CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Directors**" and the "**Board**", respectively) of China Glass Holdings Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 – unaudited
*(Expressed in Renminbi ("**RMB**"))*

		Six months ended 30 June	
		2019	2018
			(Note)
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**970,572**	1,193,487
Cost of sales		**(894,715)**	(974,584)
Gross profit	3	**75,857**	218,903
Other income	4	**205,577**	27,948
Distribution costs		**(32,388)**	(32,163)
Administrative expenses		**(122,879)**	(89,166)
Profit from operations		**126,167**	125,522
Finance costs	5(a)	**(85,677)**	(65,152)
Share of profits less losses of joint ventures		**(407)**	–
Share of profits of an associate		**–**	13
Profit before taxation	5	**40,083**	60,383
Income tax	6	**10,060**	(10,267)
Profit for the period		**50,143**	50,116
Attributable to:			
Equity shareholders of the Company		**57,991**	46,191
Non-controlling interests		**(7,848)**	3,925
Profit for the period		**50,143**	50,116
Earnings per share (RMB cent)	7		
Basic		**3.42**	2.68
Diluted		**3.42**	2.64

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited

(Expressed in RMB)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Profit for the period	**50,143**	50,116
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(4,511)**	528
Total comprehensive income for the period	**45,632**	50,644
Attributable to:		
Equity shareholders of the Company	**53,480**	46,719
Non-controlling interests	**(7,848)**	3,925
Total comprehensive income for the period	**45,632**	50,644

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019
(Expressed in RMB)

	Notes	**(unaudited) At 30 June 2019** *RMB'000*	(audited) At 31 December 2018 (Note) *RMB'000*
Non-current assets			
Property, plant and equipment		**4,194,512**	4,295,827
Right-of-use assets	2	**312,366**	–
Lease prepayments	2	**–**	260,301
Intangible assets		**117,915**	129,268
Goodwill		**107,520**	107,936
Interest in joint ventures		**6,639**	6,397
Equity securities		**3,248**	2,923
Deferred tax assets		**281,442**	252,222
		5,023,642	5,054,874
Current assets			
Inventories		**599,889**	492,293
Contract assets		**27,985**	2,350
Trade and other receivables	8	**921,720**	803,605
Prepaid income tax		**13,632**	14,756
Cash on hand and in bank		**729,850**	606,832
		2,293,076	1,919,836
Current liabilities			
Trade and other payables	9	**1,505,577**	1,581,995
Contract liabilities		**97,590**	77,985
Bank and other loans		**2,468,682**	2,065,400
Leases liabilities	2(d)	**27,994**	22,262
Convertible bonds	10	**34,803**	–
Income tax payable		**122,431**	116,122
		4,257,077	3,863,764
Net current liabilities		**(1,964,001)**	(1,943,928)
Total assets less current liabilities		**3,059,641**	3,110,946

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019
(Expressed in RMB)

	Notes	**(unaudited) At 30 June 2019** *RMB'000*	(audited) At 31 December 2018 (Note) *RMB'000*
Non-current liabilities			
Bank and other loans		**663,170**	728,983
Convertible bonds	10	**27,796**	62,881
Leases liabilities	2(d)	**39,409**	29,723
Deferred tax liabilities		**58,485**	63,007
Other non-current liabilities		**4,718**	4,421
		793,578	889,015
NET ASSETS		**2,266,063**	2,221,931
CAPITAL AND RESERVES	11		
Share capital		**84,867**	84,867
Reserves		**2,005,828**	1,952,348
Total equity attributable to equity shareholders of the Company		**2,090,695**	2,037,215
Non-controlling interests		**175,368**	184,716
TOTAL EQUITY		**2,266,063**	2,221,931

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019 – unaudited

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial information set out below is derived from the unaudited interim financial report, which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2019.

As at 30 June 2019, the Group had net current liabilities of RMB1,964,001,000 (31 December 2018: RMB1,943,928,000). Notwithstanding the net current liabilities as at 30 June 2019, the Directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group for the next twelve months ending 30 June 2019 prepared by the management, which has taken into account unutilised bank facilities of RMB145.7 million, the Group's newly financed and refinanced bank and other loans of RMB848.2 million, and financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.* ("凱盛科技集團有限公司"), a wholly-owned subsidiary of China National Building Material Group Co., Ltd., which is a central state-owned enterprise, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. The reclassifications arising from the new initial application are therefore recognised in the opening balance on 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture and other equipment. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of machinery and vacant properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.17%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	13,726
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(5,824)
	7,902
Less: total future interest expenses	(1,999)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	5,903
Add: finance lease liabilities recognised as at 31 December 2018	51,985
Total lease liabilities recognised at 1 January 2019	57,888

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Reclassification of right-of-use assets**	**Carrying amount at 1 January 2019**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:				
Property, plant and equipment	4,295,827	–	(69,595)	4,226,232
Right-of-use assets	–	5,903	329,896	335,799
Lease prepayments	260,301	–	(260,301)	–
Total non-current assets	**5,054,874**	**5,903**	**–**	**5,060,777**
Lease liabilities (current)	22,262	1,967	–	24,229
Current liabilities	**3,863,764**	**1,967**	**–**	**3,865,731**
Net current liabilities	**1,943,928**	**1,967**	**–**	**1,945,895**
Total assets less current liabilities	**3,110,946**	**3,936**	**–**	**3,114,882**
Lease liabilities (non-current)	29,723	3,936	–	33,659
Total non-current liabilities	**889,015**	**3,936**	**–**	**892,951**
Net assets	**2,221,931**	**–**	**–**	**2,221,931**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	**At 1 January 2019**
	RMB'000	***RMB'000***
Leasehold land held for own use	222,209	260,301
Plant, machinery and equipment	87,797	72,235
Other properties leased for own use	2,360	3,263
	312,366	335,799

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of property, plant and equipment, and therefore recognised the additions to right-of-use assets of RMB21.9 million.

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		**At 1 January 2019**	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Within 1 year	27,994	30,970	24,229	26,475
After 1 year but within 2 years	21,570	25,422	21,940	26,225
After 2 years but within 5 years	14,583	18,685	10,179	13,298
After 5 years	3,256	4,934	1,540	2,991
	39,409	49,041	33,659	42,514
	67,403	80,011	57,888	68,989
Less: total future interest expenses		(12,608)		(11,101)
Present value of lease liabilities		67,403		57,888

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** (Note (i))	**Hypothetical amounts for 2019 as if under HKAS 17**	**Compared to amounts reported for 2018 under HKAS 17**
	(A)	(B)	(C)	(D=A+B-C)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**126,167**	**2,132**	**(2,384)**	**125,915**	**125,522**
Finance costs	(85,677)	373	–	(85,304)	(65,152)
Profit before taxation	**40,083**	**2,505**	**(2,384)**	**40,204**	**60,383**
Profit for the period	**50,143**	**2,505**	**(2,384)**	**50,264**	**50,116**

The Group's administrative expenses and finance costs are not allocated to individual segments, therefore there is no significant impact of adoption of HKFRS 16 on the Group's segment results.

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** (Notes (i)&(ii))	**Hypothetical amounts for 2019 as if under HKAS 17**	**Compared to amounts reported for 2018 under HKAS 17**
	(A)	(B)	(C=A+B)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	(39,326)	(2,384)	(41,710)	194,631
Net cash (used in)/generated from operating activities	**(55,479)**	**(2,384)**	**(57,863)**	**161,441**
Capital element of lease rentals paid	(12,367)	2,011	(10,356)	(13,764)
Interest element of lease rentals paid	(3,670)	373	(3,297)	(5,537)
Net cash generated from /(used in) financing activities	**205,155**	**2,384**	**207,539**	**(90,580)**

Notes:

(i) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3 REVENUE AND SEGMENT REPORTING

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

- Clear glass products: this segment produces, markets and distributes clear glass products.
- Painted glass products: this segment produces, markets and distributes painted glass products.
- Coated glass products: this segment produces, markets and distributes coated glass products.
- Energy saving and new energy glass products: this segment produces, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass and photovoltaic battery module products.
- Design and installation service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines. This business was acquired in October 2018.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	**910,303**	1,193,487
– Revenue from service contracts	**60,269**	–
	970,572	1,193,487
Disaggregated by geographical location of customers		
– Mainland China (place of domicile)	**759,071**	907,979
– Middle East	**66,097**	92,464
– Bangladesh	**18,358**	13,336
– South Korea	**13,433**	31,876
– Other countries	**113,613**	147,832
	211,501	285,508
	970,572	1,193,487

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

(b) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below.

	Clear glass products		Painted glass products		Coated glass products		Energy saving and new energy glass products		Design and installation service		Total	
	Six months ended 30 June 2019	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition												
– Point in time	**330,757**	476,744	**136,226**	159,284	**250,888**	302,965	**192,432**	254,494	**–**	–	**910,303**	1,193,487
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**60,269**	–	**60,269**	–
Revenue from external customers	**330,757**	476,744	**136,226**	159,284	**250,888**	302,965	**192,432**	254,494	**60,269**	–	**970,572**	1,193,487
Inter-segment revenue	**31,326**	33,759	**2,114**	488	**4,323**	–	**–**	–	**–**	–	**37,763**	34,247
Reportable segment revenue	**362,083**	510,503	**138,340**	159,772	**255,211**	302,965	**192,432**	254,494	**60,269**	–	**1,008,335**	1,227,734
Reportable segment gross profit	**6,867**	79,746	**5,164**	28,334	**32,688**	66,079	**25,343**	44,744	**5,795**	–	**75,857**	218,903

4 OTHER INCOME

	Six months ended 30 June	
	2019	2018 (Note (i))
	RMB'000	*RMB'000*
Net gain on relocation of production plants (Note (ii))	**194,667**	–
Compensation for incurred losses from local government (Note (iii))	**–**	20,000
Net gain/(loss) on disposal of property, plant and equipment	**2,421**	(673)
Interest income	**1,561**	3,791
Government grants	**1,243**	397
Others	**5,685**	4,433
	205,577	27,948

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2).

(ii) The amount represents a gain arising from the expropriation of the land use rights of a subsidiary of the Group located in People's Republic of China (the "PRC") by the local government during the six months ended 30 June 2019 due to the change of the local city development plan, after netting off disposal losses of production plants and land use rights amounting to RMB218.8 million.

(iii) The amount for the six months ended 30 June 2018 represents compensation for the incurred losses in accordance with an agreement entered into between the Group and the local government in relation to the expropriation of the land use rights of a subsidiary of the Group by the respective local government.

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2019	2018
		(Note (i))
	RMB'000	*RMB'000*
Interest on bank and other loans	**93,782**	74,851
Finance charges on convertible bonds (Note 10)	**6,223**	5,216
Interest on lease liabilities	**3,670**	5,539
Bank charges and other finance costs	**13,284**	14,511
Total borrowing costs	**116,959**	100,117
Less: amounts capitalised into property, plant and equipment (Note (ii))	**(23,928)**	(27,581)
Net borrowing costs	**93,031**	72,536
Changes in fair value on the derivative component of convertible bonds (Note 10)	**(4,061)**	(4,229)
Net foreign exchange gain	**(3,293)**	(3,155)
	85,677	65,152

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2).

(ii) The borrowing costs have been capitalised at 7.88% per annum for the six months ended 30 June 2019 (7.99% per annum for the six months ended 30 June 2018).

(b) Other items

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	*RMB'000*
Cost of inventories	**868,492**	974,584
Depreciation and amortisation charge		
– property, plant and equipment and intangible assets	**106,160**	128,393
– right-of-use assets	**10,264**	–
– lease prepayments	**–**	3,275
Impairment losses recognised/(reversed) on trade and other receivables and contract assets	**3,498**	(6,078)
Leases previously classified as operating leases under HKAS 17	**–**	2,739
Short-term leases and other leases with remaining lease term within one year	**2,332**	–
Research and development costs (other than capitalised costs and related amortisation)	**270**	373

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2).

6 INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current taxation:		
– provision for Corporate Income Tax on the estimated taxable profits for the period	**18,851**	32,923
– PRC Withholding Tax	**4,750**	–
– (over)/under-provision of Income Tax in respect of prior years	**(15)**	44
	23,586	32,967
Deferred taxation	**(33,646)**	(22,700)
	(10,060)	10,267

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**40,083**	60,383
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**11,671**	16,688
Tax effect of non-taxable income	**(24,382)**	–
Tax effect of PRC Withholding Tax	**4,750**	–
Tax effect of non-deductible expenses	**5,357**	2,809
Tax effect of unused tax losses and temporary differences not recognised	**5,715**	442
Tax concessions	**(3,130)**	(6,598)
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised	**(10,026)**	(3,496)
Tax effect of write-down of deferred tax assets	**–**	378
(Over)/under-provision in respect of prior years	**(15)**	44
Income tax	**(10,060)**	10,267

The Hong Kong Profits Tax rate for the six months ended 30 June 2019 is 16.5% (2018: 16.5%).

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

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2019 (2018: 25%).

A subsidiary of the Group established in the PRC obtained an approval from the tax bureau that it is entitled to tax benefits applicable to entity under the Second Phase of the Western Region Development Plan of the PRC, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2019 (2018: 15%).

The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% for the six months ended 30 June 2019 (2018: 30%).

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

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

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

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

In accordance with relevant enterprise income tax rules and regulations, the directors of the Company are of the view that total losses/expenditures of RMB97.5 million which were not deducted from taxable profits in prior years were deductible under the circumstance of relocation for the purpose of government's expropriation, thus the corresponding compensation income is non-taxable income during the six months ended 30 June 2019.

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB57,991,000 (six months ended 30 June 2018: RMB46,191,000) and the weighted average of 1,694,527,058 ordinary shares, taking into the effect of shares purchased under a share award scheme set out in Note 11(b)(ii) (six months ended 30 June 2018: 1,724,147,058 shares) in issue during the six months ended 30 June 2019.

(b) Diluted earnings per share

There is no dilutive potential ordinary shares for the six months ended 30 June 2019. The Group's convertible bonds (see Note 10) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the six months ended 30 June 2019.

The calculation of diluted earnings per share for the period ended 30 June 2018 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB47,178,000 and the weighted average of 1,785,338,000 ordinary shares (diluted), calculated as follows:

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

	Six months ended 30 June 2018 *RMB'000*
Profit attributable to ordinary equity shareholders	46,191
After tax effect of effective interest on the liability component of convertible bonds	5,216
After tax effect of changes in fair value recognised on the derivative component of convertible bonds	(4,229)
Profit attributable to ordinary equity shareholders (diluted)	47,178

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

	Six months ended 30 June 2018 *RMB'000*
Weighted average number of ordinary shares at 30 June	1,724,147
Effect of conversion of convertible bonds	61,191
Weighted average number of ordinary shares (diluted) at 30 June	1,785,338

8 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Trade receivables from:		
– third parties	**200,782**	191,528
– affiliates of non-controlling equity holders of subsidiaries	**15,667**	15,667
– a joint venture	**1,861**	1,643
Bills receivables	**169,029**	158,152
	387,339	366,990
Less: loss allowance	**(98,000)**	(98,425)
	289,339	268,565
Amounts due from related companies:		
– equity shareholders of the Company and their fellow subsidiaries	**781**	815
– non-controlling equity holders of a subsidiary	**150**	150
– a joint venture	**–**	883
	931	1,848
Other debtors (Note)	**493,292**	428,769
Less: loss allowance	**(57,243)**	(57,243)
	436,049	371,526
	726,319	641,939
Prepayments and deposits	**195,401**	161,666
	921,720	803,605

Note: As at 30 June 2019, the amount of RMB258.1 million (31 December 2018: RMB157.4 million) is the remaining receivables of the compensation from the local government authority for relocation of production plants. The local government committed to pay off by 31 December 2019.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year. Cash before delivery is generally required for all new customers. Credit terms of three to six months from the date of billing or separately negotiated repayment schedules may be granted to customers and debtors, depending on credit assessment carried out by management on an individual customer basis.

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 1 month	**86,344**	73,189
More than 1 month but less than 3 months	**88,252**	23,770
More than 3 months but less than 6 months	**37,146**	101,588
More than 6 months but less than 1 year	**20,359**	24,082
Over 1 year	**57,238**	45,936
	289,339	268,565

9 TRADE AND OTHER PAYABLES

	At 30 June 2019	At 31 December 2018 (Note)
	RMB'000	*RMB'000*
Trade payables to:		
– third parties	**492,364**	468,993
– an affiliate of an equity shareholder of the Company	**51**	–
– affiliates of non-controlling equity holders of subsidiaries	**1,278**	2,108
Bills payables	**339,625**	313,511
	833,318	784,612

	At 30 June 2019	At 31 December 2018
		(Note)
	RMB'000	*RMB'000*
Amounts due to related companies:		
– the equity shareholders of the Company and their related parties	**59,806**	41,615
– companies under common significant influence	**11**	64
	59,817	41,679
Accrued charges and other payables	**575,035**	718,297
	1,468,170	1,544,588
Provision for a litigation	**37,407**	37,407
	1,505,577	1,581,995

Note: To group the contract liabilities presented in the statement of financial position, the "Advances received from customers for sales of goods" previously under "Trade and other payables" were reclassified to "Contract liabilities". Accordingly, certain comparative figures have been adjusted to conform to the presentation of this six months period.

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

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**544,208**	427,931
Due after 1 month but within 6 months	**289,110**	356,681
	833,318	784,612

10 CONVERTIBLE BONDS

	Liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
At 1 January 2018	42,117	16,134	58,311
Accrued finance charges for the year	11,079	–	11,079
Interest paid	(5,576)	–	(5,576)
Fair value changes on the derivative component	–	(4,431)	(4,431)
Exchange adjustments	2,824	674	3,498
At 31 December 2018 and 1 January 2019	50,504	12,377	62,881
Accrued finance charges for the period (Note 5(a))	6,223	–	6,223
Interest paid	(2,602)	–	(2,602)
Fair value changes on the derivative component (Note 5(a))	–	(4,061)	(4,061)
Exchange adjustments	117	41	158
At 30 June 2019	54,242	8,357	62,599

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

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

The Bondholder deposited a notice to redeem 25% of total outstanding principal of the convertible bonds on 1 July 2019 pursuant to the redemption term of the convertible bonds. The redemption amount of US$2,531,250 (equivalent to approximately RMB17,389,000) has been paid off by the Company on 5 July 2019. The remaining convertible bonds are still convertible, and there are no convertible bond converted into the Company's shares up to the report date.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period.

The Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$Nil).

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

No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2018: HK$Nil).

(b) Equity-settled share-based transactions

(i) Share option scheme

The Company has a share option scheme (the "**Share Option Scheme**") which was adopted on 30 May 2005 and expired on 22 June 2015. Before its expiry, the Company granted 33,370,000 share options to a director of the Company and certain employees of the Group on 13 May 2015 with a contractual life of seven years.

A new share option scheme (the "**Share Option Scheme 2016**") has been approved by a special general meeting of shareholders of the Company on 19 February 2016.

No share options were granted to the directors and employees of the Group under the Share Option Scheme 2016 during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

No share options issued under the Share Option Scheme were exercised during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(ii) Share award scheme

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

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

	Average purchase price	**No. of shares held**	**Value**
	HK$	*'000*	*RMB'000*
At 1 January 2018		86,000	47,888
Shares purchased during the year	0.663	29,620	16,365
At 31 December 2018 and 30 June 2019		115,620	64,253

During the six months period ended 30 June 2019, no ordinary shares were purchased for the Share Award Scheme (six months ended 30 June 2018: Nil). No shares have been awarded to any selected employee as at the date of these financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

After the general recovery in 2017 and the differentiation in the development momentum in 2018, the global economy as a whole showed a slowdown during the first half of 2019 with major economies showing a weak development momentum. In China, it is highly possible that its macro economy will first slow down and then stabilize with growth rates ranging from 6.2% to 6.3% being the new norm. In order to maintain the reasonable operation of its national economy, China will focus on the investment in infrastructure and property market during macro regulation and control.

During the first half of 2019, the flat glass industry continued its supply-side structural reform, and the industry's economy was operating smoothly, but the overcapacity issue still existed. Due to the shrinking of the supply side caused by environmental policies and cold repair, and the demand-side remained stable, the prices of glass has stabilized since the second quarter of the year.

BUSINESS REVIEW

Overview

The Group currently has 13 float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 30 June 2019, the Group had 9 float glass production lines in operation, while those production lines not in operation were temporarily halted for technical upgrades due to cold repair or relocation. The Group also had 1 offline low-emission coated ("Low-E") glass production line, 1 amorphous silicon thin-film battery production line, and a company specialized in pharmaceutical glass production line technologies and services. A float glass production line with capacity of 500 tonnes per day in Nigeria is currently under construction.

Raw material and fuel prices and production costs

During the first half of 2019, the market prices of soda ash in the PRC first decreased and then increased, and followed by another drop. With the increase in production capacity, the average prices of soda ash were slightly lower as compared to the same period of last year.

In terms of fuel, the prices in the imported petroleum coke market showed a trend of slight decline due to the effects of increased import volume and decreased prices of domestic refineries. As for natural gas, the supply was tight causing its prices to increase as compared to the same period of last year. And as for fuel oil, its prices declined as compared to the same period of last year due to the effects of demand.

In terms of mineral raw materials, prices for materials such as silica sand, limestone and dolomite not only had increased due to the effects of environmental policies, such materials also experienced a tight supply.

Production, sales and selling price

In the first half of 2019, the Group sold 12.2 million weight cases of major float glass products, and the integrated average selling price of the Group's products was approximately RMB75 per weight case, representing a decrease of 4% as compared to the same period of last year.

In the first half of 2019, the Group recorded a revenue of approximately RMB971 million, representing a decrease of 19% as compared to the same period of last year, as well as a net profit of approximately RMB50.14 million. The decrease in revenue in the first half of the year was mainly attributable to the decreases in the selling price and sales volume of glass products.

MAJOR WORKS IN THE FIRST HALF OF 2019

1. **Deepening and implementing the Company's mid- and long- term development strategies**

   In terms of "organic growth", as per market demand, we accelerate the upgrading and transformation of production lines, enhance product quality and added value, and meet clients' demand for quality deeply processed products; in terms of "M&A and restructuring", as per strategic deployment of the Group, we improve product structure, implement production capacity replacement, confirm work plan on new projects like pharmaceutical glass; in terms of "Go Out", we actively organize the installation and commissioning of the Nigeria project before operation and also promote the construction progress of Kazakhstan project in line with the Belt and Road Integration Fund.

2. **Improving information system to promote the fully upgrading of corporate management**

   As the establishment of "Four Standards and One System" management systems, we implement the launch and operation of business module systems such as financial management, supply chain management, quality management, and sales, in order to deepen the construction of the industry extension module of the Group, enhance work efficiency, and further reduce management costs.

3. **Optimizing organization and management structure and deepening the management control system of the group**

   In order to fulfill its strategical plans and objectives, the Group established a management control consulting team to conduct research on the status of its management control system, design organization and management structure, determine management control model, optimize organizations and institutions, clarify position, powers and responsibilities of the headquarters, improve performance appraisal and incentive mechanism in order to guarantee the realization of its strategic objectives.

4. **Marketing**

   The Company opens the online real-time procurement module of contract accounts, and the contract price and policy management "shall be formulated with standards, fluctuated in a positive/negative range, and implemented without deviation"; actively participates in the industry price coordination meeting and responds to the industry call; develops new customers, explores new channels, achieves differentiated sales, and improves the sales volume of high-end products.

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

   By relying on its open internal and external technology platform, the Company will further promote the differentiation of featured products and facilitate the new and old production capacity transformation. In Dongtai Base, the key R&D tests on the online Low-E products with a radiation rate of ≤0.15 made breakthroughs; In Weihai Base, sales of deeply processed products increased significantly as compared to the same period of last year; and in Wuhai Base, it is expected that new products like zero self-destructing glass, ultra-hard glass, and single sheet fireproof glass will be launched when they are ready.

THE GLASS MARKET OUTLOOK

During the second half of 2019, it is expected that China's economy will continue be picking up slowly, and the industrial structure adjustment will further intensify. Due to the effects of strengthening in environmental governance, the increase in cold repair production lines and the approach of glass industrial peak season, the price of glass is expected to maintain steady growth with an improving supply and demand relationship, which may possibly improve the margin of the glass industry.

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

During the second half of 2019, it is expected that the domestic soda ash price may slightly increase in the third quarter as affected by a decrease in operating rate. In the fourth quarter, the soda ash price may gradually fall back as the soda ash production capacity gradually recovers. The general price levels during the second half of 2019 may be lower as compared to the same period of last year.

In terms of fuel, it is expected that the coal tar processing companies will be affected by environmental policies, resulting in reducing production and rising prices and the prices of the natural gas may further increase driven by the increasing demand. The price of imported petroleum coke is expected to rise slightly due to the effects of environmental policies.

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

WORK PLANS FOR THE SECOND HALF OF 2019

1. In accordance with the requirements of "Informatization & Industrialization", the Company will expedite the progress of the establishment and upgrade of production lines, realize the transformation of new and old kinetic energy conversion, and enhance the product quality and profitability. In terms of management, the Company will further deepen the "Four Standards and One System", and support the establishment of the organization management structure and control system in line with the mid-term strategic objectives of the Group. Made in China will be accomplished according to the requirements of "Informatization & Industrialization" and then created in China will be realized in accordance with the requirements of "Created in China 2025".

2. On the basis of traditional main business of high-quality float glass, the Company will actively expand the production and processing of new businesses such as pharmaceutical glass, automobile glass and special glass, optimize the product structure, extend its reach to the downstream glass industry, and realize the transformation of products to high-end, precision and advanced products according to the requirements of marketization and internationalization.

3. In terms of marketing and service, the Company will have an in-depth market survey to understand customers' demands and adjust the product structure accordingly, introduce the traceable information system, build the online marketing platform, and attract the engagement from upstream and downstream enterprises, so as to provide the one-stop products and services for the consumers.

4. As for expansion of overseas business, the Company will make full preparations for the commencement of production in the second half of the year in Nigeria; proactively cooperate with "the Belt and Road Integration Fund of Glass Industry" to stably promote the construction progress of the project in Kazakhstan; introduce the Italian pharmaceutical glass technology to the China market, and give play to the advanced technology and service in terms of pharmaceutical glass products.

FINANCIAL REVIEW

Revenue

For the first six months of 2019, the revenue of the Group from its principal business decreased by approximately 19% to approximately RMB971 million as compared to approximately RMB1,193 million in the first six months of 2018. The decrease in revenue was mainly due to the combined effects of the decrease in average unit selling price of 4% and the decrease of sales volume of 21%.

Cost of sales

The Group's cost of sales decreased by approximately 8% from approximately RMB975 million for the first six months of 2018 to approximately RMB895 million for the first six months of 2019. The decrease in cost of sales was mainly attributable to the combined effects of the decrease in sales volume and the increase in costs of raw and fuel materials.

Gross profit

The Group's gross profit decreased by approximately 65% from approximately RMB219 million for the first six months of 2018 to approximately RMB76 million for the first six months of 2019. The decrease in gross profit was mainly attributable to the combined effects of the decrease in market price of glass products and sales volume.

Other income

The Group's other income increased from approximately RMB28 million for the first six months of 2018 to approximately RMB206 million for the first six months of 2019. Other income was mainly net gain on relocation of production plants for the six months ended 30 June 2019.

Administrative expenses

For the first six months of 2019, the administrative expenses of the Group increased by 38% to RMB123 million as compared to RMB89 million for the first six months of 2018. The increase in administrative expenses was mainly attributable to the increase in employee benefits and salaries of certain subsidiaries and classification from costs to expenses of labor costs for cold repair of the production lines.

Finance costs

For the first six months of 2019, the finance costs of the Group increased by approximately 32% to approximately RMB86 million as compared to approximately RMB65 million in the first six months of 2018. The increase in finance costs was mainly due to the increase of the average balance of borrowings as the Group actively expanded the financing channels.

Income tax

The Group's income tax turn into net income for the first six months of 2019 with an amount of RMB10.1 million, which is mainly due to the defer taxation credited to the consolidated profit larger than the current taxation charged to the consolidated profit for the period. The defer taxation is mainly resulting from the unused tax losses, and the current taxation has been downward adjusted by non-taxable compensation for the relocation of production plants. Further details of income tax are disclosed in Note 6.

Profit for the period

The Group's profit for the first six months of 2019 amounted to approximately RMB50 million, which was basically unchanged as compared to approximately RMB50 million for the first six months of 2018.

Profit attributable to equity shareholders for the period

The Group's profit attributable to equity shareholders of the Company for the first six months of 2019 amounted to approximately RMB58 million, representing an increase of approximately RMB12 million as compared to a profit attributable to equity shareholders of approximately RMB46 million for the first six months of 2018.

Current assets

The Group's current assets increased by approximately 19% from approximately RMB1,920 million as at 31 December 2018 to approximately RMB2,293 million as at 30 June 2019. The increase in current assets was mainly due to the combined effects of increase in cash collected and increase in receivables both related to government compensation for relocation, and the increase of inventory.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 11% from approximately RMB889 million as at 31 December 2018 to approximately RMB793 million as at 30 June 2019. The decrease in non-current liabilities was mainly due to the loans due within one year being reclassified to current liabilities.

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

As at 30 June 2019, the Group's cash on hand and in bank amounted to approximately RMB730 million (31 December 2018: RMB607 million), of which 97% (31 December 2018: 75%) were denominated in Renminbi ("RMB"), 2% (31 December 2018: 24%) in United States Dollars ("USD") and 1% (31 December 2018: 1%) in Hong Kong dollars ("HK$"). Outstanding bank and other loans amounted to RMB3.132 billion (31 December 2018: RMB2.794 billion), of which 79% (31 December 2018: 74%) were denominated in RMB and 15% (31 December 2018: 18%) were denominated in USD.

As at 30 June 2019, the gearing ratio (total interest-bearing debts divided by total assets) was 0.45 (31 December 2018: 0.42). As at 30 June 2019, the Group's current ratio (current assets divided by current liabilities) was 0.54 (31 December 2018: 0.50). The Group recorded net current liabilities amounted to approximately RMB1,964 million as at 30 June 2019 (31 December 2018: RMB1,944 million). As at 30 June 2019, assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.69 (31 December 2018: 0.68).

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of RMB would be closely associated with the development of the PRC economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the RMB exchange rate. During the six months ended 30 June 2019, the Group did not purchase any derivatives for hedging purposes.

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

The Group did not have any material investments or acquisition of capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments during the six months ended 30 June 2019.

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 30 June 2019, the Group employed approximately a total of 3,442 employees in the PRC, Hong Kong and Europe (31 December 2018: about 3,604 employees). The decrease in staff number of the Group as at 30 June 2019 as compared to 31 December 2018 was mainly attributable to continuously higher workplace efficiency of the Group and reduced headcount as production lines of several production bases were moved and halted. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Company has conditionally adopted the share option schemes for the qualified participants and the share award scheme for certain employees.

The employees of the companies in the Group which were established in the PRC and in Hong Kong participate in defined contribution retirement benefit schemes and Mandatory Provident Fund Scheme, respectively. No contribution to the above schemes were forfeited for the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

SHARE OPTION SCHEMES

The Company has conditionally adopted a share option scheme (the "**Old Share Option Scheme**") on 30 May 2005 in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the Group.

On 13 May 2015, the Company granted new share options to a director and certain employees of the Group under the Old Share Option Scheme. Further details of the share options are disclosed in Note 11(b)(i).

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

During the six months ended 30 June 2019, save for a total of 1,100,000 share options that have lapsed during this period, no share options were exercised, cancelled or lapsed under the Old Share Option Scheme; and no share options were granted, exercised, cancelled or lapsed under the New Share Option Scheme.

SHARE AWARD SCHEME

The Board approved the adoption of the share award scheme of the Company (the "**Share Award Scheme**") on 12 December 2011 in order to recognise the contributions made by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme would operate in parallel with the Old Share Option Scheme and the New Share Option Scheme.

During the six months ended 30 June 2019, no shares were awarded or vested to directors and employees of the Group under the Share Award Scheme. Further details of the awards granted under the Share Award Scheme are disclosed in Note 11(b)(ii).

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as at the latest practicable date prior to the issue of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhao Lihua and Mr. Zhang Baiheng as members, has reviewed, together with the participation of the Company's management and the external auditors, KPMG, the accounting principles and practices adopted by the Group, and has discussed auditing, risk management and internal control, and financial reporting matters, including the review of the unaudited interim results of the Group for the six months ended 30 June 2019.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company adopts a proactive policy in promoting investor relations and communications. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Group's performance and development.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2019, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaglassholdings.com). The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above-mentioned websites in due course.

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

Hong Kong, 27 August 2019

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

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

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

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

* *For identification purpose only*