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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 2021

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 2021 together with the comparative figures for the corresponding year in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(Expressed in Renminbi (“RMB”))

	Note	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Revenue	5	5,065,048	3,158,567
Cost of sales		<u>(3,331,345)</u>	<u>(2,419,843)</u>
Gross profit	5	1,733,703	738,724
Other income	6	3,140	30,413
Distribution costs		(83,213)	(77,515)
Administrative expenses		(337,572)	(287,656)
Impairment losses on receivables and contract assets		(566)	(122,739)
Other operating expenses	7(c)	<u>(13,440)</u>	<u>(11,673)</u>
Profit from operations		1,302,052	269,554
Finance costs	7(a)	(232,802)	(263,674)
Share of profits less losses of joint ventures		<u>(56)</u>	<u>(725)</u>
Profit before taxation	7	1,069,194	5,155
Income tax	8	<u>(267,247)</u>	<u>(103,633)</u>
Profit/(loss) for the year		<u>801,947</u>	<u>(98,478)</u>
Attributable to:			
Equity shareholders of the Company		736,359	(84,713)
Non-controlling interests		<u>65,588</u>	<u>(13,765)</u>
Profit/(loss) for the year		<u>801,947</u>	<u>(98,478)</u>
Earnings/(loss) per share (RMB cent)			
Basic	9(a)	<u>44.24</u>	<u>(5.07)</u>
Diluted	9(b)	<u>44.12</u>	<u>(5.07)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in RMB)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit/(loss) for the year	<u>801,947</u>	<u>(98,478)</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 fair value through other comprehensive income (FVOCI) – net movement in fair value reserve (non–recycling)	(1,116)	(31)
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>(51,886)</u>	<u>29,065</u>
Total comprehensive income for the year	<u>748,945</u>	<u>(69,444)</u>
Attributable to:		
Equity shareholders of the Company	683,376	(55,677)
Non-controlling interests	<u>65,569</u>	<u>(13,767)</u>
Total comprehensive income for the year	<u>748,945</u>	<u>(69,444)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		6,750,142	4,265,335
Investment property		21,240	22,463
Right-of-use assets		560,577	323,091
Intangible assets		66,762	93,750
Other non-current assets		182,006	—
Goodwill		127,215	100,349
Interests in joint ventures		5,685	5,919
Equity securities designated at FVOCI		1,610	2,953
Deferred tax assets		187,472	236,782
		<u>7,902,709</u>	<u>5,050,642</u>
Current assets			
Inventories		832,908	490,138
Contract assets		35,190	29,071
Trade and bills receivables	10	194,244	327,850
Other receivables		353,534	374,175
Prepayments		364,922	119,294
Prepaid income tax		4,092	3,936
Cash on hand and at bank		692,935	806,137
		<u>2,477,825</u>	<u>2,150,601</u>
Current liabilities			
Trade and bills payables	11	462,072	666,663
Accrued charges and other payables		1,051,983	528,261
Contract liabilities		204,926	133,655
Bank loans and other borrowings		3,826,420	2,227,735
Lease liabilities		14,200	17,491
Convertible bonds	12	—	17,355
Income tax payable		206,115	161,361
		<u>5,765,716</u>	<u>3,752,521</u>
Net current liabilities		<u>(3,287,891)</u>	<u>(1,601,920)</u>
Total assets less current liabilities		<u>4,614,818</u>	<u>3,448,722</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current liabilities		
Bank loans and other borrowings	1,016,138	1,212,148
Lease liabilities	73,423	15,426
Deferred tax liabilities	137,583	39,887
Other non-current liabilities	9,651	13,265
	<u>1,236,795</u>	<u>1,280,726</u>
NET ASSETS	<u>3,378,023</u>	<u>2,167,996</u>
CAPITAL AND RESERVES		
Share capital	85,703	84,867
Reserves	2,562,081	1,925,537
Total equity attributable to equity shareholders of the Company	2,647,784	2,010,404
Non-controlling interests	730,239	157,592
TOTAL EQUITY	<u>3,378,023</u>	<u>2,167,996</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

(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 2021 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 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 2021, the Group had net current liabilities of RMB3,287,891,000 (31 December 2020: RMB1,601,920,000). Notwithstanding the net current liabilities as at 31 December 2021, 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 of a cash flow forecast of the Group for the next twelve months ending 31 December 2022 prepared by the management, which has taken into account:

- unutilised bank facilities of RMB338.1 million, the Group's newly financed and refinanced bank loans and other borrowings of RMB1,225.8 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 RMB3,153.8 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 2022; 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.

Based on the cash flow forecast, 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:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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:

	2021 <i>RMB'000</i>	2020 <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	4,845,053	3,024,433
– Revenue from service contracts	199,952	115,230
– Sales of spare parts	20,043	18,904
	<u>5,065,048</u>	<u>3,158,567</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 2021 (2020: 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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is EUR44.6 million (2020: EUR20.0 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 to 24 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, processes, markets and distributes energy saving and new energy glass products, such as ultra clear glass, low-emission coated glass, photovoltaic 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 2021 and 2020 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	2,688,045	1,367,748	639,520	443,536	1,047,605	810,933	472,011	402,216	20,043	18,904	4,867,224	3,043,337
– Over time	–	–	–	–	–	–	–	–	197,824	115,230	197,824	115,230
Revenue from external customers	2,688,045	1,367,748	639,520	443,536	1,047,605	810,933	472,011	402,216	217,867	134,134	5,065,048	3,158,567
Inter-segment revenue	53,340	62,521	183	777	2,437	–	–	–	–	–	55,960	63,298
Reportable segment revenue	2,741,385	1,430,269	639,703	444,313	1,050,042	810,933	472,011	402,216	217,867	134,134	5,121,008	3,221,865
Reportable segment gross profit	824,590	310,553	266,666	105,156	457,485	211,228	134,123	79,798	50,839	31,989	1,733,703	738,724

(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, other non-current 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, right-of-use assets and other non-current 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	
	2021	2020	2021	2020
	<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)	<u>3,967,155</u>	<u>2,561,257</u>	<u>6,136,585</u>	<u>3,839,288</u>
Nigeria	378,938	211,246	656,575	760,178
Middle East	199,210	105,403	–	–
Italy	5,474	26,279	168,299	205,522
Kazakhstan	–	–	746,483	–
Other countries	<u>514,271</u>	<u>254,382</u>	<u>5,685</u>	<u>5,919</u>
	<u>1,097,893</u>	<u>597,310</u>	<u>1,577,042</u>	<u>971,619</u>
	<u>5,065,048</u>	<u>3,158,567</u>	<u>7,713,627</u>	<u>4,810,907</u>

6 OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	10,218	9,144
Interest income	6,987	4,506
Net gain from sale of raw and scrap materials	7,805	5,691
Net (loss)/gain on disposal of property, plant and equipment	(1,115)	1,209
Rental income from investment property	1,508	1,494
Net loss on disposal of interest in a subsidiary	(5,158)	—
Gain on derecognition of the payables without further payment obligations	6,946	—
Others (Note)	(24,051)	8,369
	<u>3,140</u>	<u>30,413</u>

Note: The majority of this amount was a loss from a litigation claim. During the year ended 31 December 2021, a subsidiary of the Group was sued by a third party supplier. The court has made judgement in favor of the supplier. Up to the date of issuing these financial statements, the related compensation expenses have been fully paid off by the Group.

7 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank loans and other borrowings	159,585	205,550
Finance charges on convertible bonds (Notes 12)	21	5,717
(Gain)/loss incurred from the redemption of convertible bonds	(817)	2,325
Interest on lease liabilities	4,659	4,733
Bank charges and other finance costs	87,389	54,543
	<hr/>	<hr/>
Total borrowing costs	250,837	272,868
Less: amounts capitalised into property, plant and equipment*	(35,861)	(9,058)
	<hr/>	<hr/>
Net borrowing costs	214,976	263,810
Changes in fair value on the derivative components of convertible bonds (Notes 12)	–	(490)
Net foreign exchange losses	17,826	354
	<hr/>	<hr/>
	232,802	263,674
	<hr/>	<hr/>

* The borrowing costs have been capitalised at 5.70% per annum for the year ended 31 December 2021 (2020: 5.53% per annum).

(b) **Staff costs:**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	403,734	322,881
Contributions to defined contribution retirement plans	<u>30,486</u>	<u>8,142</u>
	<u>434,220</u>	<u>331,023</u>

(c) **Other operating expenses**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses on property, plant and equipment	<u>13,440</u>	<u>11,673</u>

(d) **Other items:**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories #	3,326,429	2,416,873
Auditors' remuneration	7,380	6,980
Depreciation and amortisation charge #		
– property, plant and equipment and intangible assets	313,599	256,113
– investment property	1,223	1,152
– right-of-use assets	22,944	25,413
Research and development costs (other than capitalised costs and related amortisation)	<u>14,811</u>	<u>1,810</u>

Cost of inventories includes RMB552.2 million (2020: RMB421.5 million) for the year ended 31 December 2021, relating to staff costs, research and development 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current taxation		
– Provision for the year	220,295	64,847
– Under/(over)-provision in respect of prior years	7	(67)
	220,302	64,780
Deferred taxation		
– Origination and reversal of temporary differences	46,945	38,853
	267,247	103,633

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before taxation	1,069,194	5,155
Expected tax on profit before tax,calculated at the rates applicable to profits in the tax jurisdictions concerned (Notes (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii))	281,175	7,951
Tax effect of non-deductible expenses	13,843	15,877
Tax effect of unused tax losses and temporary differences not recognised	(1,354)	21,390
Derecognition of tax losses previously recognised	19,740	66,192
Tax concessions (Notes (v) and (ix))	(46,164)	(5,074)
Tax effect on change of tax rate	–	(2,636)
Under/(over)-provision in respect of prior years	7	(67)
Income tax	267,247	103,633

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% (2020: 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% (2020: 25%).
- (iv) The subsidiaries of the Group established in Nigeria are subject to Nigeria Corporate Income Tax rate of 30% (2020: 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 Italy is subject to Italy Corporate Income Tax rate of 27.9% (2020: 27.9%).
- (vii) A subsidiary of the Group established in Turkey is subject to Turkey Corporate Income Tax rate of 20% (2020: 20%).
- (viii) A subsidiary of the Group established in the Republic of the Union of Myanmar is subject to Myanmar Corporate Income Tax rate of 25% (2020: 25%).
- (ix) A subsidiary established in the PRC entitles an additional tax deductible allowance amounted to 100% of the qualified research and development costs incurred in the PRC by this subsidiary for the year ended 31 December 2021.

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the year ended 31 December 2021 is based on the profit attributable to ordinary equity shareholders of the Company of RMB736,359,000 (2020: loss attributable to ordinary equity shareholders of the Company of RMB84,713,000) and the weighted average of 1,664,409,000 ordinary shares (2020: 1,670,907,000 ordinary shares) in issue during the year ended 31 December 2021, calculated as follows:

Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares at 1 January	1,658,147	1,694,527
Effect of share options exercised	6,262	–
Effect of shares purchased under a share award scheme (Note 13(b))	–	(23,620)
Weighted average number of ordinary shares at 31 December	<u>1,664,409</u>	<u>1,670,907</u>

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2021 is based on the profit attributable to ordinary equity shareholders of the Company (diluted) of RMB735,563,000 and the weighted average number of ordinary shares (diluted) of 1,667,234,000.

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

	2021
	<i>RMB '000</i>
Profit attributable to ordinary equity shareholders	736,359
After tax effect of effective interest on the liability component of convertible bonds	21
After tax effect of net gain on redemption of convertible bonds	<u>(817)</u>
Profit attributable to ordinary equity shareholders (diluted)	<u><u>735,563</u></u>

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

	2021
	<i>'000</i>
Weighted average number of ordinary shares at 31 December	1,664,409
Effect of conversion of convertible bonds (Note 12)	83
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 13(a))	<u>2,742</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,667,234</u></u>

There were no dilutive potential ordinary shares for the year ended 31 December 2020. The Group's convertible bonds (see Note 12) were not included in the calculation of dilutive earnings per share for the year ended 31 December 2020 because they were anti-dilutive.

10 TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables from:		
– third parties	211,804	182,198
– Triumph Group's related parties	1,610	6,677
– affiliates of non-controlling equity holders of subsidiaries	15,069	15,069
	<u>228,483</u>	<u>203,944</u>
Less: loss allowance	<u>(126,807)</u>	<u>(140,516)</u>
Financial assets measured at amortised cost	101,676	63,428
Bills receivable	<u>92,568</u>	<u>264,422</u>
	<u><u>194,244</u></u>	<u><u>327,850</u></u>

All of the trade receivables are expected to be recovered within one year.

(a) Ageing analysis

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	118,000	63,859
More than 1 month but less than 3 months	39,374	103,557
More than 3 months but less than 6 months	21,054	116,284
More than 6 months but less than 1 year	10,720	32,698
Over 1 year	5,096	11,452
	<u><u>194,244</u></u>	<u><u>327,850</u></u>

11 TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables to:		
– third parties	365,966	323,716
– Triumph Group's related parties	606	258,563
– affiliates of non-controlling equity owners of subsidiaries	–	599
Bills payable	<u>95,500</u>	<u>83,785</u>
	<u>462,072</u>	<u>666,663</u>

Trade and bills payables with the following ageing analysis (based on the maturity date) as of the end of the reporting period:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Due within 1 month or on demand	407,572	351,280
Due after 1 month but within 6 months	39,500	183,379
Due after 6 months	<u>15,000</u>	<u>132,004</u>
	<u>462,072</u>	<u>666,663</u>

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

12 CONVERTIBLE BONDS

	Liability component RMB'000	Derivative components RMB'000	Total RMB'000
At 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)
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	16,314	1,041	17,355
Accrued finance charges for the year (Note 7(a))	21	–	21
Interest paid	(205)	–	(205)
Redemption of convertible bonds	(16,125)	(1,037)	(17,162)
Exchange adjustments	(5)	(4)	(9)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	–	–	–

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. As at 31 December 2021, 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 2021 and 2020.

(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		<u>33,370,000</u>		

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

	2021		2020	
	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	30,060	HK\$1.25	30,390
Exercised during the year	HK\$1.25	(20,141)	–	–
Forfeited during the year	HK\$1.25	(1,320)	HK\$1.25	(330)
Outstanding at the end of the year	HK\$1.25	<u>8,599</u>	HK\$1.25	<u>30,060</u>
Exercisable at the end of the year	HK\$1.25	<u>8,599</u>	HK\$1.25	<u>30,060</u>

The share options outstanding at 31 December 2021 had an exercise price of HK\$1.25 (31 December 2020: HK\$1.25) and a weighted average remaining contractual life of 0.36 years (31 December 2020: 1.36 years).

- (iii) Shares issued under share option scheme

During the year ended 31 December 2021, share options were exercised to subscribe for 20,141,200 ordinary shares in the Company at a consideration of HK\$25,176,500, of which HK\$1,007,060 was credited to share capital and the remaining balance of HK\$24,169,440 was credited to the share premium account. HK\$11,552,000 has been transferred from the capital reserve to the share premium account.

(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.

On 8 December 2021, the directors of the Company extend the term of the Share Award Scheme (the “Extension”).

The Share Award Scheme came into effect on the Adoption Date, and shall terminate on the earlier of (i) the twentieth anniversary date of the Adoption Date (the tenth anniversary date of the Adoption Date before the Extension); 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 2020		115,620	64,253
Shares purchased during the year	0.401	<u>36,380</u>	<u>11,436</u>
At 31 December 2020, 1 January 2021 and 31 December 2021		<u><u>152,000</u></u>	<u><u>75,689</u></u>

During year 2021, no ordinary shares were purchased for the Share Award Scheme (2020: 36,380,000 ordinary shares were purchased for the Share Award Scheme with an average purchase price of HK\$0.401 per share). No shares have been awarded to any selected employee as at the date of these financial statements.

14 CAPITAL AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends/distributions

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

The directors of the Company have proposed a final dividend after the year end of HK\$0.05 per share (2020: HK\$Nil) or approximately RMB74.8 million (2020: RMBNil), based on the existing 1,830,288,258 ordinary shares in issue as at 31 December 2021. The aggregate amounts to be paid to shareholders will be determined based on the number of ordinary shares as at the record date for determination of entitlement to the dividend.

- (ii) No final dividend in respect of the previous financial year has been approved during the year (2020: HK\$Nil).

- (iii) Distributions approved and paid during the year

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interim distributions approved and paid of HK\$0.05 per ordinary share (2020: HK\$Nil per ordinary share)	<u><u>75,451</u></u>	<u><u>—</u></u>

(b) Share capital

Authorised and issued share capital

	2021		2020	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:				
At 1 January and 31 December, at HK\$0.05 each	<u><u>3,600,000,000</u></u>	<u><u>180,000</u></u>	<u><u>3,600,000,000</u></u>	<u><u>180,000</u></u>
	2021		2020	
	<i>No. of shares</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:				
At 1 January	1,810,147,058	84,867	1,810,147,058	84,867
Shares issued under share option scheme (Note 13(a)(ii))	<u>20,141,200</u>	<u>836</u>	<u>—</u>	<u>—</u>
At 31 December	<u><u>1,830,288,258</u></u>	<u><u>85,703</u></u>	<u><u>1,810,147,058</u></u>	<u><u>84,867</u></u>

15 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Fujian Longtai Industries Company Limited

On 6 May 2021, China Glass Investment Limited* (“中玻投資有限公司”, the “Purchaser”), a PRC subsidiary of the Group, entered into an equity transfer agreement with Fujian Longtai Jiahao Investment Company Limited* (“福建龍泰嘉豪投資有限公司”, “Fujian Jiahao”, the “Seller”), an independent third party, pursuant to which the Purchaser agreed to acquire 55% equity interests in Fujian Longtai Industries Company Limited* (“福建龍泰實業有限公司”) (“Fujian Longtai”) and its subsidiary (collectively referred to as the “Fujian Longtai Group”) from Fujian Jiahao with a total consideration of RMB444,180,000, being the sum of: (i) the consideration to be satisfied by way of cash by the Purchaser to the Seller of RMB262,470,000; and (ii) deemed consideration to the Seller of RMB181,710,000, which was calculated based on the capital injection of the Purchaser to the Fujian Longtai Group of RMB403,800,000 multiplied by the percentage of equity interest retained by the Seller of 45% after the acquisition. The deemed consideration was also regarded as deemed capital injection from Fujian Jiahao to Fujian Longtai.

The Fujian Longtai was incorporated in the PRC on 6 June 2013 as a limited liability company under the laws of the PRC. The Fujian Longtai Group are principally engaged in the production, marketing and distribution of glass and glass products, the development of glass production technology and mining, production and sale of minerals.

Upon completion of the above acquisition on 16 July 2021, the Group recorded a goodwill of RMB36.9 million, which is calculated as below:

	<i>RMB'000</i>
Fair value of identifiable net assets acquired (Note (i))	740,445
Less: non-controlling interests, based on their proportionate interest of 45% in the recognised amounts of the identifiable assets acquired and liabilities assumed	<div style="border-top: 1px solid black;">333,200</div>
	<div style="border-top: 1px solid black; border-bottom: 1px dashed black;">407,245</div>
Satisfied by:	
Cash consideration (Note (ii))	262,470
Deemed consideration to the Seller	
– capital injection to the Fujian Longtai Group	403,800
– less: equity interests (55%) owned by the Group	(222,090)
Total consideration	<div style="border-top: 1px solid black; border-bottom: 3px double black;">444,180</div>
Goodwill (Note (vi))	<div style="border-top: 1px solid black; border-bottom: 3px double black;">36,935</div>

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

Notes:

- (i) Fair value of identifiable assets acquired and liabilities assumed at 16 July 2021:

	Fair value of net identifiable assets acquired <i>RMB'000</i>
Property, plant and equipment	1,085,315
Right-of-use assets	184,816
Deferred tax assets	2,279
Other non-current assets	14,987
Trade receivables	2,000
Other receivables*	119,015
Prepayments	1,499
Inventories	19,382
Cash on hand and at bank	36,356
Trade payables	(36,744)
Accrued charges and other payables	(117,599)
Bank loans and other borrowings	(341,753)
Contract liabilities	(17,709)
Lease liabilities	(72,940)
Income tax payable	(38,218)
Deferred tax liabilities	(100,241)
	<u>740,445</u>

* *The other receivables comprise gross contracted amount of RMB70.0 million, no provision for credit loss has been made at the acquisition date.*

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

- (ii) As at 31 December 2021, an amount of RMB133.7 million of the cash consideration has not been paid to the Seller. Up to the date of issue of this annual results announcement, the remaining consideration has been paid up.
- (iii) From the date of the above acquisition to 31 December 2021, the above acquisition contributed revenue of RMB246.4 million and net profit of RMB10.3 million to the Group for the year ended 31 December 2021. Had the above acquisition been completed on 1 January 2021, the directors of the Company estimated the contributed revenue and net loss for the year ended 31 December 2021 would have been RMB307.3 million and RMB4.1 million, respectively.

(iv) Net cash outflow arising on acquisition

	<i>RMB'000</i>
Cash consideration	262,470
Less: cash consideration that had not been paid to the seller as at 31 December 2021	133,741
cash on hand and at bank acquired	<u>36,356</u>
Total net cash outflow	<u><u>92,373</u></u>

(v) Acquisition-related costs

The Group incurred acquisition-related costs of RMB1,959,000 relating to external legal fees, due diligence costs, valuation and audit costs. These costs have been included in “Administrative expenses” in the consolidated statements of profit or loss during the year ended 31 December 2021.

(vi) Goodwill

The goodwill is attributable mainly to the synergies expected to be achieved through the integration of industry chain and resources, diversified development expected to be achieved and enhancement of the Group’s presence in south-eastern China. None of the goodwill recognised is expected to be deductible for tax purposes.

(b) Acquisition of King Charm Development Limited (“King Charm”)

On 8 November 2021, the Group entered into an equity transfer agreement with Belt and Road Glass Industry Integration Fund L.P. (“Belt and Road Fund”), pursuant to which the Group agreed to acquire 100% equity interest in King Charm from Belt and Road Fund. King Charm is a holding company who owns 100% equity interest of Orda Glass Limited (“Orda”), an entity located in Kazakhstan whose principal activities are production, marketing and distribution of glass and glass products. Up to the date of issue of this annual results announcement, the glass production line of Orda is still under construction.

On 28 December 2021, the date of the acquisition, the underlying set of assets acquired and liabilities assumed were not integrated in forming a business to generate revenues since the production line of Orda was still under construction and Orda did not have any production staffs. As such, the directors are of the opinion that the acquisition is a purchase of a group of assets and liabilities which does not constitute a business for accounting purposes.

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) Impacts from Covid-19 pandemic and heightened geopolitical tensions

The Covid-19 pandemic since early 2020 and the heightened geopolitical tensions arising from recent events continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the gradual easing of the original Covid-19 pandemic in Mainland China, various travel restrictions and preventive measures are still in place to avoid wide-spread of the Covid-19 variants. In addition, the heightened geopolitical tensions arising from recent events across the globe brings additional uncertainties to world economies as these events developed. Accordingly, the Group continues to closely monitor these possible impacts have on the Group's businesses and keep contingency measures in place and under review. 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 situation evolves.

As far as the Group's businesses are concerned, the directors of the Company are optimistic that the Covid-19 related preventive measures and heightened geopolitical tensions will not have any significant effect to the Group, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from this event.

- (ii) On 30 March 2022, the directors of the Company have proposed a final dividend. Further details are disclosed in Note 14(a).

17 COMPARATIVE FIGURES

To clearly present the statement of financial position, certain comparative figures have been adjusted to conform to current year's presentation. See Notes 10 and 11.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2021, affected by the repeated outbreaks of COVID-19 worldwide, mismatches between supply and demand, and the fiscal and monetary policies of major economies, the world economy recovered slowly amid fluctuations. Facing the complex and severe international situation, the Chinese government comprehensively coordinated pandemic prevention and control and economic and social development. In 2021, the domestic GDP increased by 8.1% year on year, ranking among the top in the world in terms of economic growth rate¹.

In 2021, under the influence of the achievements in the supply-side structural reform of the flat glass industry as well as the national initiative of “peak carbon dioxide emissions, carbon neutrality” and management and control of energy and environmental, overcapacity in the industry was effectively alleviated and the industry structure was further optimized. In terms of architectural glass, the glass price continued to rise in the first three quarters due to the strong demand of the downstream real estate and fell in the fourth quarter as the real estate industry was under greater downward pressure. However, in light of the resilience in respect of project completion in the real estate industry, float glass price remained at a historically high level. In terms of pharmaceutical glass, driven by the widespread vaccination of COVID-19 vaccine and the policy of consistency evaluation, the replacement of domestic neutral borosilicate pharmaceutical glass has accelerated, indicating a larger market potential.

¹ The statistical data is derived from the website of the National Development and Reform Commission of the People’s Republic of China – 2021 Economic Growth Related Data

BUSINESS REVIEW

Overview

The Group currently has 14 float glass production lines, with a daily melting capacity of 7,400 tonnes per day. As at 31 December 2021, the Group had 13 float glass production lines in operation and a float glass production line in Kazakhstan was in the pre-production preparation stage. The Group also had 1 offline low-emission coated (“**Low-E**”) glass production line, 1 production line for ultra-thin photovoltaic encapsulation material for double glass modules, and a company specialized in engineering equipment and technical services for neutral pharmaceutical glass production lines.

Production, sales and selling price

In 2021, the Group produced an aggregate amount of 40.93 million weight cases of various glass, representing an increase of 15% as compared to last year; whereas sales volume was 39.40 million weight cases, representing an increase of 8% as compared to last year. The average selling price of the Group’s various glass products was RMB123 per weight case in 2021, representing an increase of 49% as compared to last year.

Prices of raw and fuel materials, and production costs

In terms of raw materials, in 2021, affected by the demand expansion in the glass market, the domestic soda ash prices continued to increase, with a price fall at the end of the year. In respect of mineral raw materials, due to the factors including national environmental protection and safety supervision and “double controls of energy consumption”, the overall domestic market of mineral resources (especially quartz sand) was in short supply, which pushed up the prices.

In terms of fuel, in 2021, as a result of the global pandemic, inflation and the domestic policy of “double controls of energy consumption”, the market prices of major fuels such as fuel oil, natural gas, imported low-sulfur shot petroleum coke, and coal rose as a whole. In particular, the prices of natural gas and coal dropped at the end of the year because of national regulation.

MAJOR WORKS IN 2021

1. **Focusing on the float glass industry to improve operating performance and further implementing and deepening the “three major strategies”**

In terms of “organic growth”, we enhanced product quality and optimized cost structure; increased production capacity and at the same time pay attention to production safety; and accelerated the construction of new energy projects to promote the diversified development of products. In terms of “M&A growth”, we completed the acquisition of Fujian Longtai project according to the Group’s strategic deployment, to expand the scale and layout of production capacity. In terms of “going global”, overseas projects were in stable production and operation. In particular, the project in Italy achieved rapid business expansion of the neutral borosilicate pharmaceutical glass segment, the operating efficiency of the project in Nigeria was significantly better than the domestic average and the completion of acquisition of the entire equity interests in the project in Kazakhstan, laying a foundation for full production in 2022.

2. **Promoting management system reform and deepening “five-in-one” management**

We further optimized the management mechanism under a dedicated committee of the Group and deepened the “five-in-one” business management model covering “production, marketing, procurement, finance and investment” to coordinate the Group’s human, capital, technology, information resources, etc. in an all-round way so as to maximize resource utilization.

3. **Adhering to technology innovation and continuously expanding into new glass, new materials and new energy fields**

In line with the national low-carbon, green, energy-saving and environmental protection development concept, we leveraged internal and external technology development platforms to promote the unified and collaborative management of the Group’s production technologies, strengthen product technical differentiation, and accelerate conversion between old and new production capacity to facilitate green and sustainable development.

In 2021, the project of “A Complete Set of Technologies and Applications for Efficient Preparation of Float Online Oxide Series Functional Films” of the Company won the second prize of National Technology Invention Award. This technology solves the problem of interference of forming in the preparation of coated glass in a tin bath, breaks the international inherent understanding, and forms a complete technical system with independent intellectual property rights of the Company. It is a major breakthrough in the industrialization technology and key equipment of functional coated glass in the PRC. The Company promoted and applied this technology in various production bases to further improve the quantity and quality of online energy-saving coated glass products.

4. Capturing market opportunities and adjusting procurement and marketing strategies in a timely manner

In terms of procurement management, we reduced purchasing costs of raw and fuel materials by means of centralized purchasing, off-peak purchasing and opportunistic purchasing. We got aware of market dynamics through overall planning, field survey, intelligent monitoring, dynamic management, etc., to ensure the stability of raw and fuel materials supply and production safety.

In respect of marketing management, we strengthened the ability of product market analysis and judgment, adjusted marketing strategy in a timely manner, and optimized inventory structure, to improve marketing management in an all-round way and cope with market fluctuation risks. Meanwhile, we improved the dynamic customer contract management system and strengthened measures including sales channel development, customer satisfaction surveys, etc., to balance and coordinate customer channel relationships and promote the improvement of customer resource quality.

5. Building “CNG” brand and enhancing capital market management

Aiming to build “CNG” brand in all aspects, internally, it is required to penetrate the brand building into personal work; externally, we enhanced capital market management and actively utilized investor relationships and media resources, to convey information on the major development strategies and investment projects of the Company in a timely manner and to enhance the Company’s exposure and visibility.

IMPACT OF COVID-19 PANDEMIC AND COUNTERMEASURES

In 2021, although the domestic pandemic was under effective control, there may still be shock caused by the scattered outbreaks in the PRC and the overseas pandemic situation posed severe challenges. The Group struck to make good efforts on pandemic prevention and closely monitored the impact of the pandemic on the domestic and overseas glass markets, flexibly adjusted its marketing strategy based on real-time tracking of the import and export channels and personnel entry and exit policies and coordinated domestic and overseas production and operation, supply chain transportation and safe working environment for employees to maximize the optimal allocation of resources and deal with emergencies caused by the pandemic.

At the end of 2021, in light of the outbreak of COVID-19 in Xi’an, Shaanxi, the epidemic prevention leading group of Shaanxi Base attached great importance to it and acted quickly to solve the problems of closed-off management and employee rotation and placement in the plant in a planned way. The raw and fuel materials and various medical and living materials stored in advance guaranteed the health and safety of employees and maintained stable production.

MARKET OUTLOOK

The International Monetary Fund predicts that the world economy will grow at a slow rate of 4.4% in 2022 and the global economic recovery will continue to show a diverging trend². The current boom of the float glass industry is expected to continue in 2022. On the supply side, given the limited increase in production capacity due to the national production capacity constraints and policies on environmental protection and energy consumption, as well as centralized cold repair of production lines, etc., the supply side is expected to continue to shrink. On the demand side, there will still be resilience in respect of project completion and stable rigid demand in the real estate industry; pharmaceutical glass, new energy glass, new energy automotive glass and energy-saving building glass will be the major growth drivers for the domestic glass industry. It is expected that supply and demand will remain in a tight balance in 2022, with glass price growth drivers continue to exist. However, the mutation of COVID-19, regional conflicts, international trade disputes, anti-globalization trend, below expectations performance in domestic real estate investment and completion, the drastic price fluctuations of raw and fuel materials in the post-COVID-19 era will bring some uncertainties to the development of the entire glass industry.

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

In terms of raw materials, it is expected that in 2022, as a result of the robust demand for downstream glass products, the domestic price of soda ash may stay at a high level. It is expected that the prices of silica sand and other mineral raw materials are on an upward trend as the supply of raw ore decreases and demand exceeds supply due to the impact of the strict control by national environmental protection and safety policies.

In terms of fuels, the prices of fuel oil, natural gas and petroleum coke are affected by the factors of international situation, global inflation, crude oil market, etc. It is expected that the market will fluctuate greatly in 2022, and the average price may be higher than that in 2021; as coal prices are regulated by national policies, the market is expected to be relatively stable compared to last year.

² The statistical data is derived from the website of the International Monetary Fund – 2022 World Economic Outlook

WORK PLANS FOR 2022

Centering on improving performance, the Group will continue to focus on the principal float glass business and continuously expand the fields of new glass, new materials and new energy, to extend the upstream and downstream industry chain and achieve new breakthroughs in its development; the Company will adhere to the long-term development strategy of “organic growth, M&A growth and going global”, and combine it with the strategic layout of major shareholders to build a leading manufacturer of high-quality float and special glass in the industry:

1. We will continue to strengthen the management functions of departments and deepen “five in one” system management, to leverage the advantages of collaborative management between systems;
2. We will implement the management philosophies of “benchmarking management” and “streamlining organization, management and operation” and improve system construction, to standardize the operation and management of the Group, reduce companies that are not profitable, and reduce operating costs.
3. We will further improve the salary increment mechanism and performance appraisal system and promote the formulation and implementation of equity-based incentive plan, to boost employees’ happiness; we will place importance on the construction of corporate culture, enhance the centripetal force and cohesion of employees; and intensify the introduction and training of talents, to lay a solid foundation for the long-term and stable development of the Company.
4. We will emphasize capital market management and promote the healthy development of the Company’s market value.
5. We will continue to strengthen compliance management to prevent and resolve operational risks.
6. We will promote the implementation of the “going global” development strategy, to enhance the contribution of overseas companies.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 60% from RMB3.159 billion for the year ended 31 December 2020 to RMB5.065 billion for the year ended 31 December 2021. The increase in revenue was mainly attributable to the combined effect of an increase of 49% 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 8% compared to last year.

In particular, clear glass products contributed RMB2.688 billion, painted glass products contributed RMB640 million, coated glass products contributed RMB1.048 billion and energy saving and new energy glass contributed RMB472 million, representing an increase of 97%, 44%, 29% and 17% as compared to 2020, respectively.

Cost of sales

The Group's cost of sales increased by approximately 38% from RMB2.420 billion for the year ended 31 December 2020 to RMB3.331 billion for the year ended 31 December 2021. This was mainly attributable to the combined effect of an increase in sales volume and market price of raw and fuel materials.

Gross profit

The Group's gross profit increased from RMB739 million for the year ended 31 December 2020 to RMB1.734 billion for the year ended 31 December 2021. Gross profit margin increased from 23% in 2020 to 34% in 2021, mainly attributable to the combined effect of an increase in the average selling price of glass products and an increase in the unit cost of raw and fuel materials.

Other income

The Group's other income decreased from RMB30 million for the year ended 31 December 2020 to RMB3 million for the year ended 31 December 2021.

Administrative expenses

For the year ended 31 December 2021, the administrative expenses of the Group increased by 17% to RMB338 million as compared to RMB288 million for the year ended 31 December 2020, mainly due to an increase in the number of employees during the year and the per capita wage level of the Group.

Impairment losses on the receivables and contract assets

For the year ended 31 December 2021, the impairment losses on the receivables and contract assets of the Group decreased significantly to approximately RMB0.6 million as compared to RMB123 million for the year ended 31 December 2020, which was mainly due to that the Group further strengthened the management of accounts receivable, which improved the Group's payment collection ability.

Finance costs

For the year ended 31 December 2021, the finance costs of the Group decreased by 12% to RMB233 million as compared to RMB264 million for the year ended 31 December 2020, which was mainly due to a decrease in interests on bank loans and other borrowings. The weighted average interest of borrowings decreased by 1 percentage point compared with the same period of last year.

Income tax

For the year ended 31 December 2021, the Group's income tax increased to RMB267 million as compared to RMB104 million for the year ended 31 December 2020, mainly due to an increase in profit before taxation for the year.

Profit for the year

For the year ended 31 December 2021, the Group recorded a profit of RMB802 million, representing a significant increase as compared to the loss of approximately RMB98.48 million for 2020, mainly due to that: (1) as a result of the overall strong performance of the glass market, the Group's average selling price, sales volume and the gross profit margin increased; (2) the increase in the Group's effective production capacity promoted the growth of economies of scale; and (3) the optimization and improvement of the Group's internal management level resulted in that the aggregated percentage growth of various costs and expenses of the Group was lower than the percentage growth of revenue, the Group's profitability increased significantly.

Current assets

The Group's current assets increased by approximately 15% from RMB2.151 billion as at 31 December 2020 to RMB2.478 billion as at 31 December 2021, which was mainly due to the combined effect of an increase in inventories and prepayments and a decrease in trade receivables.

Current liabilities

The Group's current liabilities increased by approximately 54% from RMB3.753 billion as at 31 December 2020 to RMB5.766 billion as at 31 December 2021, which was mainly due to an increase in accrued charges and other payables, short-term bank loans and other borrowings.

Non-current liabilities

The Group's non-current liabilities slightly decreased by approximately 3% from RMB1.281 billion as at 31 December 2020 to RMB1.237 billion as at 31 December 2021, mainly due to the combined effect of a decrease in long-term bank loans and other borrowings and an increase in deferred tax liabilities.

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

As at 31 December 2021, the Group's cash on hand and at bank were RMB693 million (31 December 2020: RMB806 million), of which 37% (31 December 2020: 81%) were denominated in RMB, 9% (31 December 2020: 6%) were denominated in United States Dollars ("USD"), 24% (31 December 2020: 6%) were denominated in Euro ("EUR"), 27% (31 December 2020: 6%) were denominated in Nigerian Naira, 2% (31 December 2020: 0%) were denominated in Kazakhstan Tenge and 1% (31 December 2020: 1%) were denominated in Hong Kong dollars ("HKD"). Outstanding bank loans and other borrowings were RMB4.843 billion (31 December 2020: RMB3.440 billion), of which 68.7% (31 December 2020: 56.8%) were denominated in RMB, 26.4% (31 December 2020: 36.1%) were denominated in USD, 4.5% (31 December 2020: 6.5%) were denominated in HKD and 0.4% (31 December 2020: 0.6%) were denominated in EUR. As at 31 December 2021, 80% (31 December 2020: 62%) of the outstanding bank loans and other borrowings bear interest at fixed rates while approximately 20% (31 December 2020: 38%) bear interest at variable rates.

As at 31 December 2021, the gearing ratio (total interest-bearing debts divided by total assets) was 0.48 (31 December 2020: 0.49). As at 31 December 2021, the Group's current ratio (current assets divided by current liabilities) was 0.43 (31 December 2020: 0.57). The Group recorded net current liabilities amounting to RMB3.288 billion as at 31 December 2021 (31 December 2020: RMB1.602 billion). The assets-liabilities ratio (total liabilities divided by total assets) of the Group was 0.67 as at 31 December 2021 (31 December 2020: 0.70).

CHARGED ASSETS

As at 31 December 2021, certain properties, plants and equipment and construction in progress and inventories and land use rights of the Group with a carrying amount of approximately RMB569 million (31 December 2020: RMB763 million), and certain trade and bills receivables of the Group with a carrying amount of approximately RMB40 million (31 December 2020: RMB110 million) were pledged against certain bank loans with a total amount of approximately RMB397 million (2020: RMB601 million).

CONTINGENT LIABILITIES

As at 31 December 2021, 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

On 6 May 2021, CNG Investment Company Limited* (中玻投資有限公司)(as the purchaser and an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with Fujian Longtai Jiahao Investment Company Limited* (福建龍泰嘉豪投資有限公司)(as the seller) for the acquisition of 55% equity interest in Fujian Longtai Industries Company Limited* (福建龍泰實業有限公司)(“**Fujian Longtai**”) at the total consideration of RMB444.18 million. The Equity Transfer Agreement was approved by the shareholders of the Company in the special general meeting held on 16 July 2021. The completion of the Equity Transfer Agreement took place on 16 July 2021 (the “**Completion**”) and Fujian Longtai had become a 55%-owned subsidiary of the Company following the Completion (the “**Fujian Longtai Acquisition**”). Further details of Fujian Longtai Acquisition are set out in Note 15(a) to the consolidated financial statements.

On 8 November 2021, CNG International Investment Limited (as the purchaser and a wholly-owned subsidiary of the Company) entered into the share purchase agreement (the “**Share Purchase Agreement**”) with Belt and Road Glass Industry Integration Fund L.P. (as the seller) for the acquisition of the entire equity interest in King Charm Development Limited (“**King Charm**”) at the consideration of US\$66.42 million (equivalent to approximately HK\$516.75 million). The completion of the Share Purchase Agreement took place on 28 December 2021 (the “**Completion**”) and King Charm had become a wholly-owned subsidiary of the Company following the Completion (the “**King Charm Acquisition**”). Further details of King Charm Acquisition are set out in Note 15(b) to the consolidated financial statements.

Save as disclosed, during the year ended 31 December 2021, 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.

HUMAN RESOURCES AND EMPLOYEES’ REMUNERATION

As at 31 December 2021, the Group employed a total of approximately 3,822 employees within and outside the PRC (31 December 2020: about 3,391 employees). The increase in the number of employees of the Group as at 31 December 2021 as compared to 31 December 2020 was due to the natural result of M&A growth and increased business.

The Group ensures that the remuneration 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 overseas participate in benefit schemes in line with local labor laws and regulations, respectively. Details of staff costs and pension schemes are set out in Note 7(b) to the financial statements.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.05 per share in respect of the financial year ended 31 December 2021 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 30 June 2022. The proposed 2021 final dividend will be paid on Wednesday, 20 July 2022 following approval at the 2022 annual general meeting of the Company (31 December 2020: Nil).

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.

EXCHANGE RATE RISK AND RELATED HEDGING

The Group's transactions and monetary assets were primarily denominated in RMB, HKD, EUR, USD and Nigerian Naira. Operating expenses and domestic sales of the Group's PRC subsidiaries were primarily denominated in RMB, operating expenses and sales of a subsidiary incorporated in Nigeria were primarily denominated in Nigerian Naira, and certain borrowings of the Group were denominated in USD. The Group was of the opinion that the future fluctuation of monetary assets would be closely associated with the development of the local economy. The Group's net assets, profits and dividends may be affected by the fluctuation of the exchange rate of RMB, USD, EUR and Nigerian Naira.

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 15% of the Group's total sales for the year; and 42% of the Group's purchases were attributable to the Group's five largest suppliers with the largest supplier accounted for 21% of the Group's total purchases for the year.

For the year ended 31 December 2021, 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 2021, save for a total of 1,320,000 share options that have lapsed and 20,141,200 share options have been exercised 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. The Share Award Scheme was originally set to expire on 12 December 2021.

On 8 December 2021, the Board resolved to extend the term of the Share Award Scheme for another 10 years expiring on 12 December 2031, subject to any early termination as may be determined by the Board by a resolution of the Board (the “**Extension**”). Save as the aforesaid, all other material terms of the Share Award Scheme remain unchanged and valid. The Share Award Scheme (as extended under the Extension) does not constitute a share option scheme pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

During the year ended 31 December 2021, 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 2021, 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 2021, the Company had issued 20,141,200 ordinary shares of par value HK\$0.05 each in the issued share capital of the Company. Details of the movements in share capital of the Company during the year ended 31 December 2021 are set out in Note 14(b) to the consolidated financial statements.

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 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 Board, comprising Mr. Chen Huachen as chairman as well as Mr. Peng Shou, Mr. Zhang Baiheng and Mr. Wang Yuzhong 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 2021.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2021 (the “**Annual Results Announcement**”) have been agreed by the external auditors of the Company, KPMG, Certified Public Accountants, 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 and consequently no opinion or assurance conclusion 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 2021, 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 provision A.2.7.

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 2021, save as certain Directors abstained from voting on the resolutions of the Board approving the connected transactions and continuing 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.

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 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the “**2022 AGM**”) will be held on Thursday, 23 June 2022 and the notice of 2022 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, 20 June 2022 to Thursday, 23 June 2022, both days inclusive, for the purpose of ascertaining Shareholders’ entitlement to attend and vote at the 2022 AGM which is scheduled on Thursday, 23 June 2022. In order to be eligible to attend and vote at the 2022 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, 17 June 2022.

The final dividend is payable to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 30 June 2022, being the record date for determination of entitlement to the final dividend. In order to qualify for the proposed final dividend, 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 Thursday, 30 June 2022.

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 2021 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
Lyu Guo
Executive Director

Hong Kong, 30 March 2022

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

Executive Director:

Mr. Lyu Guo

Non-executive Directors:

Mr. Peng Shou (*Chairman*); Mr. Zhao John Huan; and Mr. Zhang Jinshu

Independent Non-executive Directors:

Mr. Zhang Baiheng; Mr. Wang Yuzhong; and Mr. Chen Huachen