000 (2017: RMB477,000).

PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE GROUP

The following sets out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks pertaining to the PV glass industry

The Group derived a majority of its revenue from its sales of PV glass. During the year ended 31 December 2018, the revenue generated from the sales of PV glass amount to RMB2,096.2 million, representing 68.96% of the total revenue of the Group. In recent years, the global PV industry has experienced fluctuations in terms of production output and prices of PV modules. In addition, some PV module manufacturers faced severe financial difficulties which impacted the business of PV component makers, including PV glass manufacturers. Some PV module manufacturers were not able to satisfy their payment obligations towards their suppliers, which in turn resulted in the suspension of the business operations of a number of PV glass manufacturers in China. In the past, the Group also had experienced customer defaults. Furthermore, the demand for PV glass generally depends on the demand for PV modules, which is subject to a number of macroeconomic and factors outside the control of PV glass manufacturers. The demand for solar energy also depends on the overall demand for electricity and the overall social and governmental support for the use of renewable energy. If there is any significant decrease in the demand for solar energy or investments in the PV industry, the demand and the prices of PV glass will decrease accordingly. Such decreases could be substantial and could result in significant excessive supply. Any market downturn, over-supply or fluctuations in the PV industry or financial difficulties faced by PV module manufacturers could have a material adverse impact on the business, financial condition and results of operations of the Group.

Report of the Board of Directors

Risks pertaining to compliance of laws and regulations, such as PRC environmental laws and regulations

The Group is subject to various PRC environmental laws and regulations for the production and sales of its PV glass, float glass, household glass and architectural glass products, which impose standards on the emission and treatment of pollutants created during the manufacturing process, and are required to obtain environmental protection assessment approval and acceptance from the relevant government authorities in the PRC for the operation of the production facilities. The Group is also subject to various PRC laws and regulations in relation to its mine. As a result, the Group is required to obtain permits, licenses and consents, such as the mining permit for its mining activities and the production safety permit for its manufacturing operations. Any unfavorable changes in the scope of these laws and regulations, or application and interpretation of these laws and regulations, may limit or restrict its production capacity or ability or its manufacturing operation, or increase the costs in pollution control or safety improvement, or otherwise increase its cost, which may materially and adversely affect the Group's business and operations. If the Group fails to comply with the laws and regulations, it may be penalized for non-compliance and may materially and adversely affect its business, operations and financial results.

Past performance and forward-looking statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to current environmental laws, rules and regulations enacted by the Chinese government, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國污染防治法》), the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》) and the Law on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》).

One of our major pollutants produced from our production is nitrogen oxides and sulphur dioxide. In order to be a socially responsible manufacturer, the Company has installed environmental protection and energy-saving equipment to minimize the impact on the environment from its production, including flue-gas desulphurization facility, flue-gas denitration facility, residual heat power generator and emissions monitoring system. The Company also monitors, through the emissions monitoring system, whether it satisfies the PRC standards on exhaust gas emissions. The Company was accredited with ISO14001:2004 for its environmental management system relating to the production processes of PV glass. For the year ended 31 December 2018, the Company complied with applicable environmental rules and regulations.

In recognition of the Company's continuous efforts in environmental protection and energy saving, the China Building Materials Federation* (中國建築材料聯合會), China Concrete Association* (中國水泥協會), China Architectural Land Industrial Glass Association* (中國建築玻璃與工藝玻璃協會) and China Construction Health Ceramics Association* (中國建築衛生陶瓷協會) awarded the Company with "Advanced Exemplary Enterprise for Energy Conservation and Emission Reduction in the Concrete Glass Ceramics Industry of the PRC* (全國水泥玻璃陶瓷產業節能減排先進典型企業)" in October 2015.

KEY RELATIONSHIPS

Employees

The Group maintains a good relationship with its employees and provides trainings to 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 resource 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.

Suppliers

The main raw materials of the Group include fuel, silica sand and soda ash. Except for natural gas, the Group does not rely on any one single raw material supplier. The Group procures natural gas from one single supplier as the natural gas is supplied through exclusive pipelines connected from such supplier to the Group's production facilities. The Group generally enters into legally binding long-term agreements with its fuel and silica sand suppliers in order to ensure smooth production operation.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 10.15% and 40.57%, respectively, of the Group's total purchases for the year ended 31 December 2018.

Customers

The Group has established and maintained strong and stable relationships with its customers, with a majority of the top ten customers having had a relationship of five years or above with the Group. The Group's PV glass customers are primarily domestic and overseas PV module manufacturers, whereas its float glass customers are primarily domestic and overseas glass processing manufacturers and domestic glass wholesalers. In addition, the Group sells household glass products to domestic and overseas furniture manufacturers and processing companies and multinational furniture retailers, and sell architectural glass products to domestic and overseas architectural contractors, domestic architectural glass processing companies and domestic construction companies.

During the year ended 31 December 2018, aggregate sales to the Group's largest and five largest customers accounted for 20.94% and 47.02%, respectively, of the Group's total revenue for the year.

At no time during the period under review had the Directors, the supervisors of the Company and their close associates or any shareholder of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

Report of the Board of Directors

COMPLIANCE WITH LAWS AND REGULATIONS

Since the Company is established and conducts its operations mainly in the PRC, its H shares are listed on the Stock Exchange, and subsequent to the year ended 31 December 2018. A shares are listed on the Shanghai Stock Exchange, its establishment and operations have to comply with the relevant laws and regulations in both the PRC and Hong Kong. During the year ended 31 December 2018 and up to the date of this annual report, the Company had complied with the relevant laws and regulations in the PRC and Hong Kong.

BANK BORROWINGS

Details of bank borrowings of the Company and its subsidiaries as at 31 December 2018 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules from 1 January 2018 to 31 December 2018 and at all times up to the date of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

USE OF PROCEEDS

The total net proceeds from the listing of H shares of the Company on the Main Board of the Stock Exchange amounted to approximately HK$884.6 million (the "IPO Proceeds"). As at 31 December 2018, the IPO Proceeds of approximately HK$884.6 million had been used as follows:

Use for	Percentage of net proceeds	Amount of net proceeds HK$ million	Amount utilized HK$ million	Amount remaining HK$ million
Establish overseas PV glass production and processing facilities in Vietnam	100%	406.9	406.9	0
Establish new Low-E and Low-E composite glass processing facilities	100%	152.1	152.1	0
Research and development of new products and purchase of new equipment	100%	85.8	85.8	0
Working capital and other general corporate purposes	100%	85.8	85.8	0
Modifying and upgrading an existing PV glass furnace	100%	80.5	80.5	0
Construction of new 15 MW distributed PV system	100%	73.4	73.4	0

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since 1 January 2018 up to and including 31 December 2018.

The CSRC Main Board Issuance Approval Committee (中國證監會主板發行審核委員會) reviewed the application of the Company for the Proposed A Share Offering on 18 September 2018. According to the result of the review published on the website of CSRC, the Company's application for the Proposed A Share Offering has been approved and on 18 January 2019, the Company was notified officially in writing that Proposed A Share Offering has been approved. The A Shares of the Company has been listed and commence trading on the Shanghai Stock Exchange on 15 February 2019. Subsequent to the completion of the A share offering on 15 February 2019, the total number of shares issued by the Company was 1,950,000,000 shares (including 450,000,000 H shares, 150,000,000 A shares under the A share offering and 1,350,000,000 A shares converted from existing domestic shares). For more details, please refer to announcement of the Company dated 14 February 2019.

Report of the Board of Directors

DIRECTORS

For the year ended 31 December 2018 and up to the date of this annual report, the Directors and supervisors of the Company in office are shown as below:

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 *(retirement effective on 19 November 2018)*
Ms. Hua Fulan *(appointed on 19 November 2018)*
Mr. Ng Ki Hung

Supervisors

Mr. Zheng Wenrong *(Chairman of the Board of Supervisors)*
Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Zhang Hongming
Mr. Meng Lizhong

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management of the Company are set out on pages 16 to 23 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance between the Company or any of its subsidiaries and its controlling shareholders or any of its subsidiaries, was a party, or in which a Director or supervisors of the Company and an entity connected to any of the Directors or supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company. The term of the Directors has expired in 2018. All Directors had retired and been re-elected at 2018 First EGM except Mr. Li Shilong (who has retired) for a term of three years ending on the expiration of the term of the 5th session of the Board subject to his or her retirement and re-election at annual general meeting in accordance with the Articles of Association. Ms. Hua Fulan had been elected as a new independent non-executive director of the Company at the 2018 First EGM for a term of three years ending on the expiration of the term of the 5th session of the Board subject to his or her retirement and re-election at annual general meeting in accordance with the Articles of Association.

Each of the supervisors of the Company has entered into a service contract with the Company. All Supervisors had retired and been re-electd at 2018 First EGM for a term of three years ending on the expiration of the term of the 5th session of the Board subject to his or her retirement and re-election at annual general meeting in accordance with the Articles of Association.

Save as disclosed above, none of the Directors or supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Since 1 January 2018 up to and including 31 December 2018, the Company had taken out appropriate corporate liability insurance for the its Directors, supervisors and senior management. As of the date of this annual report, such corporate liability insurance remained effective.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and supervisors of the Company are set out as follows:

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
Executive directors:					
Mr. Ruan Hongliang	–	713	25	122	860
Ms. Jiang Jinhua	–	586	–	112	698
Mr. Wei Yezhong	–	545	25	52	622
Mr. Shen Qifu	–	519	25	52	596
Independent non-executive directors:					
Mr. Li Shilong*	80	–	–	–	80
Ms. Hua Fulan*	–	–	–	–	–
Mr. Ng Ki Hung	80	–	–	–	80
Mr. Cui Xiaozhong	80	–	–	–	80
Supervisors:					
Mr. Zheng Wenrong	–	238	24	32	294
Mr. Shen Fuquan	–	237	24	22	283
Mr. Zhu Quanming	–	177	–	22	199
Ms. Zhang Hongming	–	139	10	17	166
Mr. Meng Lizhong	–	314	24	32	370
Total	240	3468	157	463	4328

Note: Ms. Hua Fulan was appointed as independent non-executive director at the 2018 First Extraordinary General Meeting ("EGM") dated at 19 November 2018, and Mr Li Shilong retired at the same meeting.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2018, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares (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 positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (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 31 December 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 31 December 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 31 December 2018, to the knowledge of the Company, none of the Directors or 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 31 December 2018, the persons or corporations who had 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	Nature of Interest	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%
Ms. Zhang Wenfang	35,852,000	H Shares	Beneficial Interest	7.97%	1.99%
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)	107,969,000	H Shares	Beneficial Interest	23.99%	6.00%
Spin Valley Fund Limited (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
Beyond Steady Limited (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
Linewear Assets Limited (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
Huarong International Financial Holding Limited (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
Camellia Pacific Investment Holding Limited (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
China Huarong International Holding Limited (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
Huarong Real Estate Co., Ltd. (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
China Huarong Asset Management Co., Ltd.	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%
Ministry of Finance of the PRC (5)	107,969,000	H Shares	Interest of controlled corporation	23.99%	6.00%

Notes:

(1) The calculation is based on the total number of 1,350,000,000 Domestic Shares 450,000,000 H Shares, as the case may be, in issue as at 31 December 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 31 December 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 107,969,000 H Shares held by Paragon Resort Fund L.P..

Save as disclosed above, as at 31 December 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2018.

MATERIAL CONTRACTS

Save as disclosed in note 11 to the consolidated financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or supervisor of the Company or an entity connected with a Director or supervisor had a material interest, subsisted at the end of the year or at any time during the year ended 31 December 2018.

RELATED PARTY TRANSACTIONS

The related party transactions in relation to the emoluments of Directors, Supervisors and employees are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules. Save for the continuing connected transactions as disclosed in "Continuing Connected Transactions" below, the related party transactions conducted during the year under review as disclosed in note 37 to the consolidated financial statement of the Group were connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules and are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

Connected persons

Jiaxing Yihe Machine Co., Limited ("嘉興市義和機械有限公司") ("**Jiaxing Yihe**") is wholly-owned by Ms. Ruan Zeyun, one of the controlling shareholders of the Company and daughter of Mr. Ruan Hongliang (the chairman and executive Director of the Company) and Ms. Jiang Jinhua (an executive Director), thus an associate of Ms. Ruan Zeyun and a connected person of the Company under Rule 14A.07 of the Listing Rules.

Connected transactions

On 30 December 2017, a tenancy agreement was entered into between the Company, as tenant, and Jiaxing Yihe, as landlord, in relation to the lease of three connected 6-storey M-shaped buildings situated at 959 Yunhe Road, Xiuzhou District, Jiaxing City, Zhejiang Province, PRC (the "**Tenancy Agreement I**") pursuant to which Jiaxing Yihe agreed to lease the said premises to the Company as the dormitories for the Group's employees, for a term of one year commencing from 1 January 2018 and ending on 31 December 2018 at the rent of RMB200,120.80 per month (RMB2,401,449.60 per year).

On the same day, the tenancy agreement was entered into between the Company, as tenant, and Jiaxing Yihe, as landlord, in relation to the lease of, a 5-storey factory situated at 959 Yunhe Road, Xiuzhou District, Jiaxing City, Zhejiang Province, PRC (the "**Tenancy Agreement II**") pursuant to which Jiaxing Yihe agreed to lease the said premises to the Company for the Group's temporary maintenance, assembling and storage of equipment, for a term of one year commencing from 1 January 2018 and ending on 31 December 2018 at the rent of RMB149,385.72 per month (RMB1,792,628.64 per year).

The rent payable under the Tenancy Agreement I and Tenancy Agreement II was determined by the parties after arm's length negotiations with reference to, among other things, the market value of underlying premises, respectively.

Please refer to the announcement of the Company dated on 2 January 2018 for further details of the Tenancy Agreement I and Tenancy Agreement II.

Independent Non-executive Directors Confirmation

The independent non-executive Directors have reviewed these continuing connected transactions and confirmed that such transactions were:

(1) entered into in the ordinary and usual course of business of the Group;
(2) conducted either on normal commercial terms or better; and
(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Auditor's Confirmation

The Company's auditor, Messrs. Deloitte Touche Tohmatsu, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor, Messrs. Deloitte Touche Tohmatsu, has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange.

COMPETING BUSINESS

None of the Directors and their associates had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2018.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Each of Mr. Ruan Hongliang, Ms. Jiang Jinhua and Ms. Ruan Zeyun has confirmed to the Company that he/she has complied with the non-competition undertaking given by them to the Company pursuant to the deed of non-competition dated 16 October 2015. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-competition undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from 1 January 2018 up to and including 31 December 2018.

ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Director or supervisors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

RETIREMENT SCHEMES

The Group abides by the laws and regulations in relation to employee benefits and retirement planning promulgated by the Chinese government. Details of the Group's retirement plans are set out in note 31 to the consolidated financial statements.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2018, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

EVENTS AFTER THE REPORTING PERIOD

Please refer to "Management Discussion and Analysis – Event after the Reporting Period" for details.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the Board and external auditors the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

EXTERNAL AUDITORS

Messrs. Deloitte Touche Tohmatsu has served as the auditor of the Company since the listing date on 26 November 2015. The consolidated financial statements for the year ended 31 December 2018 have been audited by Messrs. Deloitte Touche Tohmatsu.

There was no change in the external auditors of the Company for the three preceding years prior to the date of this report.

On behalf of the Board of Directors

Ruan Hongliang
Chairman

Jiaxing, Zhejiang, the PRC
21 March 2019

Report of the Board of Supervisors

The current session of the board of supervisors of the Company (the "Board of Supervisors") is comprised of five supervisors, namely Mr. Zheng Wenrong, Mr. Shen Fuquan, Mr. Zhu Quanming, Ms. Zhang Hongming and Mr. Meng Lizhong.

In the year ended 31 December 2018, for the Company's long-term interests and shareholders' interests, the Board of Supervisors acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and the Listing Rules and earnestly performed their duties of supervision over the activities of the Directors and senior management of the Company. The major works performed by of the Board of Supervisors are presented below:

I. MEETINGS CONDUCTED BY THE BOARD OF SUPERVISORS

In the year ended 31 December 2018, the Board of Supervisors convened four meetings.

II. WORK OF THE BOARD OF SUPERVISORS

The work of the Supervisory Committee during the year ended 31 December 2018 mainly includes the following:

1. Monitoring implementation of resolutions of general meetings

The Board of Supervisors exercised supervision and inspection of the implementation of the resolutions of the general meetings by the Board and the senior management through observation and attendance at Board meetings and general meetings. The Board of Supervisors considers that the Board and the senior management have diligently performed their duties in compliance with the resolutions of the general meetings. No violation of any laws or regulations or the Articles of Association or any act which jeopardizes the interests of the Company or shareholders' interests of the Company has been found within the performance of the Board and the senior management of the Company.

2. Monitoring legal compliance of the Group's general operation

The Board of Supervisors of the Company exercised supervision on a regular basis over the legal compliance, rationality of the Group's general operation, management of its general ordinary work and the work performance of the Board and senior management. The Board of Supervisors considers that the general operation of the Group is sound and rational, which has also complied with all applicable laws, regulations, rules and the Articles of Association. The members of the Board and the senior management of the Company have conscientiously and diligently performed their duties, and none of their actions will harm the interests of the Company or the shareholders of the Company.

3. Monitoring daily operating activities of the Group

The Board of Supervisors of the Company exercised supervision over the operating activities of the Group. The Board of Supervisors considers that the Company has already established a sound internal control system, and has made a huge progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The operation of the Group is in compliance with the PRC laws and regulations and the Articles of Association.

4. Monitoring the Group's financial conditions

The Board of Supervisors has reviewed the Group's 2018 consolidated financial statements, supervised and monitored the Group's implementation of relevant financial policies and legislations as well as details of the Group's assets, financial income and expenditure. It is of the opinion that the Group's 2018 consolidated financial statements truly and completely reflect the financial position and operating results of the Group.

Zheng Wenrong
Chairman of the Board of Supervisors

Jiaxing, Zhejiang, the PRC
21 March 2019

Independent Auditor's Report

TO THE SHAREHOLDERS OF
FLAT GLASS GROUP CO., LTD.
福萊特玻璃集團股份有限公司
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Flat Glass Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of property, plant and equipment	
We identified the impairment of property, plant and equipment, referring to Note 15 of the consolidated financial statements, as a key audit matter due to the use of significant estimates in assessing the recoverable amount. The Group's assessment of the recoverable amount of property, plant and equipment requires significant estimates, including growth rates of related products, future profitability and discount rates. As at 31 December 2018, the carrying amount of property, plant and equipment is RMB 3,128,888,000 (net of impairment of RMB 60,432,000).	Our procedures in relation to management's assessment of the impairment of property, plant and equipment included: • Obtaining an understanding of key controls over the impairment assessment of property, plant and equipment by the management; • Testing the design and implementation and operating effectiveness of key controls over the impairment of property, plant and equipment; • Performing physical inspection of the property, plant and equipment at the end of year and identifying any unused or impaired equipment on a sample basis; • Challenging the key assumptions and estimates used in management's impairment model, including the forecast future cash flows forecast and discount rates.

Key audit matters	How our audit addressed the key audit matters
Impairment of trade receivables and commercial bills receivables	
We identified the valuation of trade receivables and commercial bills receivables, referring to Note 22 of the consolidated financial statements, as a key audit matter due to the use of significant estimates in assessing the recoverability of trade receivables commercial bills receivables. In determining the allowance for trade receivables commercial bills receivables, the management considers the expected credit loss with reference to the Group's historical default rates, credit risk and forward-looking information. As at 31 December 2018, the carrying amount of trade receivables commercial bills receivables is RMB 824,741,000 (net of allowance for doubtful debts of RMB 43,147,000).	Our procedures in relation to management's assessment of the impairment of the trade receivables included: • Obtaining an understanding of key controls over the impairment assessment of trade receivables by the management; • Testing the design and implementation and operating effectiveness of key controls over assessment of recoverability and impairment of trade receivables; • Assessing the reasonableness of the expected credit loss model; checking the accuracy of information used in assessing the internal credit ratings of debtors; reviewing the determination of expected credit loss rates of trade receivables and commercial bills receivables with reference to the historical default rates, credit risk and forward-looking information; checking the calculation of expected credit loss.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lo Kin Cheong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21 March 2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	**3,039,802**	2,974,511
Cost of sales		**(2,248,376)**	(2,148,392)
Gross profit		**791,426**	826,119
Other income and expenses	6	**52,338**	41,448
Other gains and losses	6	**22,212**	(29,555)
Impairment losses, net of reversal	7	**(7,364)**	11,724
Selling and marketing expenses		**(128,327)**	(137,513)
Administration expenses		**(121,490)**	(106,535)
Research and development expenditure		**(113,246)**	(96,132)
Finance costs	8	**(25,792)**	(10,718)
Profit before tax		**469,757**	498,838
Income tax expense	9	**(58,831)**	(69,327)
Profit for the year	10	**410,926**	429,511
Other comprehensive income (expense) for the year:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**11,272**	(23,387)
Total comprehensive income for the year		**422,198**	406,124
EARNING PER SHARE			
– Basic and diluted (RMB cents)	13	**22.83**	23.86

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,128,888**	2,170,511
Investment Properties	16	**23,097**	24,528
Prepaid lease payments	17	**376,123**	348,570
Prepayments and intangible assets	18	**151,030**	178,120
Available-for-sale investment, at cost		**–**	4,000
Deferred tax assets	19	**19,006**	29,813
Prepayment for acquisition of property, plant and equipment		**160,199**	237,333
Deposits paid for acquisition of land use rights	20	**38,349**	12,555
		3,896,692	3,005,430
Current Assets			
Prepaid lease payments	17	**9,615**	8,709
Inventories	21	**377,123**	267,593
Trade and other receivables	22	**1,980,928**	1,589,019
Derivative financial instruments	24	**6,172**	–
Fixed deposits	25	**30,000**	76,137
Pledged bank deposits	25	**154,269**	135,145
Bank balances and cash	25	**498,750**	873,510
		3,056,857	2,950,113
Current Liabilities			
Trade and other payables	26	**1,514,979**	1,478,015
Tax liabilities		**67,983**	84,094
Borrowings	27	**639,137**	384,182
Contract liabilities	28	**14,042**	–
Deferred revenue	29	**13,168**	14,421
Derivative financial instruments	24	**738**	7,825
		2,250,047	1,968,537
Net Current Assets		**806,810**	981,576
Total Assets Less Current Liabilities		**4,703,502**	3,987,006

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000
NON-CURRENT LIABILITIES			
Borrowings	27	**989,439**	687,505
Deferred revenue	29	**45,409**	49,128
		1,034,848	736,633
Net Assets		**3,668,654**	3,250,373
Capital and Reserves			
Share capital	30	**450,000**	450,000
Reserves		**3,218,654**	2,800,373
Total Equity		**3,668,654**	3,250,373

The consolidated financial statements on pages 57 to 134 were approved and authorised for issue by the Board of Directors on 21 March 2019 and are signed on its behalf by:

DIRECTOR DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB'000	Share premium RMB'000	Production safety fees RMB'000	Translation reserve RMB'000 *(note iii)*	Equity–settled employee benefits reserve RMB'000 *(note i)*	Statutory surplus reserve RMB'000 *(note ii)*	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	450,000	618,951	6,748	7,430	3,277	310,704	1,560,539	2,957,649
Profit and total comprehensive income for the year	—	—	—	(23,387)	—	—	429,511	406,124
Transfer	—	—	2,984	—	—	46,238	(49,222)	—
Dividends *(note 14)*	—	—	—	—	—	—	(113,400)	(113,400)
Balance at 31 December 2017	450,000	618,951	9,732	(15,957)	3,277	356,942	1,827,428	3,250,373
Profit and total comprehensive income for the year	—	—	—	11,272	—	—	410,926	422,198
Transfer	—	—	3,611	—	—	37,552	(41,163)	—
Utilization of production safety fees	—	—	(3,917)	—	—	—	—	(3,917)
Balance at 31 December 2018	450,000	618,951	9,426	(4,685)	3,277	394,494	2,197,191	3,668,654

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 of approximately RMB 15,690,000 and the consideration received by the Company of approximately RMB 12,413,000.

(ii) According to the Articles of Association of the Company and its subsidiaries established in the People's Republic of China ("PRC"), these 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 this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**469,757**	498,838
Adjustments for:		
Finance costs	**25,792**	10,718
Interest income	**(18,599)**	(9,234)
Depreciation of property, plant and equipment	**217,325**	204,998
Amortisation of prepayments and intangible assets	**27,530**	22,102
Release of prepaid lease payments	**9,214**	7,820
Depreciation of investment properties	**1,431**	372
Impairment loss, net of reversal	**7,364**	(11,724)
Gains (losses) on disposal of property, plant and equipment	**(5,040)**	146
Fair value changes of derivative financial instruments	**2,932**	7,380
Deferred revenue released to profit or loss	**(14,587)**	(14,396)
Write-down of inventories	**2,589**	2,768
Operating cash flows before movements in working capital	**725,708**	719,788
Increase in inventories	**(112,119)**	(12,683)
Increase in trade and other receivables	**(495,084)**	(459,665)
Increase in trade and other payables	**340,227**	97,938
Increase in contract liabilities	**8,048**	–
Cash generated from operations	**466,780**	345,378
Income taxes paid	**(69,084)**	(45,571)
NET CASH FROM OPERATING ACTIVITIES	**397,697**	299,807
INVESTING ACTIVITIES		
Interest received	**18,599**	9,234
Proceeds on disposal of property, plant and equipment	**7,155**	2,135
Purchases of property, plant and equipment	**(1,190,508)**	(418,496)
Payments of deposits paid for acquisition of land use rights	**(37,207)**	(10,555)
Purchase of prepaid lease payments	**(21,849)**	(53,502)
Purchase of prepayments and intangible assets	**(440)**	(60,819)
Pledged bank deposits placed	**(459,731)**	(277,466)
Release of pledged bank deposits	**440,607**	198,239
Purchase of financial asset designated as at fair value through profit or loss ("FVTPL")	**–**	(30,000)
Proceeds from disposal of financial asset designated as at FVTPL	**–**	50,000
Proceeds from derivative financial instruments	**6,137**	3,411
Payments of derivative financial instruments	**(22,328)**	(3,588)
Assets-related government grants received	**9,615**	1,500
Payment of loan receivable	**–**	(4,200)
Collection of loan receivable	**4,200**	–
NET CASH USED IN INVESTING ACTIVITIES	**(1,245,750)**	(594,107)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
Proceeds from borrowings	**1,078,769**	1,367,207
Repayment of borrowings	**(584,820)**	(625,208)
Interest paid	**(72,682)**	(36,476)
Interest subsidy received	**5,000**	–
Payment of deferred issue costs for A-share IPO	**(7,125)**	(1,275)
Payment of financial liabilities designated as at FVTPL	**–**	(26,279)
Dividends paid	**(6,480)**	(124,245)
NET CASH FROM FINANCING ACTIVITIES	**412,662**	553,724
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(435,392)**	259,424
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**949,647**	720,612
Effect of foreign exchange rate changes	**14,495**	(30,389)
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Represented by bank balances and cash	**528,750**	949,647

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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 and changed its name to 浙江福萊特玻璃鏡業股份有限公司. On 23 March 2011, the Company was renamed as 福萊特光伏玻璃集團股份有限公司 and subsequently renamed as 福萊特玻璃集團股份有限公司 on 10 October 2014. The Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 November 2015 (The "Hong Kong Listing"). Its ultimate controlling parties are Mr. Ruan Hong Liang and Ms. Jiang Jing Hua, who are also the directors of the Company.

On 25 August 2016, the Company announced that it will apply to China Security Regulatory Commission ("CSRC") and other relevant regulatory authorities for an initial public offering and listing of the Company's A shares ("A-share IPO") in Shanghai Stock Exchange in order to satisfy the long term capital needs for the sustainable business development, promote the smooth implementation of the development strategies and enhance the capital resources of the Company. The Company's A-share IPO was approved by CSRC on 18 September 2018. The Company has allotted 150,000,000 ordinary A shares of RMB 0.25 each that are listed on Shanghai Stock Exchange on 15 February 2019.

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. It 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 consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)")

2.1 New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following new and amendments to IFRSs and International Accounting Standard ("IAS(s)").

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

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1.1 IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretation.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations. The application of IFRS 15 does not have a material impact on the timing and amounts of revenue recognition of the Group.

The Group recognises revenue from sales of glass products. Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line item that were not affected by the charges have not been included.

At the date of initial application, advances from customers of RMB 5,994,000 previously included in trade and other payables were reclassified to contract liabilities upon application of IFRS 15.

Impact on the consolidated statement of financial position

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS15 RMB'000
Current Liabilities			
Trade and other payables	1,514,979	14,042	1,529,021
Contract liabilities	14,042	(14,042)	–

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

2.1 New and amendments to IFRSs that are mandatorily effective during the year (Continued)

2.1.2 IFRS 9 Financial Instruments ("IFRS 9")

In the current year, 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.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

2.1 New and amendments to IFRSs that are mandatorily effective during the year (Continued)

2.1.2 IFRS 9 Financial Instruments ("IFRS 9") (Continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	**Loans and receivables (including cash and cash equivalents) (note a)** RMB'000
Closing balance at 31 December 2017-IAS 39		2,530,606
Effect arising from initial application of IFRS 9:		
Remeasurement		
Impairment under ECL model	(b)	–
Opening balance at 1 January 2018		2,530,606

Summary of effects arising from initial application of IFRS 9

(a) Loans and receivables

From loans and receivables to financial assets at amortised cost

All loans and receivables were reclassified as financial assets at amortised cost since the Group's business model is to hold these financial assets for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and commercial bill receivables. Except for those which had been determined as credit impaired under IAS 39, trade receivables with credit impaired have been assessed individually, the remaining balances have been grouped based on the same credit risk characteristics.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

2.1 New and amendments to IFRSs that are mandatorily effective during the year (Continued)

2.1.2 IFRS 9 Financial Instruments ("IFRS 9") (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

(b) Impairment under ECL model (Continued)

ECL for other financial assets at amortised cost, including other receivables, fixed deposits, pledged bank deposits and bank balances and cash, are assessed on 12-month ECL basis as there had been no significant increase in credit risks since initial recognition.

As at 1 January 2018, there is no additional credit loss allowance.

2.1.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretations

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	**1 January 2018 (Restated) RMB'000**
Current liabilities			
Trade and other payables	1,478,015	(5,994)	**1,472,021**
Contract liabilities	–	5,994	**5,994**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

2.2 New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(S)") (Continued)

2.2 New and amendments to IFRSs issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payment will continue to be presented as investing or operating cash flows in accordance to nature, as appropriate.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB 4,470,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits received of RMB 580,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Hong Kong Listing rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-Based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairments of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

These consolidated financial statements incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

The investments in subsidiaries are stated at cost less accumulated impairment loss, if any.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

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 or 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 or 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.

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments granted by the shareholders at the grant date.

The fair value in respect of the equity-settled share-based payments granted by the shareholders of the Company to the Group's employees in relation to past services is determined at the grant date, and is pushed down and expensed immediately to Group's profit or loss with a corresponding increase in equity.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of assets (other than construction in progress) after taking into account their estimated residual values, using the straight-line method, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses (see accounting policy on impairment loss on intangible assets below). Amortisation is recognised on a straight-line basis over their estimated useful lives or the units of production method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets-research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairments on tangible and intangible assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the relevant lease term.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until, such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ calculated under IFRSs because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, fixed deposits, pledged bank deposits and bank balances and cash). 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 and commercial bill receivables. The ECL on these assets are assessed individually for credit-impaired debtors 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(i) 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 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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal credit rating of low risk.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (Continued)

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on internal credit ratings basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held-for-trading or (ii) it is designated as at FVTPL.

(i) Financial assets at FVTPL

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item. Fair value is determined in the manner described in note 35.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

(ii) AFS financial asset

AFS financial asset is non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, fixed deposits, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, expect for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, its cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held-for-trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held-for-trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective as a hedging instrument).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The Group estimates the useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated. The carrying amounts of property, plant and equipment of the Group as at 31 December 2018 were approximately RMB 3,128,888,000 (31 December 2017: RMB 2,170,511,000), details of which are set out in note 15.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

Mineral reserves

Technical estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserves estimates are updated on a regular basis and take into account recent economic production and technical information about each mine. In addition, as production levels and technical standards change from year to year, the estimate of proved and probable mineral reserves also changes. Despite the inherent imprecision in these technical estimates, these estimates are used in assessing impairment losses. The carrying amounts of mining rights of the Group as at 31 December 2018 were approximately RMB 141,301,000 (31 December 2017: RMB 165,542,000), details of which are set out in note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of mining right

At the impairment test of the Group's mining right, the Group uses the long-term forecast data of Quartz price from domestic authoritative research institutions as the sales price estimates of future Quartz products, and uses the latest estimates of the management's mining plan and future capital expenditures as a basis. The current risk-free rate of return, the average social rate of return, and enterprise-specific risks are taken into full consideration for the discount rate. The estimated future recoverable amount of the mining asset is largely determined by the above estimates of future commodity prices, mining plans, future capital expenditure plans and discount rates. Future commodity price forecasts do not represent actual sales prices that can be realized in the future, and mining plans, future capital expenditure plans and discount rates will also change. As at 31 December 2018, the management of the Group considered that there was no impairment of the mining asset held by the Group. If the above forecast and estimates change in the subsequent period, the estimated recoverable amount of the Group's mining asset may change or be lower than the carrying amount of the above asset.

Recognition of net deferred tax asset

The Group recognised deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit would be available against which the deductible temporary difference can be utilised. As at 31 December 2018 the Group has recognised net deferred tax assets of approximately RMB 19,006,000 (31 December 2017: RMB 29,813,000), details of which are set out in note 19. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for certain trade receivables and commercial bills receivables and individually assesses debtors with credit – impaired. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 35 and note 22.

Fair value measurements and valuation processes

In estimating the fair value of the Group's financial assets and financial liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group will assess the valuation of financial instruments based on discounted cash flow or quoted bid prices of the trading day in the over-the-counter markets at the end of each reporting period. At the end of the reporting period, the management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Note 35 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's financial assets and financial liabilities.

5. REVENUE AND SEGMENTAL INFORMATION

Performance obligations for contracts with customers

Sales of goods (revenue recognised at a point in time)

The Group is engaged in the manufacturing and sale of glass products. Revenue is recognised when control of the goods has transferred, being when the goods have been accepted by customers (acceptance) after goods shipped to the specific location or picked up by customers. Following acceptance, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. For distributors, they are normally required to make full prepayment before goods delivery. The normal credit term for customers other than distributors is normally ranging from 30-120 days upon acceptance.

Disaggregation of revenue from contracts with customers is as follows:

	For the year ended 31 December 2018					
Type of customers	**Photovoltaic glass**	**Household glass**	**Architectural glass**	**Float glass**	**Mining products**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
To distributors	1,973,832	313,837	356,076	103,856	58,101	2,805,702
To customers other than distributors	122,392	19,273	39,466	52,969	—	234,100
	2,096,224	333,110	395,542	156,825	58,101	3,039,802

Geographical market	**Photovoltaic glass**	**Household glass**	**Architectural glass**	**Float glass**	**Mining products**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC	1,436,993	54,656	390,588	156,825	58,101	2,097,163
Japan	70,725	—	—	—	—	70,725
Other countries in Asia (excluding PRC and Japan)	522,412	12,567	24	—	—	535,003
Europe	3,490	224,382	—	—	—	227,872
North America	62,467	16,913	3,533	—	—	82,913
Others	137	24,592	1,397	—	—	26,126
	2,096,224	333,110	395,542	156,825	58,101	3,039,802

All sales are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 five product types, namely photovoltaic glass, household glass, architectural glass, float glass and mining products, each of which is considered as a separate operating segment by the CODM. No operating segments have been aggregated in aiming at the reportable segments of the Group.

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

	2018 RMB'000	2017 RMB'000
Segment revenue		
Sales of photovoltaic glass	**2,096,224**	2,027,045
Sales of household glass	**333,110**	321,659
Sales of architectural glass	**395,542**	297,048
Sales of float glass	**156,825**	295,278
Sales of mining products	**58,101**	33,481
Total Revenue	**3,039,802**	2,974,511
Segment results		
Sales of photovoltaic glass	**560,301**	603,518
Sales of household glass	**88,012**	80,115
Sales of architectural glass	**94,889**	69,203
Sales of float glass	**22,618**	67,493
Sales of mining products	**25,606**	5,790
Total segment results	**791,426**	826,119
Other income and expenses, gains and losses	**74,550**	11,893
Impairment losses, net of reversal	**(7,364)**	11,724
Selling and marketing expenses	**(128,327)**	(137,513)
Administration expenses	**(121,490)**	(106,535)
Research and development expenditure	**(113,246)**	(96,132)
Finance cost	**(25,792)**	(10,718)
Profit before tax	**469,757**	498,838
Income tax expense	**(58,831)**	(69,327)
Profit for the year	**410,926**	429,511

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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.

No analysis of segment asset and segment liability is presented as the CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

5. REVENUE AND SEGMENTAL INFORMATION (Continued)

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:

	31/12/2018	31/12/2017
	RMB'000	RMB'000
PRC	**3,518,277**	2,758,660
Vietnam	**359,409**	212,957
	3,877,686	2,971,617

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

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:

	2018	2017
	RMB'000	RMB'000
Place of domicile of group entities:		
PRC	**2,097,163**	1,812,674
Other foreign countries:		
Japan	**70,725**	256,207
Other countries in Asia (excluding PRC and Japan)	**535,003**	526,373
Europe	**227,872**	169,545
North America	**82,913**	174,111
Others	**26,126**	35,601
	3,039,802	2,974,511

Information about major customers

Revenue from major customers which account for 10% or more of the Group's revenue is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A *(note)*	**641,658**	539,393

Note: Revenue from photovoltaic glass.

Notes to Condensed Consolidated Financial Statement

6. OTHER INCOME AND EXPENSES, GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Other income and expenses:		
Government grants		
– assets related government grants	**14,587**	14,396
– others *(note)*	**13,945**	16,430
	28,532	30,826
Donations	**(73)**	(477)
Interest income from bank deposits	**18,599**	9,234
Rental income from investment properties	**6,711**	2,237
Depreciation of investment properties	**(1,431)**	(372)
	52,338	41,448
Other gains and losses:		
Gains (Losses) on disposal of property, plant and equipment	**5,040**	(146)
Net foreign exchange gains (losses)	**9,285**	(23,384)
Gains on disposal of scrap materials	**6,720**	427
Gains from changes in fair value of financial asset/liabilities designated as at FVTPL	**—**	506
Losses from changes in fair value of derivative financial instruments	**(2,932)**	(7,886)
Others	**4,099**	928
	22,212	(29,555)

Note: The amounts represent incentives received from various PRC government authorities, which had no conditions imposed by the respective PRC government authorities.

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 RMB'000	2017 RMB'000
Impairment losses on trade receivables	**(7,364)**	11,724

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on:		
– Bank loans	**76,747**	20,435
– Other loans	**1,823**	—
– Long-term payables for the acquisition of mining rights *(note)*	**—**	(7,546)
Total interest expenses	**78,570**	12,889
Less: amounts capitalised in the cost of qualifying assets	**(52,778)**	(2,171)
Total finance costs	**25,792**	10,718

The weighted average capitalisation rate on funds borrowed generally is 5.37% per annum (2017: 4.90%).

Note: During 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 cumulative interest expense by RMB7,875,000. The principal with the revised interest were settled on 1 April 2017.

9. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current PRC tax:		
– PRC enterprise income tax	**48,855**	64,597
– (Over) under provision in prior years	**(831)**	3,398
	48,024	67,995
Deferred tax charge:		
– Current year *(note 19)*	**10,807**	1,332
	58,831	69,327

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

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 year.

9. INCOME TAX EXPENSE-CONTINUED (Continued)

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

The Company and Zhejiang Jiafu Glass Co., Ltd. ("Zhejiang Jiafu")

Both the Company and Zhejiang Jiafu were recognised as high-technology enterprise and enjoy the relief tax rate of 15% from 2016 to 2018.

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 2018 was 12.5% and 12.5% respectively.

The income tax expense can be reconciled to the profit before tax on the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	RMB'000
Profit before tax	**469,757**	498,838
Tax at the PRC enterprise income tax rate of 25%	**117,439**	124,710
Tax effect of expenses not deductible for tax purpose	**930**	2,067
(Over) under provision in prior years	**(831)**	3,398
Tax effect of tax losses and deductible temporary differences not recognised	**1,206**	5,434
Utilisation of tax losses and deductible temporary differences previously not recognised	**(14,436)**	(11,758)
Tax effect of concessionary tax rate of subsidiaries	**(24,391)**	(45,027)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs *(note)*	**(21,086)**	(9,497)
Income tax expense	**58,831**	69,327

Note: According to relevant tax law, certain qualified research and development costs are eligible for an additional 75% deduction for PRC enterprise income tax since the year of 2018.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2018 RMB'000	2017 RMB'000
Depreciation of property, plant and equipment	**217,325**	204,998
Depreciation of investment properties	**1,431**	372
Amortisation of prepayments and intangible assets	**27,530**	22,102
Release of prepaid lease payments	**9,214**	7,820
Total depreciation and amortisation	**255,500**	235,292
Capitalised in inventories (included in cost of sales)	**(203,222)**	(193,556)
	52,278	41,736
Provision (reversal) of allowance for credit losses	**7,364**	(11,724)
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	**219,909**	180,712
– Retirement benefit scheme contributions	**18,360**	14,570
	238,269	195,282
Cost of inventory recognised as an expense	**2,248,376**	2,148,392
Auditor's remuneration	**1,550**	3,295
Operating lease expenses in respect of rented premises	**4,283**	2,811
Write-down of inventories	**2,589**	2,768

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Hong Kong Listing Rules and Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December 2018				
	Directors' fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000 *(note 3)*	Total RMB'000
Executive directors:					
Mr. Ruan Hongliang *(note 1)*	—	713	25	122	860
Ms. Jiang Jinhua	—	586	—	112	698
Mr. Wei Yezhong	—	545	25	52	622
Mr. Shen Qifu	—	519	25	52	596
Independent non-executive directors:					
Dr. Cui Xiaozhong	80	—	—	—	80
Mr. Li Shilong *(note 2)*	80	—	—	—	80
Mr. Ng Ki Hung	80	—	—	—	80
Ms. Hua Fulan *(note 2)*	—	—	—	—	—
Total	240	2,363	75	338	3,016

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	For the year ended 31 December 2017				
	Directors' fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000 *(note 3)*	Total RMB'000
Executive directors:					
Mr. Ruan Hongliang *(note 1)*	—	730	23	122	875
Ms. Jiang Jinhua	—	584	—	108	692
Mr. Wei Yezhong	—	541	23	42	606
Mr. Shen Qifu	—	493	23	52	568
Independent non-executive directors:					
Dr. Cui Xiaozhong	80	—	—	—	80
Mr. Li Shilong	80	—	—	—	80
Mr. Ng Ki Hung	80	—	—	—	80
Total	240	2,348	69	324	2,981

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

NOTES:

1. Mr. Ruan Hongliang is also the chief executive of the Company.
2. On 19 November 2018, Mr. Li Shilong resigned as the independent non-executive director of the Company. Ms. Hua Fulan was appointed as the independent non-executive director of the Company on the same date.
3. Discretionary bonus is determined with reference to the Group's operating results, individual performance and comparable market statistics.

No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There is no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Of the five individuals with the highest emoluments in the Group, 2 were the directors of the Company for the year ended 31 December 2018 (2017: 2). The emoluments of the remaining 3 (2017: 3) individuals during the years were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**1,881**	1,899
Retirement benefits scheme contribution	**100**	91
Discretionary bonus	**335**	308
	2,316	2,298

12. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals (including directors) were within the following bands:

	2018	2017
Hong Kong dollars ("HKD") Nil to HKD1,000,000	**5**	4
HKD 1,000,001 to HKD 1,500,000	**—**	1
	5	5

During the year, no remuneration was paid by the Group to the five individuals in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EARNINGS PER SHARE

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

	2018	2017
Profit for the year attributable to the owners of the Company (RMB'000)	**410,926**	429,511
Weighted average number of ordinary shares for the purpose of the basic earnings per share ('000)	**1,800,000**	1,800,000
Basic earnings per share (RMB cents)	**22.83**	23.86

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2018 and 31 December 2017, the amount of diluted earnings per share is the same as basic earnings per share for the years ended 31 December 2018 and 31 December 2017.

14. DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Dividends recognised as distribution during the year	**—**	113,400

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB4.5 cents per share, in an aggregate amount of RMB87,750,000 has been proposed by the directors of the Company on 21 March 2019 and its subject to approval by the shareholders in the forthcoming annual general meeting. The amount of 2018 proposed final dividend is based on 1,950,000,000 shares in issue after the Company has listed its domestic shares and allotted 150,000,000 ordinary domestic shares of RMB 0.25 each on Shanghai Stock Exchange on 15 February 2019.

During the year ended 31 December 2017, a 2016 final dividend of RMB3.9 cents per ordinary share with aggregate amount of RMB70,200,000 was approved at the annual general meeting dated 13 June 2017. And an interim dividend for the six months ended 30 June 2017 of RMB2.4 cents per ordinary share with aggregate amount of RMB43,200,000 was approved at the extraordinary general meeting dated 20 November 2017.

Notes to Condensed Consolidated Financial Statement

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and	Motor	Other	Construction		
	Buildings	machinery	vehicles	equipment	in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2017	728,476	1,889,208	37,694	36,440	92,723	2,784,541
Additions	3,288	53,198	1,022	2,434	702,402	762,344
Transfer	27,143	66,602	—	135	(93,880)	—
Transfer to investment properties *(note)*	(27,487)	—	—	—	—	(27,487)
Disposals	(2,115)	(3,900)	—	(119)	—	(6,134)
At 31 December 2017	729,305	2,005,108	38,716	38,890	701,245	3,513,264
Additions	4,000	173,024	2,848	3,097	994,848	1,177,817
Transfer	213,219	626,970	2,865	1,103	(844,157)	—
Transfer to construction in progress	—	(406,114)	—	—	406,114	—
Disposals	—	(3,984)	(285)	(135)	—	(4,404)
At 31 December 2018	946,524	2,395,004	44,144	42,955	1,258,050	4,686,677
DEPRECIATION						
At 1 January 2017	198,830	830,188	29,078	30,911	—	1,089,007
Provided for the year	36,508	163,167	3,036	2,287	—	204,998
Transfer to Investment Properties *(note)*	(9,022)	—	—	—	—	(9,022)
Eliminated on disposals	(1,397)	(1,168)	—	(143)	—	(2,708)
At 31 December 2017	224,919	992,187	32,114	33,055	—	1,282,275
Provided for the year	40,634	171,504	2,787	2,400	—	217,325
Transfer to construction in progress	—	(250,236)	—	—	250,236	—
Eliminated on disposals	—	(1,864)	(251)	(128)	—	(2,243)
At 31 December 2018	265,553	911,591	34,650	35,327	250,236	1,497,357
IMPAIRMENT						
At 1 January 2017	—	61,623	—	—	—	61,623
Eliminated on disposals	—	(1,145)	—	—	—	(1,145)
At 31 December 2017	—	60,478	—	—	—	60,478
Transfer to construction in progress	—	(45,244)	—	—	45,244	—
Eliminated on disposals	—	(46)	—	—	—	(46)
At 31 December 2018	—	15,188	—	—	45,244	60,432
CARRYING VALUES						
At 31 December 2017	504,386	952,443	6,602	5,835	701,245	2,170,511
At 31 December 2018	680,971	1,468,225	9,494	7,628	962,570	3,128,888

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note: During the year ended 31 December 2017, Shanghai Flat Glass Co., Ltd., a subsidiary of the Group, entered into a lease agreement with an independent tenant to rent out its office buildings and land use rights with annual rental of RMB 7,047,000 and 5% increase of the rental every two years during the lease term. The carrying amount of the relevant building of RMB 18,465,000 was transferred into investment properties accordingly.

The Group pledged buildings, plant and machineries with aggregate net book values of approximately RMB 704,633,000 as at 31 December 2018 (31 December 2017: RMB 861,177,000) to secure bank borrowings granted to the Group.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value at the following rates per annum:

Buildings	4.75%
Plant and machinery	9.5%-23.75%
Motor vehicles	19%-23.75%
Other equipment	19%-31.67%

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2017	—
Transferred from property, plant and equipment	27,487
Transferred from prepaid lease payment	7,526
At 31 December 2017 and 31 December 2018	35,013
DEPRECIATION	
At 1 January 2017	—
Transferred from property, plant and equipment	9,022
Transferred from prepaid lease payment	1,091
Provided for the year	372
At 31 December 2017	10,485
Provided for the year	1,431
At 31 December 2018	11,916
CARRYING VALUES	
At 31 December 2017	24,528
At 31 December 2018	23,097

16. INVESTMENT PROPERTIES (Continued)

All investment properties of the Group in the consolidated statement of financial position were stated at cost less accumulated depreciation and impairment losses, if any. The fair value of the Group's investment properties at 31 December 2018 was RMB 64,240,000 (31 December 2017: RMB 63,280,000) and has been arrived at based on a valuation carried out by an independent qualified professional valuer.

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties and adjusted to take into account the market expectation form property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level 3	**Fair value as at 31/12/2018**
	RMB'000	**RMB'000**
Buildings	**23,097**	**64,240**

	Level 3	Fair value as at 31/12/2017
	RMB'000	RMB'000
Buildings	24,528	63,280

The above investment properties are depreciated on a straight-line basis at the following rate per annum:

Investment properties	Over the shorter of the term of the lease and 20 years

17. PREPAID LEASE PAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed for reporting purpose as:		
Current assets	**9,615**	8,709
Non-current assets	**376,123**	348,570
	385,738	357,279

As at 31 December 2018, the Group pledged certain leasehold land with aggregate net book values of approximately RMB 136,561,000 to secure bank borrowings granted to the Group (31 December 2017: RMB 129,947,000).

In July 2018, Flat Vietnam has purchased the land use right with the consideration of VND 85,640,993,000 (equivalent to approximately RMB 25,434,000) to establish photovoltaic raw glass production and processing facilities in Vietnam. The lease term is around 40 years.

Notes to Condensed Consolidated Financial Statement

18. PREPAYMENTS AND INTANGIBLE ASSETS

	Prepayments of emission rights RMB'000 *(note 1)*	Mining rights RMB'000 *(note 2)*	Total RMB'000
COST			
At 1 January 2017	25,133	232,963	258,096
Additions	4,169	—	4,169
At 31 December 2017	29,302	232,963	262,265
Additions	440	—	440
At 31 December 2018	29,742	232,963	262,705
AMORTISATION			
At 1 January 2017	13,932	48,111	62,043
Provided for the year	2,792	19,310	22,102
At 31 December 2017	16,724	67,421	84,145
Provided for the year	3,289	24,241	27,530
At 31 December 2018	20,013	91,662	111,675
CARRYING VALUES			
At 31 December 2017	12,578	165,542	178,120
At 31 December 2018	9,729	141,301	151,030

Notes:

(1) The amount represents the payment to Jiaxing Emission Rights Reserve Trading Centre (嘉興市排污權儲備交易中心), which is a government authority for the rights of emission of waste gas and water. The consideration is based on emission volume the Group acquired. Such emission rights are amortised over their useful lives using straight-line method.

(2) The amount represents the right for the mining of a quartzite ore mine which is located in Anhui province, PRC. The mining rights are amortised over its estimated useful life using the units of production method. The mine is operated by安徽福萊特光伏材料有限公司Anhui Flat Solar Material Co., Ltd. ("Anhui Flat Material"). The local government granted the mining permit to Anhui Flat Material for a term of 10 years from 2012 to 2022.

19. DEFERRED TAX

The following are the major deferred tax assets recognised and movements thereon during the current year:

	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	Fair value on financial asset/liabilities designated as at FVTPL RMB'000	Accelerated tax depreciation RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2017	19,371	15,720	(4,454)	—	129	19	(5,620)	5,980	31,145
Credit (charge) to profit or loss	(1,982)	(1,760)	236	10,468	1,045	(19)	(3,340)	(5,980)	(1,332)
At 31 December 2017	17,389	13,960	(4,218)	10,468	1,174	—	(8,960)	—	29,813
Credit (charge) to profit or loss	1,198	(4,962)	1,859	7,013	(2,109)	—	(17,303)	3,497	(10,807)
At 31 December 2018	18,587	8,998	(2,359)	17,481	(935)	—	(26,263)	3,497	19,006

The Group has certain unutilised tax losses of RMB 15,327,000 available for offset against future profits as at 31 December 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.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
2018	**—**	2,159
2019	**351**	10,067
2020	**2,071**	2,071
2021	**5,383**	19,691
2022	**2,254**	13,656
2023	**5,268**	—

The Group also has certain deductible temporary differences of RMB 1,960,000 available for offset against future profits as at 31 December 2018 (31 December 2017: RMB 22,549,000). 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.

20. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS

During the year ended 31 December 2018, a deposit of RMB 37,207,000 was paid by the Group to local government for the acquisition of a land use right in Zhejiang Province.

21. INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials and consumables	**216,604**	178,204
Work in progress	**45,368**	29,984
Finished goods	**115,151**	59,405
	377,123	267,593

22. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**864,342**	543,913
Less: Allowance for credit losses	**(43,147)**	(36,810)
	821,195	507,103
Commercial bills receivables	**3,546**	105,336
Bank acceptance bills receivables	**907,749**	827,927
Bills receivables	**911,295**	933,263
Trade and bills receivables, net	**1,732,490**	1,440,366
Advances to suppliers	**65,475**	70,857
Other taxes recoverable	**168,580**	70,177
Loan receivable *(Note)*	**—**	4,200
Deferred issue costs for A-share IPO expenses	**10,842**	1,275
Prepayments for rental	**2,244**	896
Other receivables	**4,297**	4,248
Less: Allowance for credit losses	**(3,000)**	(3,000)
Total trade and other receivables	**1,980,928**	1,589,019

Note: During the year ended 31 December 2017, the Group entered into a loan receivable of maturity date 9 April 2018 with Fengyang Fengning Investment Co., Ltd. The principal amount is RMB 4,200,000 with effective interest rate (which is also equal to contracted interest rate) of 4.35% per annum. As at 31 December 2018, Fengyang Fengning Investment Co., Ltd has repaid the loan receivable of RMB 4,200,000.

22. TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's trade and other receivables that were denominated in foreign currencies were re-translated in RMB and stated for reporting purposes as:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
USD	**187,223**	124,022
EUR	**5,721**	6,907
JPY	**955**	36,211
	193,899	167,140

The Group allows a normal credit period ranged from 30-120 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods to customers which approximated the respective dates on which revenue was recognised:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 3 months	**689,836**	459,874
Over 3 months but within 1 year	**127,847**	42,733
Over 1 year but within 2 years	**3,101**	4,204
Over 2 years but within 3 years	**411**	292
	821,195	507,103

As at 31 December 2018, total bills received amounting to RMB 911,295,000 (31 December 2017: RMB 933,263,000) are held by the Group for future settlement of trade receivables, of which certain bills were further discounted/endorsed by the Group. The Group continues to recognise their full carrying amounts at the end of the reporting period and. All bills received by the Group are with a maturity period of less than one year.

As at 31 December. there were no debtors which were past due 90 days or more and is not considered as default.

22. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December, included in the Group's trade receivables balance are debtors with aggregated carrying amounts of approximately RMB47,229,000 which are past due, cut of which RMB 33,401,000 has been post due 90 days or more.

Movement in the allowance for doubtful debts on trade receivables

	31/12/2017 RMB'000
Opening balance	57,117
Impairment losses recognised	3,401
Impairment losses reversed	(15,125)
Write-offs	(8,583)
Closing balance	36,810

Movement of allowance for doubtful debts on other receivables

	31/12/2017 RMB'000
Opening balance	3,000
Impairment losses recognised on receivables	—
Closing balance	3,000

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 35.

23. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2018 and 2017 that were transferred to banks or suppliers by discounting/endorsing these receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a collateralised borrowing (see note 27). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivables endorsed to suppliers with full recourse

	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount of transferred assets	**619,077**	531,337
Carrying amount of associated liabilities	**(619,077)**	(531,337)
Net position	**—**	—

Bills receivables discounted to banks with full recourse

	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount of transferred assets	**57,600**	—
Carrying amount of associated liabilities	**(57,600)**	—
Net position	**—**	—

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		**Liabilities**	
	31/12/2018 RMB'000	31/12/2017 RMB'000	**31/12/2018 RMB'000**	31/12/2017 RMB'000
Derivatives not under hedge accounting				
Interest rate swap contracts *(note 1)*	**3,219**	—	**—**	—
Foreign currency forward contracts *(note 2)*	**2,953**	—	**738**	—
Foreign currency swap contracts *(note 3)*	**—**	—	**—**	7,825
	6,172	—	**738**	7,825

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

NOTES:

1. 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.

2. Foreign currency forward contracts

   The foreign currency forward contracts in relation to foreign currency dominated monetary assets and monetary liabilities amounting to RMB 229,917,000 and RMB 54,906,000 (equivalent to USD33,500,000 and USD8,000,000 respectively), 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.

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.

25. FIXED DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2018, the fixed deposit carries fixed interest rate at 4.1% per annum (31 December 2017: 2.4% to 5.1%) with an original maturity of three months.

At the end of each reporting period, bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interest at market rates at 0.35% per annum as at 31 December 2018 (31 December 2017: 0.35%).

Pledged bank deposits represent the deposits pledged to banks for securing acceptance issued letter of credit, derivative financial instruments deposits and environment protection deposits. The pledged bank deposits carry interest at market rates which range from 1.3% to 1.5 % per annum as at 31 December 2018 (31 December 2017: 1.3% to 1.5%).

25. FIXED DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (Continued)

Included in fixed deposits/pledged bank deposit/bank balances and cash are the following amounts denominated in foreign currencies other than the functional currency of the relevant group entities are set as below:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
USD	**298,103**	702,556
EUR	**9,080**	30,155
JPY	**6,300**	32,160
HKD	**23**	418
GBP	**35**	36
	313,541	765,325

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	**865,917**	631,985
Bills payables	**219,832**	327,694
Interest payable	**1,563**	2,871
Salary and bonus payables	**26,226**	23,480
Advanced receipts from customers	**—**	5,994
Other taxes payable	**13,698**	32,439
Payables for acquisition of properties, plants and equipment	**350,623**	416,319
Accruals and other payables	**34,678**	30,753
Accrued issue costs of A-share IPO	**2,442**	—
Withholding tax payable on payment of dividends	**—**	6,480
Total	**1,514,979**	1,478,015

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers. The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

26. TRADE AND OTHER PAYABLES (Continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 3 months	**857,190**	622,826
Over 3 months but within 180 days	**2,948**	2,671
Over 180 days but within 1 year	**985**	3,084
Over 1 year but within 2 years	**2,109**	1,428
Over 2 years	**2,685**	1,976
	865,917	631,985

The Group's trade and other payables that were denominated in USD, EUR, GBP and JPY. The foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
USD	**1,129**	1,163
EUR	**965**	616
GBP	**607**	—
JPY	**—**	526
HKD	**—**	522
	2,701	2,827

27. BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Bank loans	**1,570,976**	1,071,687
Other loans *(note 1)*	**57,600**	—
	1,628,576	1,071,687
Secured *(note 2)*	**1,583,576**	1,049,687
Unsecured	**45,000**	22,000
	1,628,576	1,071,687
Fixed-rate borrowings	**57,600**	68,520
Variable-rate borrowings	**1,570,976**	1,003,167
	1,628,576	1,071,687

27. BORROWINGS (Continued)

Note:

1. Other loans represent the discounting of bills receivables amounting to RMB 57,600,000 (31 December 2017: Nil) and details are disclosed in Note 22, which were repayable within one year.

2. As at 31 December 2018, the above bank and other loans are secured by (i) the Group's land use rights with aggregate carrying values of approximately RMB 136,561,000 (31 December 2017: RMB 129,947,000), and (ii) the Group's buildings, plant and machinery with aggregate carrying values of RMB 704,633,000 (31 December 2017: RMB 861,177,000), and (iii) the Group's bills receivables amounting to RMB57,600,000 (31 December 2017: nil).

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amount repayable:		
Within one year	**639,137**	384,182
Within a period of more than one year, but not exceeding two years	**831,499**	48,280
Within a period of more than two years, but not exceeding five years	**157,940**	639,225
	1,628,576	1,071,687
Amounts shown under current liabilities	**639,137**	384,182
Amounts shown under non-current liabilities	**989,439**	687,505

The ranges of effective interest rates per annum on the Group's borrowings are as follows:

	31/12/2018	31/12/2017
Effective interest rates:		
Fixed-rate borrowings	**3.32%-3.65%**	3.73%-4.23%
Variable-rate borrowings	**3.08%-5.71%**	1.50%-5.13%

The Group's borrowings that were denominated in USD. The foreign currency of the relevant group entity, were re-translated in RMB and stated for reporting proposes as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
USD	**956,434**	572,690

Notes to Condensed Consolidated Financial Statement

28. CONTRACT LIABILITIES

	31/12/2018	1/1/2018*
	RMB'000	RMB'000
Sales of goods	**14,042**	5,994

* The amounts in this column are after the adjustments from the application of IFRS 15.

The contract liabilities as at 1 January 2018, amount of RMB 5,994,000 were recognised as revenue during the year ended 31 December 2018.

29. DEFERRED REVENUE

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Arising from asset-related government grants		
Within one year	**13,168**	14,421
Over one year	**45,409**	49,128
	58,577	63,549

	RMB'000
At 1 January 2017	76,445
Government grants received	1,500
Released to profit or loss	(14,396)
At 31 December 2017	63,549
Government grants received	14,615
Released to profit or loss	(19,587)
At 31 December 2018	58,577
Less: Amounts shown under current liabilities	13,168
Amounts shown under non-current liabilities	45,409

30. SHARE CAPITAL

	Domestic shares		H shares		Total shares	
	Number '000	RMB '000	Number '000	RMB '000	Number '000	RMB '000
Shares of RMB 0.25 each at 1 January 2017, 31 December 2017 and 31 December 2018	1,350,000	337,500	450,000	112,500	1,800,000	450,000

There was no movement in the Company's share capital for the year ended 31 December 2018 and 31 December 2017.

The Company has listed its domestic shares and allowed 150,000,000 ordinary domestic shares of RMB 0.25 each on Shanghai Stock Exchange on 15 February 2019.

31. RETIREMENT BENEFIT PLANS

The Group's full-time employees in the PRC are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at an average rate of 14% of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions and the contributions are due.

As at 31 December 2018, the contributions due in respect of the year that had not been paid over were RMB 895,000 (31 December 2017: RMB 885,000).

32. CAPITAL COMMITMENTS

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment – contracted for but not provided for in the consolidated financial statements	**1,014,430**	988,674

33. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments payable under non-cancellable, fixed rate operating leases in respect of office premises which fall due as follows:

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Within one year	**4,449**	4,343
In the second to fifth year inclusive	**21**	47
	4,470	4,390

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Within one year	**7,047**	7,047
In the second to fifth year inclusive	**29,856**	29,856
After fifth years	**12,408**	19,456
	49,311	56,359

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings disclosed in note 27 as offset by cash and cash equivalent) and equity attributable to owners of the Company (comprising share capital, share premium and reserves).

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**2,416,806**	–
Derivative financial instruments	**6,172**	–
Loan and receivables (including cash and cash equivalents)	**–**	2,530,606
Available-for-sale investment	**–**	4,000
	2,422,978	2,534,606

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial liabilities		
At amortised cost		
– Trade and other payables	**1,475,055**	1,409,622
– Borrowings	**1,628,576**	1,071,687
Derivative financial instruments	**738**	7,825
	3,104,369	2,489,134

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, fixed deposits, pledged bank deposits, bank balances and cash, trade and other payables, borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rate and foreign currency exchange rates. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks from prior years.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 27 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and variable-rate borrowings. The Group closely monitors interest rate risk exposures and purchase appropriate interest rate swap contracts to mitigate risk exposures.

The sensitivity analysis below has been prepared based on the exposure to interest rates for non-derivative instruments at the end of each reporting period and the stipulated change taking place at the beginning of the financial years and held constant throughout each reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease for variable-rate borrowings and 50 basis point increase or decrease for variable-rate pledged bank deposits and bank balances is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points higher/lower for variable-rate borrowings and 50 basis points higher/lower for variable-rate pledged bank deposits and bank balances and all other variables held constant, the Group's post-tax profit would have decreased/increased by RMB 9,967,000 for the year ended 31 December 2018 (2017: RMB 4,292,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

35. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The primary economic environment in which the principal subsidiaries of the Company operates is the PRC and Vietnam and their functional currencies are RMB and Vietnamese Dong ("VND"). However, certain sales and purchases of the Group are denominated in United States Dollars ("USD"), Euro Dollars ("EUR"), Japanese Yen ("JPY"), Hong Kong Dollars ("HKD"), Great Britain Sterling Pounds ("GBP") which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities are as follow.

	Assets		**Liabilities**	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**485,326**	826,578	**957,563**	573,853
EUR	**14,801**	37,062	**965**	616
JPY	**7,255**	68,371	**–**	526
HKD	**27**	422	**–**	522
GBP	**35**	36	**607**	–
Total	**507,444**	932,469	**959,135**	575,517

The Group has set up hedging policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currencies. Foreign currency forward contracts can be used to eliminate the currency exposures. During the year, the Group has entered into such forward contracts in relation to the foreign currency denominated monetary assets and monetary liabilities amounting to RMB 229,917,000 and RMB 54,906,000 (equivalent to USD33,500,000 and USD8,000,000 respectively), details of which are set out in note 24.

35. FINANCIAL INSTRUMENTS (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% change in post-tax RMB against USD, EUR, JPY, HKD and GBP and to a 5% change in VND against USD respectively. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at each of the end of the reporting period for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currencies against RMB, there would be an equal and opposite impact on the net profit for the year.

	2018 **RMB'000**	2017 RMB'000
USD impact	**(20,665)**	7,816
EUR impact	**530**	1,382
JPY impact	**274**	2,546
HKD impact	**1**	(6)
GBP impact	**(24)**	2

In addition, the following table details the Group's sensitivity to a 5% change in VND against USD (2017: 5%).

	2018 **RMB'000**	2017 RMB'000
USD impact	**4,522**	3,971

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables and commercial bills receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed at a timely basis. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances based on individual assessment for debtors with credit-impaired and/or a provision matrix with appropriate groups. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

35. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the majority of the counterparties are state-owned banks with good reputation or banks with good credit rating assigned by international credit-rating agencies and with good reputation.

The Group has concentration of credit risk on the Group's trade and bills receivables. For trade receivables, most of the large customers are located in the PRC. Outstanding balance of the five largest customers represented approximately 64% of the trade and bills receivables of the Group at 31 December 2018 (31 December 2017: 58%). In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances..

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Normal	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – note credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Note*	**Internal credit rating**	**12-month or lifetime ECL**
Fixed deposits	25	note i	12-month ECL
Pledged bank deposits	25	note i	12-month ECL
Bank balances and cash	25	note i	12-month ECL
Other receivables	22	note ii	12-month ECL Credit impaired
Trade receivables	22	note iii	Lifetime ECL (provision matrix) Credit impaired

Notes:

i. For fixed deposits, pledged bank deposits and bank balances and cash with 12m ECL, the management considered the credit risk has not increased significantly since the initial recognition. According to the historical observed default rates of these debtors, the average loss rate is immaterial.

ii. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due RMB'000	Total RMB'000
Internal credit rating			
– Normal	—	1,297	1,297
– Loss	3,000	—	3,000
	3,000	1,297	4,297

iii. For trade receivables and commercial bills receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

iv. The bank acceptance bills receivables are all issued by reputable banks of good credit quality. The management of the Group considered the credit risk of these bank issued bills is insignificant and the average loss rate is immaterial.

35. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk and loss allowance for trade receivables and commercial bills receivables which are assessed collectively based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). As at 31 December 2018, the credit-impaired debtors with gross carrying amounts of RMB9,464,000 were assessed individually.

Internal credit rating	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Normal	3.50%	804,114	28,144
Watch list	10.20%	54,310	5,539
		858,424	33,683

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.

During the year ended 31 December 2018, the Group provided RMB 7,879,000 impairment allowance for trade receivables and commercial bills receivables, based on the provision matrix.

35. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018-As restated	**30,247**	**6,563**	**36,810**
Changes due to financial instruments recognized as at 1 January:			
– Transfer to credit-impaired	**(4,443)**	**4,443**	**—**
– Impairment losses reversed	**—**	**(516)**	**(516)**
– Write-offs	**—**	**(1,026)**	**(1,026)**
New financial assets originated during the year	**7,879**	**—**	**7,879**
As at 31 December 2018	**33,683**	**9,464**	**43,147**

Changes in the loss allowance for trade receivables are mainly due to:

	31 December 2018 Increase/(decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired** RMB'000
Trade debtors with gross carrying amount of RMB4,443,000 defaulted and transferred to credit-impaired as at 31 December 2018	**(4,443)**	**4,443**

The Group writes off trade receivables when there are information indicating that debtors are in severe financial difficulty and there are no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

35. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018-As restated	**–**	**3,000**	**3,000**
Changes due to financial instruments recognised as at 1 January:			
– Impairment losses recognised	–	–	–
As at 31 December 2018	**–**	**3,000**	**3,000**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's operations.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

35. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 year RMB'000	2 years to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
As at 31 December 2018								
Non-derivative financial liabilities								
Trade and other payables	**N/A**	**1,473,492**	**–**	**–**	**–**	**–**	**1,473,492**	**1,473,492**
Borrowings	**4.63**	**161,719**	**465,059**	**877,558**	**180,835**	**–**	**1,685,171**	**1,630,139**
Derivative financial instruments								
– net settlement	**N/A**	**738**	**–**	**–**	**–**	**–**	**738**	**738**
Total		**1,635,949**	**465,059**	**877,558**	**180,835**	**–**	**3,159,401**	**3,104,369**
As at 31 December 2017								
Non-derivative financial liabilities								
Trade and other payables	N/A	1,409,622	–	–	–	–	1,409,622	1,409,622
Borrowings	4.36	126,153	294,107	78,448	681,194	–	1,179,902	1,071,687
Derivative financial instruments								
– net settlement	N/A	4,906	2,919	–	–	–	7,825	7,825
Total		1,540,681	297,026	78,448	681,194	–	2,597,349	2,489,134

35. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

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**
	31 December 2018	31 December 2017		
1) Foreign currency forward contracts classified as derivative financial instruments	Assets – RMB 2,953,000 Liabilities – RMB 738,000	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) Foreign currency swap classified as derivative financial instruments	N/A	Liabilities – RMB 7,825,000	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.
3) Interest rate swap contracts classified as derivative financial instruments	Assets – RMB 3,219,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on interest rates (from observable interest rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

(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 recognised in the consolidated financial statements approximate their fair value.

Notes to Condensed Consolidated Financial Statement

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's (i) other assets and (ii) liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued issue costs of A-share IPO RMB'000 *(note 26)*	Borrowings RMB'000 *(note 27)*	Interest payable RMB'000 *(note 26)*	Deferred revenue RMB'000 *(note 29)*	Long-term payables for the acquisition of mining right due within one year RMB'000	Financial liabilities designated as at FVTPL RMB'000	Dividend paid through payable RMB'000	Total RMB'000
At 1 January 2018	—	1,071,687	2,871	—	—	—	6,480	1,081,038
Financing cash flows	(7,125)	493,949	(72,682)	5,000	—	—	(6,480)	412,662
Foreign exchange adjustment	—	51,966	—	—	—	—	—	51,966
Interest expenses	—	10,974	71,374	(3,778)	—	—	—	78,570
Accrued/prepaid issue costs	9,567	—	—	—	—	—	—	9,567
Property, plant and equipment	—	—	—	(1,222)	—	—	—	(1,222)
At 31 December 2018	2,442	1,628,576	1,563	—	—	—	—	1,632,581
At 1 January 2017	—	335,470	2,841	—	23,915	26,279	17,325	405,830
Financing cash flows	—	741,999	(20,435)	—	(16,041)	(26,279)	(124,245)	554,999
Foreign exchange adjustment	—	(6,080)	—	—	—	—	—	(6,080)
Dividend declared	—	—	—	—	—	—	113,400	113,400
Interest expenses	—	298	20,465	—	(7,874)	—	—	12,889
At 31 December 2017	**—**	**1,071,687**	**2,871**	**—**	**—**	**—**	**6,480**	**1,081,038**

37. RELATED PARTY TRANSACTIONS

(1) Related party transactions

During the year ended 31 December 2018, other than as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions:

Name of related company	Nature of transaction	2018 RMB'000	2017 RMB'000
Jiaxing Yihe Machine Co., Limited *(note)*	Rental expense	**3,994**	2,468
Jiaxing Yihe Machine Co., Limited *(note)*	Sales of architectural glass	**1,241**	—

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

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
Prepayments for rental		
Jiaxing Yihe Machine Co., Limited *(note)*	**2,199**	896
Trade receivables:		
Jiaxing Yihe Machine Co., Limited *(note)*	**1,440**	—

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 the daughter of Mr. Ruan Hongliang, the chairman of the Company.

(2) Compensation of key management personnel

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

	2018 RMB'000	2017 RMB'000
Salaries and allowances	**6,480**	6,468

Key management represents the directors and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the individuals and market trends.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current Assets		
Property, plant and equipment	**1,170,955**	1,095,392
Prepaid lease payments	**122,122**	125,259
Prepayment and intangible assets	**6,327**	8,266
Available-for-sale investment, at cost	**—**	4,000
Deferred tax assets	**10,882**	9,268
Investment in subsidiaries	**786,137**	547,155
Amount due from subsidiaries	**671,551**	337,645
Prepayment for acquisition of land use right	**37,207**	—
Prepayment for acquisition of property, plant and equipment	**80,502**	63,240
	2,885,683	2,190,225
Current Assets		
Prepaid lease payments	**3,137**	3,137
Inventories	**162,384**	185,895
Trade and other receivables	**1,341,167**	1,424,146
Amount due from subsidiaries	**114,890**	—
Derivative financial instruments	**4,970**	—
Fixed deposits	**30,000**	—
Pledged bank deposits	**76,655**	36,829
Bank balances and cash	**141,799**	176,663
	1,875,002	1,826,670
Current Liabilities		
Trade and other payables	**890,715**	739,009
Tax liabilities	**—**	29,298
Borrowings	**328,446**	268,520
Contract liabilities	**4,662**	—
Deferred revenue	**11,056**	10,237
Derivative financial instruments	**738**	2,107
Amount due to a subsidiary	**593,402**	300,573
	1,829,019	1,349,744
Net Current Assets	**45,983**	476,926
Total Assets Less Current Liabilities	**2,931,666**	2,667,151

38. STATEMENT OF FINANCIAL POSITION AND RESERVES (Continued)

	31/12/2018 RMB'000	31/12/2017 RMB'000
Non-current Liabilities		
Deferred revenue	**34,543**	38,906
	34,543	38,906
Net Assets	**2,897,123**	2,628,245
Capital and Reserves		
Share capital	**450,000**	450,000
Reserves	**2,447,123**	2,178,245
Total Equity	**2,897,123**	2,628,245

Movement in reserves

	Share premium RMB'000	Equity-settled employee benefits reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	618,951	3,277	218,274	1,005,771	1,846,273
Total comprehensive income for the year	—	—	—	445,372	445,372
Transfer	—	—	44,537	(44,537)	—
Dividends *(note 14)*	—	—	—	(113,400)	(113,400)
Balance at 31 December 2017	**618,951**	**3,277**	**262,811**	**1,293,206**	**2,178,245**
Total comprehensive income for the year	**—**	**—**	**—**	**268,878**	**268,878**
Transfer	**—**	**—**	**26,888**	**(26,888)**	**—**
Balance at 31 December 2018	**618,951**	**3,277**	**289,699**	**1,535,196**	**2,447,123**

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Place/country and date of establishment/ incorporation	Paid up registered capital	Equity interest attributable to the Group as at 31 December 2017 %	2018 %	Principal activities
福萊特(香港)有限公司 Flat (Hong Kong) Limited	Hong Kong 9 January 2013	HKD 77,548,590	100	**100**	Trading of glass products of glass products
上海福萊特玻璃有限公司 Shanghai Flat Glass Co., Ltd.	The PRC 6 June 2006	RMB 70,000,000	100	**100**	Manufacture and sale
浙江嘉福玻璃有限公司 Zhejiang Jiafu Glass Co., Ltd.	The PRC 15 August 2007	RMB 150,000,000	100	**100**	Manufacture and sale of glass products
浙江福萊特玻璃有限公司 Zhejiang Flat Glass Co., Ltd.	The PRC 14 February 2011	RMB 10,000,000	100	**100**	Manufacture and sale of glass products
安徽福萊特光伏材料有限公司 Anhui Flat Solar Material Co., Ltd.	The PRC 19 January 2011	RMB 30,000,000	100	**100**	Extraction of a quartzite mine located in the PRC
安徽福萊特光伏玻璃有限公司 Anhui Flat Solar Glass Co., Ltd.	The PRC 18 January 2011	RMB 450,000,000	100	**100**	Manufacture and sale of glass products
嘉興福萊特新能源科技有限公司 Jiaxing Flat New Energy Technology Co., Ltd.	The PRC 11 March 2014	RMB 10,000,000	100	**100**	Electricity generation of solar battery module
福萊特(越南)有限公司 Flat (Vietnam) Company Limited	Vietnam 28 July 2016	VND 1,752,800,000,000	100	**100**	Manufacture and sale of glass products
福萊特(香港)投資有限公司 Flat (Hong Kong) Investment Limited	Hong Kong 31 July 2017	HKD 1,000,000	100	**100**	Investment holding

Other than Flat Vietnam and Flat (Hong Kong) Investment Limited, all other companies are directly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the reporting period.