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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 2020

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 2020 together with the comparative figures for the corresponding year in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(Expressed in Renminbi (“RMB”))

	Note	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Revenue	5	3,158,567	2,369,230
Cost of sales		<u>(2,419,843)</u>	<u>(2,084,588)</u>
Gross profit	5	738,724	284,642
Other income	6	30,413	319,597
Distribution costs		(77,515)	(67,325)
Administrative expenses		(287,656)	(241,128)
Impairment losses on receivables and contract assets		(122,739)	(20,528)
Other operating expenses	7(c)	<u>(11,673)</u>	<u>—</u>
Profit from operations		269,554	275,258
Finance costs	7(a)	(263,674)	(185,728)
Share of profits less losses of joint ventures		<u>(725)</u>	<u>(102)</u>
Profit before taxation	7	5,155	89,428
Income tax	8	<u>(103,633)</u>	<u>(16,724)</u>
(Loss)/profit for the year		<u><u>(98,478)</u></u>	<u><u>72,704</u></u>
Attributable to:			
Equity shareholders of the Company		(84,713)	82,570
Non-controlling interests		<u>(13,765)</u>	<u>(9,866)</u>
(Loss)/profit for the year		<u><u>(98,478)</u></u>	<u><u>72,704</u></u>
(Loss)/earnings per share (RMB cent)			
Basic	9(a)	<u><u>(5.07)</u></u>	<u><u>4.87</u></u>
Diluted	9(b)	<u><u>(5.07)</u></u>	<u><u>4.87</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in RMB)

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	<u>(98,478)</u>	<u>72,704</u>
Other comprehensive income for the year		
(after tax and reclassification adjustments):		
Item that will not be reclassified to profit or loss:		
– equity securities at FVOCI – net movement in fair value reserve (non–recycling)	(31)	(191)
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	<u>29,065</u>	<u>(9,840)</u>
Total comprehensive income for the year	<u>(69,444)</u>	<u>62,673</u>
Attributable to:		
Equity shareholders of the Company	(55,677)	72,542
Non-controlling interests	<u>(13,767)</u>	<u>(9,869)</u>
Total comprehensive income for the year	<u>(69,444)</u>	<u>62,673</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in RMB)

	Note	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		4,265,335	4,180,455
Investment property		22,463	22,079
Right-of-use assets		323,091	309,783
Intangible assets		93,750	109,734
Goodwill		100,349	97,730
Interests in joint ventures		5,919	7,074
Equity securities		2,953	2,994
Deferred tax assets		236,782	281,472
		<u>5,050,642</u>	<u>5,011,321</u>
Current assets			
Inventories		490,138	549,830
Contract assets		29,071	30,861
Trade and other receivables	10	821,319	1,004,960
Prepaid income tax		3,936	7,100
Cash on hand and in bank		806,137	584,039
		<u>2,150,601</u>	<u>2,176,790</u>
Current liabilities			
Trade and other payables	11	1,194,924	1,307,955
Contract liabilities		133,655	96,291
Bank and other loans		2,227,735	1,898,383
Lease liabilities		17,491	31,650
Convertible bonds	12	17,355	35,317
Income tax payable		161,361	152,230
		<u>3,752,521</u>	<u>3,521,826</u>
Net current liabilities		<u>(1,601,920)</u>	<u>(1,345,036)</u>
Total assets less current liabilities		<u>3,448,722</u>	<u>3,666,285</u>

	Note	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities			
Bank and other loans		1,212,148	1,313,543
Convertible bonds	12	–	13,018
Lease liabilities		15,426	30,131
Deferred tax liabilities		39,887	45,300
Other non-current liabilities		13,265	14,574
		<u>1,280,726</u>	<u>1,416,566</u>
NET ASSETS		<u>2,167,996</u>	<u>2,249,719</u>
CAPITAL AND RESERVES			
Share capital		84,867	84,867
Reserves		1,925,537	1,992,256
Total equity attributable to equity shareholders of the Company		2,010,404	2,077,123
Non-controlling interests		157,592	172,596
TOTAL EQUITY		<u>2,167,996</u>	<u>2,249,719</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(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 2020 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 amendments to 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 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 value.

As at 31 December 2020, the Group had net current liabilities of RMB1,601,920,000 (31 December 2019: RMB1,345,036,000). Notwithstanding the net current liabilities as at 31 December 2020, 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 2021 prepared by the management, which has taken into account:

- unutilised bank facilities of RMB276.8 million, the Group's newly financed and refinanced bank and other loans of RMB340.0 million;
- the Group has maintained long-term strong business relationship with its major banks to get their continuing support and is actively discussing with these banks for renewal of bank loans or new facilities amounting to RMB1,141.9 million, and the directors of the Company are of the opinion that renewal or new banking facilities is likely to be obtained during the year ending 31 December 2021; 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.

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

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of Material*

None of these 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 financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of glass products	3,024,433	2,235,985
– Revenue from service contracts	115,230	115,000
– Sales of spare parts	18,904	18,245
	<u>3,158,567</u>	<u>2,369,230</u>

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 2020 (2019: 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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR20.0 million (2019: EUR13.8 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 (2019: 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.

(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 2020 and 2019 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	1,367,748	864,107	443,536	319,072	810,933	556,248	402,216	496,558	18,904	18,245	3,043,337	2,254,230
– Over time	–	–	–	–	–	–	–	–	115,230	115,000	115,230	115,000
Revenue from external customers	1,367,748	864,107	443,536	319,072	810,933	556,248	402,216	496,558	134,134	133,245	3,158,567	2,369,230
Inter-segment revenue	62,521	66,259	777	3,465	–	–	–	–	–	–	63,298	69,724
Reportable segment revenue	1,430,269	930,366	444,313	322,537	810,933	556,248	402,216	496,558	134,134	133,245	3,221,865	2,438,954
Reportable segment gross profit	310,553	86,852	105,156	26,198	211,228	79,743	79,798	77,268	31,989	14,581	738,724	284,642

(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, investment property 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	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Mainland China and Hong Kong (place of domicile)	2,561,257	1,960,258	3,839,288	3,673,729
Nigeria	211,246	4,261	760,178	824,879
Middle East	105,403	83,140	–	–
Bangladesh	31,743	43,357	–	–
Italy	26,279	39,936	205,522	221,173
Philippines	21,898	19,319	–	–
Peru	21,199	4,478	–	–
Other countries	179,542	214,481	5,919	7,074
	597,310	408,972	971,619	1,053,126
	3,158,567	2,369,230	4,810,907	4,726,855

6 OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net gain on relocation of production plants (Note)	–	221,214
Government grants	9,144	74,603
Interest income	4,506	4,363
Net gain from sale of raw and scrap materials	5,691	6,307
Net gain on disposal of property, plant and equipment	1,209	2,439
Rental income from investment property	1,494	833
Others	8,369	9,838
	30,413	319,597

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.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other loans	205,550	214,126
Finance charges on convertible bonds (Notes 12)	5,717	11,457
Losses incurred from the redemption of convertible bonds	2,325	1,695
Interest on lease liabilities	4,733	5,804
Bank charges and other finance costs	54,543	23,981
	<hr/>	<hr/>
Total borrowing costs	272,868	257,063
Less: amounts capitalised into property, plant and equipment*	(9,058)	(51,723)
	<hr/>	<hr/>
Net borrowing costs	263,810	205,340
Changes in fair value on the derivative components of convertible bonds (Notes 12)	(490)	(6,621)
Net foreign exchange loss/(gain)	354	(12,991)
	<hr/>	<hr/>
	263,674	185,728
	<hr/>	<hr/>

* The borrowing costs have been capitalised at 5.53% per annum for the year ended 31 December 2020 (2019: 7.31% per annum).

(b) **Staff costs:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	322,881	271,618
Contributions to defined contribution retirement plans	<u>8,142</u>	<u>32,360</u>
	<u>331,023</u>	<u>303,978</u>

(c) **Other operating expenses**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses on property, plant and equipment	<u>11,673</u>	<u>–</u>

(d) **Other items:**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories [#]	2,416,873	2,079,440
Auditors' remuneration	6,980	6,980
Depreciation and amortisation charge [#]		
– property, plant and equipment and intangible assets	256,113	215,634
– investment property	1,152	625
– right-of-use assets	25,413	21,123
Research and development costs (other than capitalised costs and related amortisation)	<u>1,810</u>	<u>–</u>

[#] Cost of inventories includes RMB421.5 million (2019: RMB366.2 million) for the year ended 31 December 2020, 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:

	2020 RMB'000	2019 RMB'000
Current taxation		
– Provision for the year	64,847	57,486
– PRC Withholding Tax (Note (x))	–	6,000
– (Over)/under-provision in respect of prior years	(67)	44
	64,780	63,530
Deferred taxation		
– Origination and reversal of temporary differences	38,853	(46,806)
	103,633	16,724

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	5,155	89,428
Expected tax on profit before tax,calculated at the rates applicable in the tax jurisdictions concerned (Notes (i), (ii), (iii), (v), (vii), (viii) and (ix))	7,951	28,811
Tax effect of non-deductible expenses	15,877	9,149
Tax effect of unused tax losses and temporary differences not recognised	21,390	(193)
Tax effect of write-down of deferred tax assets (Note (xi))	66,192	13,766
Tax concessions (Notes (iv) and (vi))	(5,074)	(6,568)
Tax effect on change of tax rate (Note (iv))	(2,636)	–
Tax effect of non-taxable income	–	(24,382)
Tax effect of PRC Withholding Tax (Note (x))	–	6,000
Tax effect of recognition and utilisation of prior years' unused tax losses and temporary differences previously not recognised	–	(9,903)
(Over)/under-provision in respect of prior years	(67)	44
Income tax	103,633	16,724

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% (2019: 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% (2019: 25%).
- (iv) A subsidiary of the Group established in the PRC enjoyed a preferential PRC Corporate Income Tax rate of 15% before 2019 as it obtained the approval from the tax bureau that applicated to entity under the Second Phase of Western Region Development Plan of the PRC. The subsidiary does not satisfy related criteria to apply for preferential tax rate as it is upgrading and is expected to subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2020 and the years thereafter.
- (v) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2019: 30%).
- (vi) 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.
- (vii) A subsidiary of the Group established in Italy is subject to Italy Corporate Income Tax rate of 27.9% (2019: 27.9%).
- (viii) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20% (2019: 20%).
- (ix) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25% (2019: 25%).
- (x) 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.

- (xi) The Group wrote down previously recognised deferred tax assets of RMB66.2 million (2019: RMB13.8 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 2020 and changes in estimates of future operating results of certain subsidiaries of the Group.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss attributable to ordinary equity shareholders of the Company of RMB84,713,000 (2019: profit attributable to ordinary equity shareholders of the Company of RMB82,570,000) and the weighted average of 1,670,907,000 ordinary shares (2019: 1,694,527,000 ordinary shares) in issue during the year ended 31 December 2020, calculated as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares at 1 January	1,694,527	1,694,527
Effect of shares purchased under a share award scheme (Note 13(b))	<u>(23,620)</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,670,907</u></u>	<u><u>1,694,527</u></u>

(b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares for the years ended 31 December 2020 and 2019. 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 2020 and 2019.

10 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables from (Note (a)):		
– third parties	182,198	195,533
– Triumph Group's related parties	6,677	–
– affiliates of non-controlling equity holders of subsidiaries	15,069	15,677
– a joint venture	–	2,267
	<u>203,944</u>	213,477
Less: loss allowance	<u>(140,516)</u>	<u>(110,031)</u>
	<u>63,428</u>	103,446
Amounts due from related companies:		
– an equity shareholder of the Company (Note (i))	13	319
– non-controlling equity holders of a subsidiary (Note (i))	150	150
– a joint venture (Note (ii))	23,324	–
	<u>23,487</u>	469
Other debtors		
– advances to third parties (Note (iii))	248,937	143,997
– receivable for disposal of land use rights	–	1,072
– receivable for disposal of property, plant and equipment	4,420	52,420
– receivable for relocation of production plants and government grants (Note (iv))	174,046	367,873
– others	38,796	35,175
	<u>466,199</u>	600,537
Less: loss allowance	<u>(154,401)</u>	<u>(62,171)</u>
	<u>311,798</u>	538,366
Financial assets measured at amortised cost	<u>454,441</u>	653,968
Bills receivable	<u>264,422</u>	105,478

	2020 RMB'000	2019 <i>RMB'000</i>
Prepayments, deposits and other receivables:		
– prepayments for the purchase of inventories	41,343	92,054
– prepayments for the purchase of property, plant and equipment and land use rights		
– Triumph Group's related parties	55,728	11,687
– third parties	22,223	97,193
– value added tax refundable	38,890	56,267
	158,184	257,201
	821,319	1,004,960

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) The amounts are unsecured, with fixed interest rate of 7.00%, and fixed repayment terms before 31 December 2021.
- (iii) As at 31 December 2020, the amount of RMB100.0 million is due from the local government authority and have fixed terms of repayment before 31 December 2021.
- (iv) As at 31 December 2020, the amount of RMB87.0 million (2019: 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:

	2020 RMB'000	2019 <i>RMB'000</i>
Within 1 month	63,859	81,646
More than 1 month but less than 3 months	103,557	16,785
More than 3 months but less than 6 months	116,284	67,190
More than 6 months but less than 1 year	32,698	2,136
Over 1 year	11,452	41,167
	327,850	208,924

11 TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables to:		
– third parties	323,716	420,725
– Triumph Group's related parties	258,563	70
– affiliates of non-controlling equity holders of subsidiaries	599	599
Bills payable	83,785	240,581
	<u>666,663</u>	<u>661,975</u>
Amounts due to related parties:		
– Triumph Group and its related parties (Note)	48,161	87,848
– an equity shareholder of the Company	–	73
– companies under common significant influence (Note)	11	11
	<u>48,172</u>	<u>87,932</u>
Accrued charges and other payables:		
– payables for construction and purchase of property, plant and equipment and land use rights	231,647	299,624
– payables for staff related costs	79,059	81,268
– payables for acquisitions considerations and dividends to non-controlling interests in subsidiaries	8,676	4,969
– payables for transportation expenses	5,640	8,471
– advances from third parties	21,706	32,511
– interest payables	21,721	26,262
– others	46,140	43,081
	<u>414,589</u>	<u>496,186</u>
Financial liabilities measured at amortised cost	1,129,424	1,246,093
Payables for miscellaneous taxes	65,500	61,862
	<u>1,194,924</u>	<u>1,307,955</u>

Note: The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

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:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Due within 1 month or on demand	351,280	408,694
Due after 1 month but within 6 months	183,379	253,281
Due after 6 months	132,004	—
	<u>666,663</u>	<u>661,975</u>

12 CONVERTIBLE BONDS

	Liability component	Derivative components	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 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
	<u>44,503</u>	<u>3,832</u>	<u>48,335</u>
At 31 December 2019 and 1 January 2020	44,503	3,832	48,335
Accrued finance charges for the year (Note 7(a))	5,717	—	5,717
Interest paid	(2,404)	—	(2,404)
Fair value changes on the derivative components (Note 7(a))	—	(490)	(490)
Partial redemption of convertible bonds	(30,453)	(2,219)	(32,672)
Exchange adjustments	(1,049)	(82)	(1,131)
	<u>(1,049)</u>	<u>(82)</u>	<u>(1,131)</u>
At 31 December 2020	<u><u>16,314</u></u>	<u><u>1,041</u></u>	<u><u>17,355</u></u>

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, second, third and forth 25% of total outstanding principal of the convertible bonds on 1 July 2019, 3 January 2020, 1 July 2020 and 4 January 2021 separately. Up to date of these financial statements, all the convertible bonds had been redeemed by the Bondholder.

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 or employees of the Group under the New Share Option Scheme during the years ended 31 December 2020 and 2019.

(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:

	2020		2019	
	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	30,390	HK\$1.25	31,490
Forfeited during the year	HK\$1.25	(330)	HK\$1.25	(1,100)
Outstanding at the end of the year	HK\$1.25	30,060	HK\$1.25	30,390
Exercisable at the end of the year	HK\$1.25	30,060	HK\$1.25	30,390

The share options outstanding at 31 December 2020 had an exercise price of HK\$1.25 (31 December 2019: HK\$1.25) and a weighted average remaining contractual life of 1.36 years (31 December 2019: 2.36 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 HK\$	No. of shares held '000	Value RMB'000
At 1 January 2019 and 31 December 2019		115,620	64,253
Shares purchased during the year	0.401	<u>36,380</u>	<u>11,436</u>
At 31 December 2020		<u><u>152,000</u></u>	<u><u>75,689</u></u>

During year 2020, 36,380,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK\$0.401 per share (2019: no ordinary shares were purchased). No shares have been awarded to any selected employee as at the date of these financial statements.

14 DIVIDENDS/DISTRIBUTIONS

- (i) The directors of the Company do not propose final dividends after 31 December 2020 (2019: HK\$Nil).
- (ii) No final dividend in respect of the previous financial year has been approved during the year (2019: HK\$Nil).
- (iii) Distributions approved and paid during the year

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interim distributions approved and paid of HK\$Nil per ordinary share (2019: HK\$0.02 per ordinary share)	<u><u>—</u></u>	<u><u>32,634</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2020, the COVID-19 pandemic dragged the global economy into recession. Major developed economies shrank sharply, and the growth of developing economies turned from positive to negative. China's economy has been leading the world in recovery since the second quarter thanks to its success in fighting COVID-19 and implementation of a series of macro-control measures such as “driving the economy with infrastructure and investment”. In 2020, China's GDP grew by 2.3% over the previous year, making it one of the few major economies with positive economic growth.

In 2020, under the supply-side structural reform of the flat glass industry and the tightening environmental policies, overcapacity in the industry was effectively alleviated and the industry structure was further optimized. In the second quarter, COVID-19 was effectively controlled in China, and accelerated construction in the real estate industry promoted the rapid destocking in the glass industry, leading to a V-shaped recovery of glass prices. In the second half of the year, product prices in the industry remained generally high thanks to the explosive growth of the photovoltaic industry, the continuous release of demand for real estate construction and the recovery of automobile demand. In terms of pharmaceutical glass, driven by the COVID-19 pandemic and vaccination needs, the process of substituting neutral borosilicate glass has been accelerated with huge growth potential for pharmaceutical glass.

BUSINESS REVIEW

Overview

The Group currently has 13 float glass production lines, with a daily melting capacity of 6,650 tonnes per day. As at 31 December 2020, 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 1 offline low-emission coated (“**Low-E**”) glass production line, 1 production line for ultra-thin photovoltaic encapsulating material for bi-facial modules, and a company specialized in pharmaceutical glass production line technologies and services.

Prices of raw and fuel materials, and production costs

In terms of raw materials, the domestic soda ash prices fluctuated throughout 2020. In the first half of the year, the domestic soda ash prices followed an L-shaped trajectory. In the first quarter, due to the COVID-19 outbreak, the downstream demand was sluggish and the prices declined after stabilizing. In the second quarter, the industry concentrated on overhauling and the destocking process, so the prices levelled off after falling. In the third quarter, companies with low inventories began to replenish their stocks, so the soda ash prices rebounded strongly in tandem with increased market activity. In the fourth quarter, the purchasing appetite of downstream companies was not strong, so the prices dropped noticeably. In terms of mineral raw materials, domestic prices of silica sand, limestone and dolomite remained relatively stable in 2020.

In terms of fuel, in the first half of 2020, the market price of imported low-sulfur shot petroleum coke rose slightly; due to the tight supply, its market price rose rapidly from August to October and reached a peak at the end of the year. The market price of fuel oil continued to decrease from January to August in 2020 and recovered sharply in September 2020. The market price of natural gas remained low in the first half of 2020, and began to stabilize and rise in the third quarter.

Production, sales and selling price

In 2020, the Group produced an aggregate amount of 35.44 million weight cases of various glass, representing an increase of 14% as compared to last year; whereas sales volume was 36.60 million weight cases, representing an increase of 23% as compared to last year. The average selling price of the Group's various glass products was RMB83 per weight case in 2020, representing an increase of 10% as compared to last year.

Profitability analysis

In 2020, the Group recorded a sales revenue of approximately RMB3.159 billion, representing a year-on-year increase of 33% compared to the same period of last year. The increase in revenue was due to the increase of both sales volume and sales price as a result of improvement in the glass market. In 2020, the Group recorded a loss of RMB98.48 million, turning from a profit in 2019, which was mainly due to the increase in provision for impairment losses on the receivables and decrease in non-recurring government compensation from relocation.

Impact of COVID-19 pandemic

In early 2020, the COVID-19 epidemic broke out in China, and China's economy and glass industry faced challenges of varying degrees. In terms of production and operations, in response to the COVID-19 outbreak, the Group maintained raw materials and fuel stocks above the safety line, and achieved normal production throughout the year through scientific and reasonable production plans and disease prevention measures. In terms of sales, in the first quarter, due to the extensive shutdown of the real estate and logistics industries, the glass industry experienced difficulty in sales, inventory backlog, and a decline in sales-output ratio. As such, the Group quickly adjusted its sales strategy and shifted its sales focus to overseas markets, and consequently saw its export sales volume almost doubled year-on-year in the first quarter. Since the second quarter, construction projects that were suspended due to lockdown measures have resumed, driving the growth of demand for construction glass. With diverse sales strategies and high-quality products, the Group achieved a significant growth in glass sales revenue. In terms of financial management, the Group further optimized its accounting management and financial structure, made a unified assessment of the recoverability of long-term prepayments and other receivables, strengthened debt collection and improved working capital management. In addition, the Group implemented a series of measures to increase revenue, reduce expenditures, cut costs and improve efficiency, so as to meet the challenges posed by COVID-19.

MAJOR WORKS IN 2020

1. Continuously implementing and deepening the major works in relation to the three major strategies

In terms of “organic growth”, we enhanced product quality and ensured safe production; reduced production costs and optimized product mix; increased the added value of products based on product differentiation. In terms of “M&A and restructuring”, we explored potential high-quality projects according to the Group's strategic planning. In terms of “going global”, the Nigerian project, after being put into production last year, was operating normally with a gross margin higher than the domestic average, and had gradually become a new growth point of the Group; the Kazakhstan project was originally planned to be ignited in 2020, but its construction was postponed due to the impact of COVID-19.

2. Deepening the reform of management system and performing “five-in-one” management

According to its development plans and operating practices, the Company standardized management measures, improved its organizational structure and optimized departmental functions. Specifically, we established a five-in-one business management model covering “marketing, procurement, production technology, finance and investment”, which revolves around the unified management by the Group’s headquarters, has a clear division of power and responsibilities, and can improve work efficiency. Meanwhile, the Company has set up a fund management committee and a price management committee to coordinate its fund management and price management, thereby achieving the goal of organizational refinement.

3. Tapping the synergy of unified management of production technology and improving the openness and contribution of technology R&D

The production system is in accordance with the “five-in-one” management requirements, we conducted in-depth investigations on the production process, product quality and market positioning of each production base, and carried out “special overhauls of furnaces, equipment and electric facilities” and the activity of “one-on-one” support for production bases to resolve potential safety hazards through technical guidance and communication and collaboration. In addition, we leveraged internal and external technology development platforms to promote product differentiation and accelerate conversion between old and new production capacity.

4. Procurement and marketing

Based on the “five-in-one” management model, in terms of procurement management, we reduced purchasing costs by means of centralized purchasing, off-peak purchasing and opportunistic purchasing, and maintained the security of raw materials and fuel supply through overall planning, field survey, advance procurement, and purchasing for winter storage; in terms of marketing management, we strengthened market research and inventory management, established a long-term price control mechanism, developed diversified sales strategies to prevent risks, improved the customer contract management system, and promoted marketing team building by fully motivating business personnel.

5. Improving the performance incentive system and strengthening compliance supervision and management

According to the Group's annual budget and production and operating targets, each of our production bases and departments established a performance appraisal mechanism based on Performance Contract, repeatedly accessed the KPIs set for each system and the rationality of rewards among systems, and optimized the performance appraisal mechanism accordingly to fully mobilize the enthusiasm of employees. The operating results of such mechanism basically met expectations. Meanwhile, in order to prevent and resolve operational risks, the Company strengthened compliance supervision and management, intensified integrity promotion for the management team, conducted a number of special audits, and gave full play to the functions of supervisors at various production bases, with a view to promoting compliance-based operation of the Group.

6. Efforts against COVID-19

In response to the COVID-19 outbreak, we established a leading group for epidemic prevention and formulated and initiated an anti-COVID-19 emergency plan to strengthen epidemic prevention and control, while coordinating the production and operations of production base companies.

THE GLASS MARKET OUTLOOK

The Organisation for Economic Co-operation and Development predicts that the world economy will grow by approximately 5.6% in 2021, and China's economy will return to rapid growth. In 2021, the boom of the float glass industry is expected to maintain. Given the strengthening of environmental governance, limited new production capacity, rotation of cold repairs, and shift from float glass capacity to ultra-clear glass capacity, and driven by the high-certainty demand from the real estate and automobile industries, product structure upgrade and increase of unit consumption, the industry is expected to continue to expand. In terms of pharmaceutical glass, the policy-driven upgrade of pharmaceutical glass, the significant increase in unit product price, and the accelerated vaccination around the world under the COVID-19 pandemic may bring new growth drivers to the industry. However, the mutation of COVID-19, international trade disputes, and anti-globalization trend in the post-COVID-19 era will bring some uncertainties to the development of the glass industry.

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

In terms of raw materials, it is expected that the domestic soda ash prices may gradually pick up in the first half of 2021 driven by the increase of downstream demand, inflation and futures market influence, and may continue to rise in the second half of 2021 due to the increase of glass demand and concentrated overhaul of soda ash production facilities. Overall, soda ash prices may increase in 2021 compared with those in 2020.

The prices of silica sand, limestone and other mineral raw materials are expected to rise slightly in 2021 driven by environmental remediation and increased downstream demand.

In terms of fuel, it is expected that the prices of coal tar and fuel oil may increase in 2021 due to the increase in crude oil prices and global inflation; natural gas prices may rise slightly due to increased demand; the price of imported low-sulfur shot petroleum coke may rise due to the reduced production capacity abroad caused by the COVID-19 pandemic.

WORK PLANS FOR 2021

1. We will focus on the float glass industry to improve performance, fully utilise the system of incentives, and optimize the performance appraisal mechanism.
2. We will deepen the “five-in-one” management and practice the management philosophy of “streamlining organization, management and operation” to reduce non-profit-making companies, lower operating costs, and improve the management of production base companies.
3. We will seize the historic opportunity to speed up the construction of photovoltaic and deep processing projects, gradually extend to the field of glass deep processing, optimize the product mix, and promote synergy between the upstream and downstream of the industrial chain, so as to enhance the profitability of the Company.

4. In terms of overseas business expansion, we will integrate local glass industry resources to seek growth in West Africa through economies of scale while ensuring the stable production and operation and growth of the Nigerian project; work with the “Belt and Road Glass Industry Integration Fund” to steadily promote the construction of the Kazakhstan project; leverage the world-leading pharmaceutical glass technology and equipment of the Italian company Olivotto to facilitate the Company’s strategic expansion in China’s pharmaceutical glass market and enhance the Company’s pharmaceutical glass technology and services.
5. We will strengthen human resources management, and build a market-oriented, younger and more professional workforce to meet the Company’s medium and long-term development needs.
6. We will continue to implement disease prevention measures, strengthen the inventory management of raw materials and fuel for supply security, and enhance the flexibility of production, logistics and marketing strategies to meet the challenge of COVID-19 normalization.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased by approximately 33% from RMB2.369 billion for the year ended 31 December 2019 to RMB3.159 billion for the year ended 31 December 2020. The increase in revenue was mainly attributable to the combined effect of an increase of 10% in the annual average sales price compared to last year due to an increase in the market price of glass this year, and an increase of sales volume of 23% compared to last year.

For the segment revenue of the Group for the year ended 31 December 2020, clear glass products contributed RMB1.368 billion, painted glass products contributed RMB444 million, and coated glass products contributed RMB811 million, representing an increase of 58%, 39% and 46% as compared to 2019, respectively; and energy-saving and new energy glass products contributed RMB402 million, representing a decrease of 19% as compared to 2019; the performance of these segments were mainly attributable to the glass market trending positively this year and the sales volume of the Group increasing sharply. Meanwhile, the production capacity of the glass industry was tilted towards the photovoltaic industry this year; as a result, the insufficient supply of building materials glass promoted the market demand, leading to an increase in the revenue proportion of clear glass, painted glass and coated glass products. In addition, revenue from the design and installation service segment for the year reached RMB134 million, with total revenue remaining stable as compared with that of the previous year.

Cost of sales

The Group's cost of sales increased by approximately 16% from RMB2.085 billion for the year ended 31 December 2019 to RMB2.420 billion for the year ended 31 December 2020. This was mainly attributable to the combined effect of an increase in sales volume and a decrease in market price of sodium carbonate and fuel.

Gross profit

The Group's gross profit increased from RMB285 million for the year ended 31 December 2019 to RMB739 million for the year ended 31 December 2020. Gross profit margin increased from 12% in 2019 to 23% in 2020, mainly driven by the decrease in unit cost as a result of fluctuation in average market price of sodium carbonate and fuel, and the increase in the selling price arising from an upward glass products market.

Other income

The Group's other income decreased from RMB320 million for the year ended 31 December 2019 to RMB30 million for the year ended 31 December 2020. The significant decrease in other income as compared to last year was mainly because a net gain of approximately RMB221 million from government compensation for relocation of production plants and a net gain of RMB60 million from government grant for transition from old to new economic drivers were recognised for the year ended 31 December 2019, while no such gains were recognised for the year ended 31 December 2020.

Administrative expenses

For the year ended 31 December 2020, the administrative expenses of the Group increased by approximately 19% to RMB288 million as compared to RMB241 million for the year ended 31 December 2019, mainly due to the increase in administrative expenses arising from the official commencement of operation of an overseas subsidiary during the year.

Impairment losses on the receivables and contract assets

For the year ended 31 December 2020, the impairment losses on the receivables of the Group increased to approximately RMB123 million as compared to RMB21 million for the year ended 31 December 2019, which was mainly due to the COVID-19 pandemic that affected the repayment abilities of the Group's debtors.

Finance costs

For the year ended 31 December 2020, the finance costs of the Group amounted to RMB264 million, mainly due to the significant decrease in interests capitalised and exchange gains compared with last year. Excluding the impacts of interests capitalised and exchange gains and losses, the finance costs increased by approximately 9% compared with last year due to the increase of approximately 20% in weighted average balance of borrowings during the year. The increase in weighted average balance of borrowings was mainly due to the significant increase in the weighted average balance of other borrowings arising from the change in borrowing structure as the Group expanded other financing channels and increased the cooperation with factoring companies and finance leasing companies. The weighted average interest of borrowings decreased by 1 percentage point compared with last year.

Income tax

For the year ended 31 December 2020, the Group's income tax expenses was in a net amount of RMB104 million, which was the combined effect of the reversal of unused tax losses due to actual and estimated future operating results of certain subsidiaries and the increase of current tax due to more profits of certain subsidiaries of the Group.

Current assets

The Group's current assets decreased by approximately 1% from RMB2.177 billion as at 31 December 2019 to RMB2.151 billion as at 31 December 2020, which was mainly due to the combined effect of the decrease in inventories and trade and other receivables, as well as the increase in cash.

Current liabilities

The Group's current liabilities increased by approximately 7% from RMB3.522 billion as at 31 December 2019 to RMB3.753 billion as at 31 December 2020, which was mainly due to the combined effect of the increase in short-term bank and other borrowings and the decrease in the balance of trade and other payables.

Non-current liabilities

The Group's non-current liabilities decreased by approximately 10% from RMB1.417 billion as at 31 December 2019 to RMB1.281 billion as at 31 December 2020, mainly due to the part of long-term loans of the Group which had fell due for repayment.

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

As at 31 December 2020, the Group's cash on hand and in bank were RMB806 million (31 December 2019: RMB584 million), of which 81% (31 December 2019: 91%) were denominated in RMB, 6% (31 December 2019: 6%) were denominated in United States Dollars ("USD"), 6% (31 December 2019: 2%) were denominated in Euro ("EUR"), 6% (31 December 2019: 0%) were denominated in Nigerian Naira, and 1% (31 December 2019: 1%) were denominated in Hong Kong Dollars ("HKD"). Outstanding bank and other loans were RMB3.440 billion (31 December 2019: RMB3.212 billion), of which 56.8% (31 December 2019: 60.2%) were denominated in RMB, 36.1% (31 December 2019: 35.3%) were denominated in USD, 6.5% (31 December 2019: 4.3%) were denominated in HKD and 0.6% (31 December 2019: 0.2%) were denominated in EUR. As at 31 December 2020, 62% (31 December 2019: 42%) of the outstanding bank and other loans bear interest at fixed rates while approximately 38% (31 December 2019: 58%) bear interest at variable rates.

As at 31 December 2020, the gearing ratio (total interest-bearing debts divided by total assets) was 0.49 (31 December 2019: 0.46). As at 31 December 2020, the Group's current ratio (current assets divided by current liabilities) was 0.57 (31 December 2019: 0.62). The Group recorded net current liabilities amounting to RMB1.602 billion as at 31 December 2020 (31 December 2019: RMB1.345 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.70 as at 31 December 2020 (31 December 2019: 0.69).

CHARGED ASSETS

As at 31 December 2020, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB763 million (31 December 2019: RMB776 million), and certain trade and bills receivables of the Group with a carrying amount of approximately RMB110 million (31 December 2019: RMB308 million) were pledged against certain bank loans with a total amount of approximately RMB601 million (31 December 2019: RMB855 million).

CONTINGENT LIABILITIES

As at 31 December 2020, 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 2020, 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.

On 4 February 2021, the Company entered into a non-legally binding memorandum of understanding with three vendors (the “**Three Vendors**”), pursuant to which the Company intends to acquire 51% or more of the equity interest in Fujian Longtai Industrial Company Limited* (福建龍泰實業有限公司) (the “**Target Company**”), a company established in the People’s Republic of China which is in the process of building float glass and photovoltaic glass production lines. On 18 March 2021, China Glass Investment Limited* (中玻投資有限公司), an indirect wholly-owned subsidiary of the Company (“**China Glass Investment**”) entered into a co-operation framework agreement (the “**Co-operation Framework Agreement**”) with one of the Three Vendors (the “**Vendor**”) and the Target Company, pursuant to which China Glass Investment intends to acquire a controlling interest in the Target Company through a combination of acquiring equity interest from the Vendor and capital injection into the Target Company (the “**Potential Acquisition**”). The consideration and the amount of equity interest for the Potential Acquisition will be determined based on further due diligence and third-party evaluation on the Target Company, and negotiations between China Glass Investment and the Vendor and subject to further formal agreement(s) to be entered by the contracting parties. If the Potential Acquisition materializes, it is expected that the Potential Acquisition will be funded by the Company’s internal resources. Please refer to the announcements of the Company dated 4 February 2021 and 18 March 2021 for further details on the Potential Acquisition.

Save as disclosed, 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 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 2020, the Group did not purchase any derivatives for hedging purposes.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2020, the Group employed approximately a total of 3,391 employees within and outside the PRC (31 December 2019: about 3,419 employees). The decrease in the number of employees of the Group as at 31 December 2020 as compared to 2019 was due to the continuously higher workplace efficiency of the Group, the reduction in workers in the production lines of certain production bases as a result of cold-repair, and the increase in retired workers. 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. 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 2020 (31 December 2019: 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 48% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 34% of the Group's total purchases for the year.

For the year ended 31 December 2020, 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 2020, save for a total of 330,000 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 2020, based on the Company’s instruction for the purpose of the Share Award Scheme, Bank of Communications Trustee Limited, being the trustee of the Share Award Scheme, purchased 36,380,000 ordinary shares of par value HK\$0.05 each in the issued share capital of the Company (the “**Shares**”) on the market, representing approximately 2.01% of the issued share capital of the Company, for a total purchase price of HK\$14,592,850 (the “**Purchase of Shares for the Share Award Scheme**”).

During the year ended 31 December 2020, 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 2020, save for the Purchase of Shares for the Share Award Scheme, 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 2020, there were no changes to the total number of Shares or the share capital structure of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of not less than 25% of the issued share capital of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) 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 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 matters 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 2020.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2020 (the “**Annual Results Announcement**”) have been agreed by the external auditors of the Company, KPMG, to the amounts set out in the Group’s 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 2020, 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 provisions A.2.7 and A.5.1.

CG Code provision A.2.7 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 2020, save as certain Directors abstained from voting on the resolutions of the Board approving the connected transactions 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.

CG Code provision A.5.1 requires the Company to establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Due to the passing away of Mr. Zhao Lihua, an independent non-executive Director of the Company and a member of the nomination committee of the Board (the “**Nomination Committee**”), on 22 December 2020, the Nomination Committee only consists of one non-executive Director and one independent non-executive Director since then. Details of which please refer to the announcements of the Company dated 24 December 2020 and 22 March 2021. The Company has been actively identifying candidate(s) and assessing their suitability, experiences, skills, qualifications and independency for making of the required recommendations to the Board for filling the vacancy left by Mr. Zhao Lihua with the aim of rectifying the above-mentioned deviation as soon as possible.

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 2020.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2021 AGM**”) will be held on Thursday, 3 June 2021 and the notice of 2021 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, 31 May 2021 to Thursday, 3 June 2021, both days inclusive, for the purpose of ascertaining Shareholders’ entitlement to attend and vote at the 2021 AGM which is scheduled on Thursday, 3 June 2021. In order to be eligible to attend and vote at the 2021 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, 28 May 2021.

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 2020 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
Executive Director

Hong Kong, 30 March 2021

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

Executive Director:

Mr. Cui Xiangdong

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; and Mr. Chen Huachen

* For identification purpose only