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CHINA GLASS HOLDINGS LIMITED
中國玻璃控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 3300)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Directors**" and the "**Board**", respectively) of China Glass Holdings Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the corresponding year in 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Expressed in Renminbi ("RMB"))

	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Revenue	5	**2,369,230**	2,617,725
Cost of sales		**(2,084,588)**	(2,207,630)
Gross profit	5	**284,642**	410,095
Other income	6	**319,597**	230,849
Distribution costs		**(67,325)**	(78,088)
Administrative expenses		**(261,656)**	(249,030)
Profit from operations		**275,258**	313,826
Finance costs	7(a)	**(185,728)**	(160,805)
Share of profits less losses of joint ventures		**(102)**	–
Net gain on disposal of interest in an associate		**–**	175
Share of profits less losses of an associate		**–**	(62)
Profit before taxation	7	**89,428**	153,134
Income tax	8	**(16,724)**	(49,060)
Profit for the year		**72,704**	104,074
Attributable to:			
Equity shareholders of the Company		**82,570**	93,488
Non-controlling interests		**(9,866)**	10,586
Profit for the year		**72,704**	104,074
Earnings per share (RMB cent)			
Basic	9(a)	**4.87**	5.45
Diluted	9(b)	**4.87**	5.45

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 4).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**72,704**	104,074
Other comprehensive income for the year (before and after tax):		
Item that will not be reclassified to profit or loss:		
– Equity securities at FVOCI – net movement in fair value reserve (non–recycling)	**(191)**	(209)
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	**(9,840)**	(1,725)
Total comprehensive income for the year	**62,673**	102,140
Attributable to:		
Equity shareholders of the Company	**72,542**	91,564
Non-controlling interests	**(9,869)**	10,576
Total comprehensive income for the year	**62,673**	102,140

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 4).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in RMB)

	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Non-current assets			
Property, plant and equipment		**4,180,455**	4,295,827
Investment property		**22,079**	–
Right-of-use assets		**309,783**	–
Lease prepayments		**–**	260,301
Intangible assets		**109,734**	129,268
Goodwill		**97,730**	107,936
Interest in joint ventures		**7,074**	6,397
Equity securities		**2,994**	2,923
Deferred tax assets		**281,472**	252,222
		5,011,321	5,054,874
Current assets			
Inventories		**549,830**	492,293
Contract assets		**30,861**	2,350
Trade and other receivables	10	**1,004,960**	803,605
Prepaid income tax		**7,100**	14,756
Cash on hand and in bank		**584,039**	606,832
		2,176,790	1,919,836
Current liabilities			
Trade and other payables	11	**1,307,955**	1,581,995
Contract liabilities		**96,291**	77,985
Bank and other loans		**1,898,383**	2,065,400
Lease liabilities		**31,650**	22,262
Convertible bonds	12	**35,317**	–
Income tax payable		**152,230**	116,122
		3,521,826	3,863,764
Net current liabilities		**(1,345,036)**	(1,943,928)
Total assets less current liabilities		**3,666,285**	3,110,946

	Note	2019	2018
		RMB'000	*RMB'000*
			(Note)
Non-current liabilities			
Bank and other loans		**1,313,543**	728,983
Convertible bonds	12	**13,018**	62,881
Lease liabilities		**30,131**	29,723
Deferred tax liabilities		**45,300**	63,007
Other non-current liabilities		**14,574**	4,421
		1,416,566	889,015
NET ASSETS		**2,249,719**	2,221,931
CAPITAL AND RESERVES			
Share capital		**84,867**	84,867
Reserves		**1,992,256**	1,952,348
Total equity attributable to equity shareholders of the Company		**2,077,123**	2,037,215
Non-controlling interests		**172,596**	184,716
TOTAL EQUITY		**2,249,719**	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 4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company with limited liability under the Bermuda Companies Act 1981. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2005. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise the Group and the Group's interest in joint ventures. The Group is principally involved in the production, marketing and distribution of glass and glass products, designing and installation of production lines of pharmaceutical glass, and the development of glass production technology.

2 STATEMENT OF COMPLIANCE

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

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

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

As at 31 December 2019, the Group had net current liabilities of RMB1,345,036,000 (31 December 2018: RMB1,943,928,000). Notwithstanding the net current liabilities as at 31 December 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 31 December 2020 prepared by the management, which has taken into account unutilised bank facilities of RMB168.0 million, the Group's newly financed and refinanced bank and other loans of RMB804.0 million and financial support committed by the Company's largest shareholder, namely Triumph Science Technology Group Co., Ltd.*（凱盛科技集團有限公司）(the "Triumph Group"), a wholly-owned subsidiary of China National Building Material Group Co., Ltd, which is a central state-owned enterprise, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

4 CHANGES IN ACCOUNTING POLICIES

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

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

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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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 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.

b Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

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 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 *RMB'000*	Capitalisation of operating lease contracts *RMB'000*	Re-classification of right-of-use assets *RMB'000*	Carrying amount at 1 January 2019 *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**

c. 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 year.

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 give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated 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 year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**275,258**	**4,668**	**(4,945)**	**274,981**	**313,826**
Finance costs	(185,728)	551	–	(185,177)	(160,805)
Profit before taxation	**89,428**	**5,219**	**(4,945)**	**89,702**	**153,134**
Profit for the year	**72,704**	**5,219**	**(4,945)**	**72,978**	**104,074**

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 consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	158,110	(4,945)	153,165	340,072
Net cash generated from operating activities	**138,344**	**(4,945)**	**133,399**	**296,393**
Capital element of lease rentals paid	(26,597)	4,394	(22,203)	(26,959)
Interest element of lease rentals paid	(5,804)	551	(5,253)	(11,242)
Net cash generated from financing activities	**94,218**	**4,945**	**99,163**	**140,725**

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.

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have an impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purpose.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the production, marketing and distribution of glass and glass products, the development of glass production technology, and the service of designing and installation of pharmaceutical glass production lines. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) Disaggregation of revenue

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

	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	**2,235,985**	2,581,080
– Revenue from service contracts	**115,000**	36,645
– Sales of spare parts	**18,245**	–
	2,369,230	2,617,725

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

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2019 (2018: Nil).

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

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR13.8 million (2018: EUR7.2 million). This amount represents revenue expected to be recognised in the future from designing and installation service contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months (2018: next 12 months).

(b) Segment reporting

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

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

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

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

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

- Design and installation service: this segment provides design, purchasing parts and installation services of pharmaceutical glass production lines. This business was merged into the Group since November 2018.

(i) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 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 services		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	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	**864,107**	998,856	**319,072**	356,539	**556,248**	673,396	**496,558**	552,289	**18,245**	–	**2,254,230**	2,581,080
– Over time	**–**	–	**–**	–	**–**	–	**–**	–	**115,000**	36,645	**115,000**	36,645
Revenue from external customers	**864,107**	998,856	**319,072**	356,539	**556,248**	673,396	**496,558**	552,289	**133,245**	36,645	**2,369,230**	2,617,725
Inter-segment revenue	**66,259**	34,045	**3,465**	17,130	**–**	–	**–**	–	**–**	–	**69,724**	51,175
Reportable segment revenue	**930,366**	1,032,901	**322,537**	373,669	**556,248**	673,396	**496,558**	552,289	**133,245**	36,645	**2,438,954**	2,668,900
Reportable segment gross profit	**86,852**	124,323	**26,198**	51,426	**79,743**	125,016	**77,268**	89,842	**14,581**	19,488	**284,642**	410,095

(ii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The Mainland China and Hong Kong (place of domicile)	**1,960,258**	1,992,394	**3,673,729**	3,904,170
Middle East	**83,140**	199,306	**–**	–
Bangladesh	**43,357**	55,363	**–**	–
South Korea	**19,530**	50,024	**–**	–
Italy	**39,936**	36,645	**221,173**	238,577
Nigeria	**4,261**	5,312	**824,879**	650,585
Other countries	**218,748**	278,681	**7,074**	6,397
	408,972	625,331	**1,053,126**	895,559
	2,369,230	2,617,725	**4,726,855**	4,799,729

6 OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Net gain/compensation on relocation of production plants (Note)	**221,214**	177,407
Government grants	**74,603**	6,664
Interest income on financial assets measured at amortised cost	**4,363**	4,170
Net gain from sale of raw and scrap materials	**6,307**	6,198
Net gain on disposal of property, plant and equipment	**2,439**	24,638
Rental income from investment property	**833**	–
Net gain on debt restructuring	**–**	2,162
Others	**9,838**	9,610
	319,597	230,849

Note: The amount for the year ended 31 December 2019 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 due to the change of the local city development plan, after netting off disposal losses of production plants, land use rights and inventories. (2018: the amount 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 the same subsidiary of the Group by the respective local government).

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2019	2018
	RMB'000	*RMB'000*
		(Note (i))
Interest on bank and other loans	**214,126**	170,219
Finance charges on convertible bonds (Notes 12)	**11,457**	11,079
Losses incurred from the redemption of convertible bonds	**1,695**	–
Interest on lease liabilities	**5,804**	11,242
Bank charges and other finance costs	**23,981**	20,785
Total borrowing costs	**257,063**	213,325
Less: amounts capitalised into property, plant and equipment (Note (ii))	**(51,723)**	(51,731)
Net borrowing costs	**205,340**	161,594
Changes in fair value on the derivative components of convertible bonds (Notes 12)	**(6,621)**	(4,431)
Net foreign exchange (gain)/loss	**(12,991)**	3,642
	185,728	160,805

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 4).

(ii) The borrowing costs have been capitalised at 7.31% per annum for the year ended 31 December 2019 (2018: 7.57% per annum).

(b) Staff costs:

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**271,618**	234,394
Contributions to defined contribution retirement plans	**32,360**	32,696
Equity-settled share-based payment expenses in respect of share option scheme (Note 13(a))	**–**	592
	303,978	267,682

(c) Other items:

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories #	**2,079,440**	2,190,887
Auditors' remuneration – audit and other services	**6,980**	7,380
Depreciation and amortisation charge #		
– property, plant and equipment and intangible assets*	**215,634**	239,446
– investment property	**625**	–
– right-of-use assets*	**21,123**	–
– lease prepayments*	**–**	7,708
Impairment losses recognised/(reversed) on trade and other receivables and contract assets	**20,528**	(2,260)
Leases previously classified as operating leases under HKAS 17*	**–**	7,121
Research and development costs (other than capitalised costs and related amortisation)	**–**	836

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 4.

Cost of inventories includes RMB366.2 million (2018: RMB358.3 million) for the year ended 31 December 2019, relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	RMB'000	*RMB'000*
Current taxation		
– Provision for the year	**57,486**	69,004
– PRC Withholding Tax (Note (xii))	**6,000**	–
– Under/(over)-provision in respect of prior years	**44**	(584)
	63,530	68,420
Deferred taxation		
– Origination and reversal of temporary differences	**(46,806)**	(19,360)
	16,724	49,060

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

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**89,428**	153,134
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (viii), (ix) and (x))	**28,811**	40,459
Tax effect of non-taxable income (Note (xi))	**(24,382)**	–
Tax effect of PRC Withholding Tax (Note (xii))	**6,000**	–
Tax effect of non-deductible expenses	**9,149**	7,635
Tax effect of unused tax losses and temporary differences not recognised	**(193)**	3,361
Tax concessions (Notes (v), (vi) and (vii))	**(6,568)**	(8,550)
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised (Note (xiii))	**(9,903)**	(1,955)
Tax effect of write-down of deferred tax assets (Note (xiii))	**13,766**	8,694
Under/(over)-provision in respect of prior years	**44**	(584)
Income tax	**16,724**	49,060

Notes:

(i) The Company and subsidiaries of the Group incorporated in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%).

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

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% (2018: 25%).

(iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2018: 30%).

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

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

(vii) A subsidiary of the Group established in the PRC obtained an approval from the tax bureau to be taxed as enterprise with advanced and new technologies, and therefore enjoyed a preferential PRC Corporate Income Tax rate of 15% from 2016 to 2018. After the approval expired, the subsidiary does not apply for an extension, and is subject to PRC Corporate Income Tax rate of 25% during the year ended 31 December 2019.

(viii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (2018: 27.9%).

(ix) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20% (2018: 20%).

(x) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25% (2018: 25%).

(xi) 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 year ended 31 December 2019.

(xii) 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.

(xiii) The Group recognised and used previously unrecognised deferred tax assets of RMB0.1 million (2018: RMB0.1 million) regarding tax losses and the Group wrote down previously recognised deferred tax assets of RMB13.8 million (2018: RMB8.7 million) regarding tax losses, as the utilisation of these unused tax losses have changed due to the changes of actual operating results during the year ended 31 December 2019 and changes in estimates of future operating results of certain subsidiaries of the Group.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB82,570,000 (2018: RMB93,488,000) and the weighted average of 1,694,527,000 ordinary shares (2018: 1,714,621,000 ordinary shares) in issue during the year ended 31 December 2019, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
	'000	*'000*
Issued ordinary shares at 1 January	**1,694,527**	1,810,147
Effect of shares purchased under a share award scheme (Note 13(b))	**–**	(95,526)
Weighted average number of ordinary shares at 31 December	**1,694,527**	1,714,621

(b) Diluted earnings per share

There are no dilutive potential ordinary shares for the years ended 31 December 2019 and 2018. The Group's convertible bonds (see Note 12) were not included in the calculation of dilutive earnings per share because they are anti-dilutive for the years ended 31 December 2019 and 2018.

10 TRADE AND OTHER RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables from (Note (a)):		
– Third parties	**195,533**	191,528
– Affiliates of non-controlling equity holders of subsidiaries	**15,677**	15,667
– A joint venture	**2,267**	1,643
Bills receivables	**105,478**	158,152
	318,955	366,990
Less: loss allowance	**(110,031)**	(98,425)
	208,924	268,565
Amounts due from related companies:		
– Equity shareholders of the Company and their fellow subsidiaries (Note (i))	**12,006**	815
– Non-controlling equity holders of a subsidiary (Note (i))	**150**	150
– A joint venture (Note (i))	**–**	883
	12,156	1,848
Other debtors		
– Advances to third parties	**143,997**	157,439
– Receivable for disposal of land use rights	**1,072**	1,133
– Receivable for disposal of property, plant and equipment	**52,420**	7,430
– Receivable for relocation of production plants and government grants (Note (ii))	**367,873**	213,654
– Others	**35,175**	49,113
	600,537	428,769
Less: loss allowance	**(62,171)**	(57,243)
	538,366	371,526
	759,446	641,939

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments, deposits and other receivables:		
– Prepayments for the purchase of inventories	**92,054**	76,970
– Prepayments for the purchase of property, plant and equipment and land use rights	**97,193**	28,624
– Value added tax refundable	**56,267**	56,072
	245,514	161,666
	1,004,960	803,605

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2019, the amount of RMB247.3 million is the remaining receivables from the local government authority for relocation of production plants. All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**81,646**	73,189
More than 1 month but less than 3 months	**16,785**	23,770
More than 3 months but less than 6 months	**67,190**	101,588
More than 6 months but less than 1 year	**2,136**	24,082
Over 1 year	**41,167**	45,936
	208,924	268,565

11 TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Trade payables to:		
– Third parties	**420,725**	468,993
– An affiliate of an equity shareholder of the Company	**70**	–
– Affiliates of non-controlling equity holders of subsidiaries	**599**	2,108
Bills payables	**240,581**	313,511
	661,975	784,612
Amounts due to related companies:		
– The equity shareholders of the Company and their related parties (Note (i))	**87,921**	41,615
– Companies under common significant influence (Note (i))	**11**	64
	87,932	41,679
Accrued charges and other payables:		
– Payables for construction and purchase of property, plant and equipment and land use rights	**299,624**	478,299
– Payables for staff related costs	**81,268**	82,504
– Payables for acquisitions of non-controlling interests in subsidiaries	**4,359**	4,359
– Payables for miscellaneous taxes	**61,862**	47,127
– Payables for transportation expenses	**8,471**	8,392
– Advances from third parties	**32,511**	31,545
– Interest payables	**26,262**	18,980
– Others	**43,691**	47,091
	558,048	718,297
Financial liabilities measured at amortised cost	**1,307,955**	1,544,588
Provision for a litigation	**–**	37,407
	1,307,955	1,581,995

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) 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.

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:

	2019	2018
	RMB'000	*RMB'000*
Due within 1 month or on demand	**408,694**	427,931
Due after 1 month but within 6 months	**253,281**	356,681
	661,975	784,612

12 CONVERTIBLE BONDS

	Liability component	**Derivative components**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	42,177	16,134	58,311
Accrued finance charges for the year (Note 7(a))	11,079	–	11,079
Interest paid	(5,576)	–	(5,576)
Fair value changes on the derivative components (Note 7(a))	–	(4,431)	(4,431)
Exchange adjustments	2,824	674	3,498
At 31 December 2018 and 1 January 2019	50,504	12,377	62,881
Accrued finance charges for the year (Note 7(a))	11,457	–	11,457
Interest paid	(5,026)	–	(5,026)
Fair value changes on the derivative components (Note 7(a))	–	(6,621)	(6,621)
Partial redemption of convertible bonds	(13,390)	(2,089)	(15,479)
Exchange adjustments	958	165	1,123
At 31 December 2019	44,503	3,832	48,335

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.

Pursuant to the redemption term of the convertible bonds, the Bondholder deposited notices to redeem the first and the second 25% of total outstanding principal of the convertible bonds on 1 July 2019 and 3 January 2020 separately. Up to date of this financial statements, the above redemptions have been completed. The remaining convertible bonds are still convertible, and there are no convertible bond converted into the Company's shares up to date of this financial statements.

13 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme

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

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

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

The Share Option Scheme was expired on 22 June 2015, and a new share option scheme (the "New Share Option Scheme") has been approved by a special general meeting of shareholders of the Company on 19 February 2016. No share options were granted to the directors and employees of the Group under the New Share Option Scheme during the years ended 31 December 2019 and 2018.

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

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

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

	2019		2018	
	Weighted average exercise price	**number of options** *'000*	Weighted average exercise price	number of options *'000*
Outstanding at the beginning of the year	**HK$1.25**	**31,490**	HK$1.25	32,350
Forfeited during the year	**HK$1.25**	**(1,100)**	HK$1.25	(860)
Outstanding at the end of the year	**HK$1.25**	**30,390**	HK$1.25	31,490
Exercisable at the end of the year	**HK$1.25**	**30,390**	HK$1.25	31,490

The share options outstanding at 31 December 2019 had an exercise price of HK$1.25 (31 December 2018: HK$1.25) and a weighted average remaining contractual life of 2.36 years (31 December 2018: 3.36 years).

(b) Share award scheme

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

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

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

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

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

	Average purchase price	**No. of shares held**	**Value**
	HK$	*'000*	*RMB'000*
At 1 January 2018		86,000	47,888
Shares purchased during the year	0.633	29,620	16,365
At 31 December 2018, 1 January 2019 and 31 December 2019		115,620	64,253

During year 2019, no ordinary shares were purchased for the Share Award Scheme (2018: 29,620,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK$0.633 per share, equivalent to approximately RMB0.553 per share). No shares have been awarded to any selected employee as at the date of these financial statements.

14 DIVIDENDS/DISTRIBUTIONS

(i) Distributions payable to equity shareholders of the Company attributable to the year

	2019	2018
	RMB'000	*RMB'000*
Interim distribution approved and paid of HK$0.02 per ordinary share (2018: HK$Nil per ordinary share)	**32,634**	–

(ii) No final distributions payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year (2018: HK$Nil).

15 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Novel Coronavirus Pneumonia outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing fluctuation (if any) to the sales volume and price, reassessing the adequacy of inventory level, and improving the Group's cash management by negotiating with suppliers on payment terms. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

As far as the Group's businesses are concerned, the NCP Outbreak may decrease of sales volume of glass products, but the directors of the Group considers that such impact could be temporarily. In addition, the NCP Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on trade receivables in future periods. These possible impacts have not been reflected in 2019, and the actual impacts may differ from estimates adopted in 2019 as the NCP Outbreak situation continues to evolve and when further information may become available.

As set in Note 3, based on a cash flow forecast of the Group for the next twelve months ending 31 December 2020, taking into account the subsequent actual and forecast negative impacts of NCP Outbreak for the Group's business, together with the obtained bank facilities, the Group's newly financed and refinanced bank and other loans and financial support committed by the Company's largest shareholder, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

While major economies across the world showed a weak development momentum since 2018, the global economy as well continued to slow down. In 2019, the macroeconomy of China faced with ever more complicated internal and external environments with a year-on-year GDP growth rate of 6.1%. The economy as a whole remains to operate within reasonable range, but is still subject to certain downward pressures resulting from the tightening of external environment and the adjustment in domestic economy. The tightening of external environment is related to the slowing down of the global economy and the escalation of the Sino-US Trade War; while the internal "Major Adjustment" is related to the structural factors concerning the transformation of new and old kinetic energy of the Chinese economy, and the policy factors such as deleveraging, risk prevention and property market controls.

During 2019, the flat glass industry continued to follow its general tune of supply-side structural reform. By optimizing industrial structure, it further reinforced its outcome of overcapacity resolving and helped to maintain the stable operation of the industry. Contraction was seen in the supply side under the impact of environmental policies and hard constrains on cold repair; while some recoveries were seen in the demand side due to the phased recoveries in the property market and automobile market.

BUSINESS REVIEW

Overview

The Group currently has 13 (2018: 13) float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 31 December 2019, the Group had 10 float glass production lines in operation, while those production lines not in operation were temporarily halted for technical upgrades due to cold repair and relocation. The Group also had one offline low-emission coated ("Low-E") glass production line and one amorphous silicon thin-film battery production line.

Raw material and fuel prices and production costs

In 2019, with increasing pressures from environmental protection, prices of raw materials like mineral raw materials recorded year-on-year increases, while prices of soda ash and petroleum coke recorded year-on-year decreases. By further optimizing and adjusting procurement strategies, the Group's purchase price increased slightly year-on-year but was lower than the industry average.

In 2019, domestic market prices of soda ash generally showed a shock-downward trend. In the first quarter, market demand for soda ash was weak with prices going down steadily; in the second quarter, prices went up and then declined; in the third quarter, market prices of soda ash rebounded slightly with additional orders from downstream enterprises; and in the fourth quarter, the prices dropped again as the inventory of soda ash increased after downstream enterprises reduced production or adopted staggering peak production.

In terms of fuel, even as custom duties increased, the prices in the imported low-sulfur shot petroleum coke market showed a declining trend due to the effects of increased import volume and decreased prices of domestic refineries. As for coke oven gas, the supply was tight and its supply was reduced due to environmental protection. As for natural gas, its supply was stable and its prices increased as compared to the same period of last year. And as for fuel oil, demand driven its prices to drop as compared to the same period of last year.

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

Production, sales and selling price

In 2019, the Group produced an aggregate amount of 30.99 million weight cases of glass, representing a year-on-year decrease of 9% whereas sales volume was 29.66 million weight cases, representing a decrease of 12% as compared to the same period of last year. The average selling price of the Group's glass products was RMB75 per weight case in 2019, representing a decrease of 3% as compared to the same period of last year.

Profitability analysis

In 2019, the Group recorded a sales revenue of RMB2.369 billion, representing a decrease of 9% compared to the same period of last year. The decrease in revenue was mainly due to the decrease of both sales volume and sales price. In 2019, the Group recorded a profit for the year of RMB72.70 million, representing a decrease of 30% over last year.

MAJOR WORKS IN 2019

1. **Implementing and deepening major works in relation to the three major strategies**

   In terms of "organic growth", as per market demand, we enhanced product quality and added value, increased the supply ratio of featured products; in terms of "M&A and restructuring", as per strategic deployment of the Group, we explored potential quality projects and accelerated the layout of new projects; in terms of "Go Out", the Group's float glass production line with a capacity of 500 tonnes per day in Nigeria has successfully ignited; and its original 2020 ignition plan for the Kazakhstan project was delayed in construction due to the NCP Outbreak.

2. **Optimizing the inspection measures and standards for promoting product quality upgrade**

   We reinforced the dual management on product quality with focus on on-line inspection, standardized the process control system, implemented new enterprise standards, and strictly controlled the inspection, storage and receipt of raw and fuel materials as well as the quality inspection and export of products, to promote product quality upgrade.

3. **Vigorous promotion of the informationization process for optimizing organizational management structure**

   We were committed to facilitating the establishment of ERP System to ensure the effective operation of the "Four Standards and One system" in bases, and the enhancement of the bases' delicacy management; and optimized organizational management structure, designed the control system, and improved the performance appraisal system and incentive mechanism.

4. **Marketing**

We expanded online marketing channels, improved the whole-industrial-chain information system, explored new customers, diversified new channels, promoted the sales volume of high-end products and achieved differentiated sales.

5. **Improving the openness in technology research and development and promptly overcoming the difficulties in production process**

We utilized internal resources to solve difficulties in production procedures, enhanced the control of process technologies and promoted the transformation of new and old kinetic energy. In order to meet market requirements, we strived to achieve technological breakthrough of key projects and optimize the cold repair solutions by leveraging external resources.

THE GLASS MARKET OUTLOOK

Looking forward to 2020, the glass industry will continue to maintain strict control over newly-added capacities and deepen the supply-side structure reform. It is still the peak of the cold repair for the glass industry in 2020. However, under the short-term pressures brought by the NCP Outbreak across the world during the first half of the year, there are still uncertainties about the development of the industry.

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

Based on the forecast for the 2020 soda ash market, domestic soda ash prices may stay stable in the first quarter under the influence of the NCP Outbreak. In the second and third quarters, the prices may gradually pick up as the production capacities of the downstream gradually recover. In the fourth quarter, the prices may gradually decline as the soda ash production capacity recover. It is anticipated that the general industry condition may remain the same as last year.

Prices of mineral raw materials including silica sand, quartz stone and limestone may all rise due to the intensified efforts in environmental protection during 2020.

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

WORK PLANS FOR 2020

According to the requirements of shareholders and the Board, the main work plan for 2020 is as follows, focusing on the three major strategies, namely "Organic Growth", "M&A and Restructuring" and "Go Out":

1. As one of our strategies, 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". In accordance with the production and quality requirements of "Informatization & Industrialization", we will further deepen the "Four Standards and One System", implement the approaches of "streamlining organization, management and operation" and support the establishment of the organizational management structure and the control system in line with the mid-term strategic objectives of the Group.

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

3. We will build reasonable product structure based on clients' needs, and offer them differentiated products and services. We will introduce informatization platforms, expand online sales channels, attract the engagement from upstream and downstream enterprises, improve the whole system chain covering procurement, production and processing, sales and services, so as to enhance our penetration in the intensive processing field and enable us to become a leading supplier for intensive processed glass.

4. In terms of construction of information system, we will continue to improve the whole-industrial-chain ERP management system, facilitating the upgrade of both management and product quality.

5. In terms of overseas business expansion, we will proactively offer assistance to the Nigerian project in fulfilling its first year production and operation goal and ensuring its production to smoothly get onto the right track. We will actively cooperate with "the Belt and Road Integration Fund of Glass Industry" to stably promote the construction progress of the project in Kazakhstan, and facilitate the layout and planning of the pharmaceutical glass technologies and equipment of the Italian company Olivotto in the China market for fully utilizing the Company's advanced technology and service in pharmaceutical glass products.

6. We will strengthen the internal supervision and control, ensuring that operations are carried out in line with the strategic development direction of the Company.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 9% from RMB2.618 billion for the year ended 31 December 2018 to RMB2.369 billion for the year ended 31 December 2019. The decrease in revenue was mainly attributable to the combined effect of an decrease of 3% in the annual average sales price compared to last year due to an decrease in the market price of glass this year, and an decrease of sales volume of 12% compared to last year and the revenue contribution of RMB133 million from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italy company that the Group acquired and mainly engaged in technical services.

For the segment revenue of the Group for the year ended 31 December 2019, clear glass products contributed RMB864 million, painted glass products contributed RMB319 million, coated glass products contributed RMB556 million and energy saving and new energy glass products contributed RMB497 million, representing a decrease of 13%, 11%, 17% and 10% as compared to 2018, respectively. Due to the market downturn, the abovementioned segment revenue decreased. As the Group has intensified efforts in selling the energy-saving and new energy glass product, the decrease in this segment was less than that of the other segments. In addition, during the year, revenue from designing and installation segment was RMB133 million, which was mainly derived from Italian-based subsidiary which was acquired at the end of October 2018.

Cost of sales

The Group's cost of sales decreased by approximately 6% from RMB2.208 billion for the year ended 31 December 2018 to RMB2.085 billion for the year ended 31 December 2019 which was mainly attributable to a decrease in sales volume.

Gross profit

The Group's gross profit decreased by approximately 31% from RMB410 million for the year ended 31 December 2018 to RMB285 million for the year ended 31 December 2019. This was mainly attributable to a decrease in gross profit margin. Gross profit margin decreased from 16% in 2018 to 12% in 2019, mainly because of a combination of the decrease of the market prices of glass products and the rise of the fuel prices.

Other income

The Group's other income increased from RMB231 million for the year ended 31 December 2018 to RMB320 million for the year ended 31 December 2019. The other income were mainly net gain on relocation of production plants and government grants for the year ended 31 December 2019.

Finance costs

The Group's finance costs increased by approximately 15% from RMB161 million as at 31 December 2018 to RMB186 million as at 31 December 2019. The increase in finance cost was mainly due to the increase of the average balance of borrowings as the Group actively expand the financing channels.

Administrative expenses

Administrative expenses of the Group increased by approximately 5% from RMB249 million as at 31 December 2018 to RMB262 million as at 31 December 2019. This was mainly due to the increase of impairment losses on trade and other receivables.

Income tax

The Group's income tax decreased by approximately 66% from RMB49.06 million for the year ended 31 December 2018 to RMB16.72 million for the year ended 31 December 2019, which was mainly due to the decrease of profit before taxation and the non-taxable compensation for the relocation of production plants. Further details of income tax are disclosed in Note 8.

Current assets

The Group's current assets increased by approximately 13% from RMB1.920 billion as at 31 December 2018 to RMB2.177 billion as at 31 December 2019. This was mainly attributable to the increase in contract assets, inventories and other receivables of the Group resulting from increasing government compensation and government grants receivables.

Current liabilities

The Group's current liabilities decreased by approximately 9% from RMB3.864 billion as at 31 December 2018 to RMB3.522 billion as at 31 December 2019. The decrease was mainly due to the decrease of short-term bank and other loans and trade and other payables.

Non-current liabilities

The Group's non-current liabilities increased by approximately 59% from RMB889 million as at 31 December 2018 to RMB1.417 billion as at 31 December 2019. This was mainly attributable to an increase in long-term bank and other loans as the Group newly financed syndicated loans from certain banks in 2019.

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

As at 31 December 2019, the Group's cash and cash equivalents were RMB584 million (31 December 2018: RMB607 million), of which 91% (31 December 2018: 75%) were denominated in RMB, 6% (31 December 2018: 24%) were denominated in United States Dollars ("USD"), 1% (31 December 2018: 1%) were denominated in Hong Kong dollars ("HKD"), and 2% (31 December 2018: 0%) were denominated in Euro Dollars ("EUR"). Outstanding bank and other loans were RMB3.212 billion (31 December 2018: RMB2.794 billion), of which 60.2% (31 December 2018: 74.1%) were denominated in RMB, 35.3% (31 December 2018: 18.2%) were denominated in USD, 4.3% (31 December 2018: 6.0%) were denominated in HKD and 0.2% (31 December 2018: 1.7%) were denominated in EUR. As at 31 December 2019, 42% (31 December 2018: 53%) of the outstanding bank and other loans bear interest at fixed rates while approximately 58% (31 December 2018: 47%) bear interest at variable rates.

As at 31 December 2019, the gearing ratio (total interest-bearing debts divided by total assets) was 0.46 (31 December 2018: 0.42). As at 31 December 2019, the Group's current ratio (current assets divided by current liabilities) was 0.62 (31 December 2018: 0.50). The Group recorded net current liabilities amounting to RMB1.345 billion as at 31 December 2019 (31 December 2018: RMB1.944 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.69 as at 31 December 2019 (31 December 2018: 0.68).

CHARGED ASSETS

As at 31 December 2019, certain properties, plants and equipment and construction in progress and land use rights of the Group with a carrying amount of approximately RMB776 million (31 December 2018: RMB793 million, including certain inventories), certain cash in bank and trade and bills receivables of the Group with a carrying amount of approximately RMB308 million (31 December 2018: RMB246 million) and equity interests of certain subsidiaries were pledged against certain bank loans with a total amount of approximately RMB1.747 billion (31 December 2018: RMB827 million).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

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

During the year ended 31 December 2019, the Group did not have any material investments or acquisitions of capital assets, or material acquisitions or disposals of subsidiaries and associated companies, or significant investments.

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

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR and USD. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future 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 year ended 31 December 2019, the Group did not purchase any derivatives for hedging purposes.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

With respect to the NCP Outbreak , the Directors of the Company has assessed and preliminarily concluded the uncertainties impact on its operating environment and the financial position. The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing fluctuation (if any) to the sales volume and price, reassessing the adequacy of inventory level, and improving the Group's cash management by negotiating with suppliers on payment terms. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2019, the Group employed approximately a total of 3,419 employees within and outside the PRC (31 December 2018: about 3,604 employees). The decrease in staff number of the Group as at 31 December 2019 as compared to 31 December 2018 was mainly attributable to continuously higher workplace efficiency of the Group and reduced headcount as the suspension of production lines of several production bases for cold repair. According to the relevant market situation, the remuneration of the Group's employees has maintained at a competitive level and is subject to adjustment based on the employees' performance.

The employees of the companies in the Group which were established in the PRC and abroad participate in the benefit schemes meeting requirements of local labour laws and regulations, respectively. Details of staff costs and pension schemes are set out in Note 7(b) to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue from sales of goods or rendering of services attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year; and 34% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 13% of the Group's total purchases for the year.

For the year ended 31 December 2019, none of the Directors, their close associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares in the share capital of the Company) has any interest in the Group's five largest suppliers.

SHARE OPTION SCHEMES

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

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

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

During the year ended 31 December 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 year ended 31 December 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 13(b) to the consolidated financial statements.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE CAPITAL

During the year ended 31 December 2019, there were no changes to the total number of ordinary shares of par value HK$0.05 each in the issued share capital of the Company or the share capital structure of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year and up to 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 (including audit issues of the Group and reviewed their findings, recommendations and representations), operational, risk management and internal control, and financial reporting matters and systems of the Group, including the review of the annual results of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2019 (the "**Annual Results Announcement**") have been agreed by the auditors of the Company, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the Annual Results Announcement.

INVESTOR RELATIONS AND COMMUNICATIONS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

For the year ended 31 December 2019, the Company applied the principles and complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules, except for the deviation set out in the CG Code A.2.7 which requires the chairman of the Board (the "**Chairman**") to at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year 2019, save as certain Directors abstained from voting on the resolutions of the Board approving the connected transactions and continuing connected transaction entered into by the Group for better corporate governance practice, all major decisions of the Company were made by the entire Board, and there were no special circumstances requiring independent discussions with the independent non-executive Directors in the absence of other Directors. Therefore, no such meeting with the independent non-executive Directors was held. Notwithstanding that, the Company has internal policies and arrangements to allow all Directors (including the non-executive Directors) to express their views and raise their concerns in relation to the business of the Company with the Chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Confirmation has been received from all Directors that they have complied with the required standards as set out in the Model Code during the financial year ended 31 December 2019.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2020 AGM**") will be held on Thursday, 18 June 2020 and the notice of 2020 AGM will be published and despatched to the shareholders of the Company (the "**Shareholders**") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2020 AGM which is scheduled on Thursday, 18 June 2020. In order to be eligible to attend and vote at the 2020 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 12 June 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Annual Results Announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinaglassholdings.com). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the Shareholders 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, 30 March 2020

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*